

# ZHICHENG TECHNOLOGY GROUP LTD.

(Incorporated in the Cayman Islands with limited liability)

**STOCK CODE : 8511**

# SHARE OFFER

**Sole Sponsor**

**RaffAello**  
CAPITAL LIMITED

**Sole Bookrunner and Sole Lead Manager**

**RaffAello**  
Securities (HK) Ltd

# IMPORTANT

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

## ZHICHENG TECHNOLOGY GROUP LTD.

*(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 : 100,000,000 Shares**  
**Number of Placing Shares : 90,000,000 Shares (subject to re-allocation)**  
**Number of Public Offer Shares : 10,000,000 Shares (subject to re-allocation)**  
**Maximum Offer Price : HK\$0.85 per Offer Share and expected to be not less than HK\$0.55 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full upon application and subject to refund)**  
**Nominal Value : US\$0.0001 per Share**  
**Stock Code : 8511**

**Sole Sponsor**



**Sole Bookrunner and Sole Lead Manager**



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

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

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

The Offer Price is expected to be fixed by agreement between the Company and the Sole Bookrunner (for themselves and on behalf of the Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on or about Tuesday, 10 April 2018 and, in any event, unless otherwise announced, not later than Wednesday, 18 April 2018. The Offer Price will be no more than HK\$0.85 and is currently expected to be no less than HK\$0.55 unless otherwise announced. Investors applying for the Public Offer Shares must pay, on application, the maximum Offer Price of HK\$0.85 for each Offer Share together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK\$0.85.

The Sole Lead Manager (for itself and on behalf of the Underwriters) may, where considered appropriate, reduce the number of Offer Shares being offered under the Share Offer or the indicative offer price range below that which is stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, an announcement will be published on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company at [www.ztecgroupp.com](http://www.ztecgroupp.com) not later than the morning of the day which is the last day for lodging applications under the Public Offer. For further information, see the sections headed "Structure and Conditions of the Share Offer" and "How to Apply for Public Offer Shares" in this prospectus.

If, for any reason, the Offer Price is not agreed between the Sole Bookrunner (for itself and on behalf of the Underwriters) and us on or before Wednesday, 18 April 2018, the Share Offer will not proceed and will lapse.

The obligations of the Public Offer Underwriter 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 Bookrunner (for itself and on behalf of the Public Offer Underwriter) by notice in writing to us given by the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriter) if certain grounds arise prior to 8:00 a.m. on the day that trading in the Shares commences on the Stock Exchange. Such grounds are set out in the section headed "Underwriting — Underwriting Arrangements and Expenses — Public Offer Underwriting Agreement — Grounds for termination" in this prospectus. It is important that you refer to that section for further details. Should the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriter) terminate the obligations of the Public Offer Underwriter under the Public Offer Underwriting Agreements in accordance with the terms of the Underwriting Agreements, the Share Offer will not be proceed and will lapse.

The Offer Shares have not been, and will not be, registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States, and may not be offered or sold 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. The Offer Shares will be offered and sold only outside the United States in reliance on Regulation S.

29 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 website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) in order to obtain up-to-date information on companies listed on GEM.

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

Latest time to complete <b>electronic application instructions</b> under <b>White Form eIPO</b> service through the designated website at <a href="http://www.eipo.com.hk">www.eipo.com.hk</a> <sup>(2)</sup> .....	11:30 a.m. on Tuesday, 10 April 2018
Application lists for Public Offer open <sup>(3)</sup> .....	11:45 a.m. on Tuesday, 10 April 2018
Latest time to lodge <b>WHITE</b> and <b>YELLOW</b> Application Forms <sup>(4)</sup> and give <b>electronic application instructions</b> to HKSCC .....	12:00 noon on Tuesday, 10 April 2018
Latest time to complete payment of <b>White Form eIPO</b> applications by effecting internet banking transfer(s) or PPS payment transfer(s) .....	12:00 noon on Tuesday, 10 April 2018
Application lists for Public Offer close .....	12:00 noon on Tuesday, 10 April 2018
Expected Price Determination Date <sup>(5)</sup> on or about .....	Tuesday, 10 April 2018
Announcement of	
<ul style="list-style-type: none"><li>● the final Offer Price;</li><li>● the level of applications in the Public Offer;</li><li>● the level of indications of interest in the Placing; and</li><li>● the basis of allotment and the results of applications in the Public Offer, to be published on the websites of the Stock Exchange at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> and our Company at <a href="http://www.ztecgroup.com">www.ztecgroup.com</a> on or before .....</li></ul>	Thursday, 19 April 2018
Results of allocations of the Public Offer (including successful applicants' identification document numbers, where applicable) to be available through a variety of channels (see the section headed "How to Apply for Public Offer Shares — 11. Publication of Results" in this prospectus) from .....	Thursday, 19 April 2018
Results of allocations in the Public Offer will be available at <a href="http://www.iporesults.com.hk">www.iporesults.com.hk</a> (alternatively: English <a href="https://www.eipo.com.hk/en/Allotment">https://www.eipo.com.hk/en/Allotment</a> ; Chinese <a href="https://www.eipo.com.hk/zh-hk/Allotment">https://www.eipo.com.hk/zh-hk/Allotment</a> ) with a "search by ID" function from .....	Thursday, 19 April 2018
Dispatch of <b>White Form</b> e-Refund payment instructions/refund cheque(s) on or before <sup>(6)</sup> .....	Thursday, 19 April 2018
Dispatch/Collection of share certificates or deposit of the share certificates into CCASS on or before <sup>(6)</sup> .....	Thursday, 19 April 2018
Dealings in Shares on GEM expected to commence at .....	9:00 a.m. on Friday, 20 April 2018

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

*The application for the Public Offer Shares will commence on Thursday, 29 March 2018 through Tuesday, 10 April 2018, being longer than normal market practice of four days. The application monies (including the brokerages, SFC transaction levies and Stock Exchange trading fees) will be held by the receiving bank on behalf of the Company and the refund monies, if any, will be returned to the applicants without interest on Thursday, 19 April 2018. Investors should be aware that the dealings in the Shares on the Stock Exchange are expected to commence on Friday, 20 April 2018.*

### Notes:

- (1) All times and dates refer to Hong Kong local time and dates, except as otherwise stated. Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure and Conditions of the Share Offer” in this prospectus.
- (2) You will not be permitted to submit your application through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk) after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 10 April 2018, the application lists will not open on that day. Further information is set out in the section headed “How to Apply for Public Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists” in this prospectus.
- (4) If you apply by giving electronic application instructions to HKSCC via CCASS, you should refer to the section headed “How to Apply for Public Offer Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS” in this prospectus.
- (5) We expect to determine the Offer Price by agreement with the Sole Bookrunner (for itself and on behalf of the Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on or around Tuesday, 10 April 2018 and, in any event, not later than Wednesday, 18 April 2018. If, for any reason, the final Offer Price is not agreed between the Sole Bookrunner (for itself and on behalf of the Underwriters) and us by Wednesday, 18 April 2018, the Share Offer will not proceed and will lapse.
- (6) We will issue refund cheque(s) to you if your application is wholly or partially unsuccessful or if the Offer Price is less than the price per Offer Share payable on application. We will dispatch share certificates and refund cheque(s) by ordinary post to you at your own risk to the address you specified in your Application Form. If you have applied for 1,000,000 Offer Shares or more and have provided all information required in your Application Form, you may collect refund cheque(s) and/or share certificates from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 19 April 2018 or any other place and date we announce in the newspapers as the place and date of dispatch of share certificates/e-Refund payment instructions/refund cheque(s). If you are an individual applicant, you may not authorise any other person to collect on your behalf. If you are a corporate applicant, you must attend by your authorised representative with your letter of authorisation stamped with your corporate chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to Computershare Hong Kong Investor Services Limited. If you fail to collect within the time specified for collection, we will dispatch uncollected share certificates and refund cheque(s) by ordinary post at your own risk to the address specified in the relevant Application Forms. Further information is set out in the sections headed “How to Apply for Public Offer Shares — 13. Refund of Application Monies” and “How to Apply for Public Offer Shares — 14. Despatch/Collection of Shares Certificates and Refund Monies” in this prospectus.

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

Share certificates are expected to be issued on Thursday, 19 April 2018 but will only become valid certificates of title of the Shares if the Share Offer has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms before 8:00 a.m. on the Listing Date, which is expected to be Friday, 20 April 2018.

In the event of any change to the above expected timetable after the date of this prospectus, an announcement will be made on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.ztecgroupp.com](http://www.ztecgroupp.com) accordingly. For further details of the structure of the Share Offer, including its conditions and grounds for termination thereto, you should refer to the section headed "Structure and Conditions of the Share Offer" in this prospectus.

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*This prospectus is issued by our Company solely for the Share Offer and does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy 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 outside 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 Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from the information contained in this prospectus. Any information or representation not included in this prospectus must not be relied on by you as having been authorised by us, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, any of our or their respective directors, officers, employees, agents, affiliates or advisers or any other party involved in the Share Offer.*

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## SUMMARY

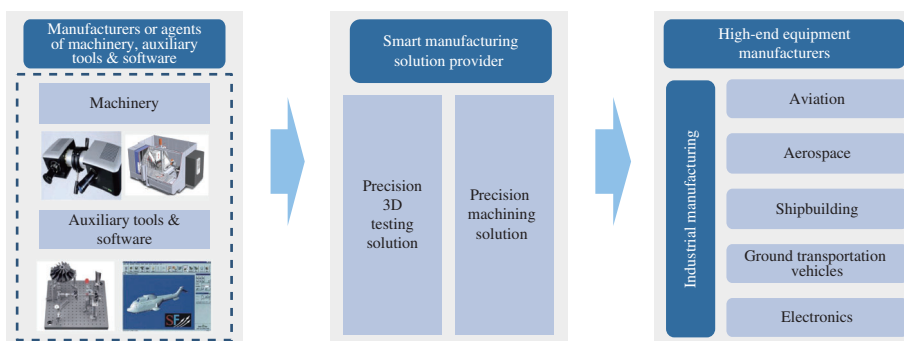
*This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read the whole prospectus including the appendices hereto, which constitute an integral part of this prospectus, before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.*

## OVERVIEW

We are a smart manufacturing solutions provider focusing on precision 3D testing solutions and precision machining solutions in China. We provide smart manufacturing solutions to serve the needs of high-end equipment manufacturers which require a high level of precision in the manufacture of their industrial products. Our solutions comprise and integrate various equipment and services, typically ranging from solution concept and design, procurement of machinery, auxiliary tools and software and system installation and debugging to provision of after-sales services such as technical support and training. According to Frost & Sullivan, in 2016, we were the second largest smart manufacturing solutions provider of industrial precision 3D testing solutions and precision machining solutions, in terms of revenue, in China with a market share of 4.6%. For further details, please refer to the section headed “Industry Overview” in this prospectus. We have 10 years of experience in providing smart manufacturing solutions in China and have sales and marketing presence in five different regions in China. Our headquarters are located in Guangzhou, complemented by an experienced technical support team based in Beijing.

### Our business model

As a smart manufacturing solutions provider, we focus on providing precision testing solutions and precision machining solutions in China. The following diagram illustrates our role within the precision testing solutions and precision machining solutions value chain:



## SUMMARY

Our major suppliers include machinery, auxiliary tools and software suppliers. We source these components from both international and local suppliers, which are delivered directly to our end customers' location. We do not maintain any production facilities. As part of the solution implementation process, we provide installation, debugging and examination services at the end-customers' site after the components have been delivered directly to our end-customers' site. Our end customers are primarily high-end equipment manufacturers in the aviation, aerospace, shipbuilding, ground transportation vehicles and electronics industries, which constitute the major industries in which precision 3D testing solutions and precision machining solutions are used in China.

### Our solutions

We provide our end customers with a one-stop solution designed to cover all that they need in their manufacturing process in terms of what, when, where and how to source the appropriate machinery, auxiliary tools and software. Our solutions are project based and are tailor made for each customer according to its technical requirements and commercial needs. The following table sets out certain descriptions of each type of smart manufacturing solution provided by us:

Solution type		Key hardware components	Main applications	Industries of end customers
Precision 3D testing solutions	Static	Non-contact 3D optical measurement system	Industrial processes for products that require precision control on static measurement: <ul style="list-style-type: none"> <li>● reverse modelling of automobile engine cooling fan</li> <li>● testing of complex or casting parts in the automobile, shipbuilding and aviation industries</li> <li>● rapid prototyping parts used in the automobile, shipbuilding and aviation industries</li> </ul>	<ul style="list-style-type: none"> <li>● Aviation</li> <li>● Aerospace</li> <li>● Shipbuilding</li> <li>● Electronics</li> </ul>
		Composite 3D measurement and analysis system	Industrial processes for products that require precision control on static measurement: <ul style="list-style-type: none"> <li>● measurement of engine injector</li> <li>● measurement of small gears</li> </ul>	<ul style="list-style-type: none"> <li>● Shipbuilding</li> </ul>
	Dynamic	Non-contact 3D deformation measurement and analysis system	Industrial processes for products that require precision control on motion measurement: <ul style="list-style-type: none"> <li>● analysis of collision testing</li> <li>● analysis of wind tunnel experiment</li> <li>● analysis of stretch testing for different materials and under different temperatures</li> </ul>	<ul style="list-style-type: none"> <li>● Ground transportation vehicles</li> </ul>
Precision machining solutions		Customised CNC machining centre	Industrial processes for products that require precision control on manufacturing: <ul style="list-style-type: none"> <li>● milling machine for complex processing of bar materials</li> <li>● processing of steam engine blades</li> <li>● processing of impeller for the shipbuilding industry</li> </ul>	<ul style="list-style-type: none"> <li>● Shipbuilding</li> <li>● Electronics</li> </ul>

## SUMMARY

The following table sets out the revenue and gross profit margin of our smart manufacturing solutions by solution type and by nature for the periods indicated:

	Year ended 31 March						Six months ended 30 September					
	2016			2017			2016			2017		
	% of total Revenue HK\$'000	Gross Profit revenue %	Margin %	% of total Revenue HK\$'000	Gross Profit revenue %	Margin %	% of total Revenue HK\$'000	Gross Profit revenue %	Margin %	% of total Revenue HK\$'000	Gross Profit revenue %	Margin %
	(Unaudited)											
<b>Precision 3D testing solutions:</b>												
Static 3D scanning	6,622	25.5	59.0	18,605	42.8	75.1	3,965	44.5	72.3	8,485	92.9	69.1
Dynamic 3D scanning	7,906	30.5	39.8	7,201	16.5	78.5	—	—	—	648	7.1	93.4
Overall precision 3D testing solutions	14,528	56.0	48.6	25,806	59.3	76.0	3,965	44.5	72.3	9,133	100.0	70.8
<b>Precision machining solutions</b>	11,435	44.0	23.1	17,686	40.7	34.5	4,954	55.5	10.7	—	—	—
<b>All solutions</b>	25,963	100.0	37.4	43,492	100.0	59.1	8,919	100.0	38.1	9,133	100.0	70.8

We did not record any revenue for dynamic 3D scanning solutions for the six months ended 30 September 2016 primarily due to the progress of the projects and availability of the customers. During the period, we did not arrange any shipment of machinery for dynamic 3D scanning solutions and therefore no revenue was being recognised. We did not record any revenue for precision machining solutions for the six months ended 30 September 2017 as we have placed more focuses on providing precision 3D testing solutions mainly due to its higher profit margin and we have been undergoing the process of optimising and modifying our precision machining solutions to enhance its level of precision and efficiency and therefore did not actively explore new customers for this solution during the period.

Our gross profit margin for precision machining solutions decreased to 10.7% for the six months ended 30 September 2016 from 23.1% for the year ended 31 March 2016 as we provided only one precision machining solution during the six months ended 30 September 2016 and it was provided with a discounted price mainly due to our efforts to gain market share by getting into the market using domestic machinery. Our overall gross profit margin for precision machining solutions increased to 34.5% for the year ended 31 March 2017 as (i) we had successfully entered the market using domestic machinery and managed to provide precision machining solutions using domestic machinery without discounting the price and (ii) we had also provided other precision machining solutions and services with a higher profit margin.

Our overall gross profit margin of precision 3D testing solutions for the year ended 31 March 2016, six months ended 30 September 2016, year ended 31 March 2017 and six months ended 30 September 2017 were 48.6%, 72.3%, 76.0% and 70.8%, respectively. The general increase in our gross profit margin of precision 3D testing solutions was primarily due to the lower cost of machinery procured for such solutions as we procured more machinery from a major supplier that sold at lower prices as compared with other suppliers in 2016 and the market price of precision testing machinery also decreased generally in 2016 due to technology innovation and domestic development in research and development which reduced reliance on import. The slight decrease in

## SUMMARY

our overall gross profit margin of precision 3D testing solutions for the six months ended 30 September 2017 was mainly attributable to different technological requirements of the customers which lead to different contract prices of precision 3D testing solutions being carried out.

	Year ended 31 March		Six months ended 30 September	
	2016	2017	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)			
<b>Precision 3D testing solutions:</b>				
Sales of equipment	13,287	23,300	3,224	6,894
Technical services	<u>1,241</u>	<u>2,506</u>	<u>741</u>	<u>2,239</u>
	<u>14,528</u>	<u>25,806</u>	<u>3,965</u>	<u>9,133</u>
<b>Precision machining solutions:</b>				
Sales of equipment	10,387	16,127	4,954	—
Technical services	<u>1,048</u>	<u>1,559</u>	<u>—</u>	<u>—</u>
	<u>11,435</u>	<u>17,686</u>	<u>4,954</u>	<u>—</u>
	<u><u>25,963</u></u>	<u><u>43,492</u></u>	<u><u>8,919</u></u>	<u><u>9,133</u></u>

### Major customers

Our end customers are mainly high-end equipment manufacturers and state-owned enterprises that operate in a number of selected industries. The following table sets out the breakdown of our revenue by end customer's industry during the Track Record Period:

	Year ended 31 March						Six months ended 30 September					
	2016			2017			2016			2017		
	Revenue	% of total revenue	No. of end customers	Revenue	% of total revenue	No. of end customers	Revenue	% of total revenue	No. of end customers	Revenue	% of total revenue	No. of end customers
	<i>HK\$'000</i>	%		<i>HK\$'000</i>	%		<i>HK\$'000</i>	%		<i>HK\$'000</i>	%	
	(Unaudited)											
Aviation	—	—	—	6,656	15.3	2	—	—	—	4,138	45.3	3
Aerospace	—	—	—	13,397	30.8	3	—	—	—	4,995	54.7	4
Shipbuilding	16,779	64.6	2	21,716	49.9	5	8,601	96.4	4	—	—	—
Ground transportation vehicles	7,906	30.5	1	1,399	3.2	1	—	—	—	—	—	—
Electronics	<u>1,278</u>	<u>4.9</u>	<u>3</u>	<u>324</u>	<u>0.8</u>	<u>3</u>	<u>318</u>	<u>3.6</u>	<u>2</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Total</b>	<u><u>25,963</u></u>	<u><u>100.0</u></u>	<u><u>6</u></u>	<u><u>43,492</u></u>	<u><u>100.0</u></u>	<u><u>14</u></u>	<u><u>8,919</u></u>	<u><u>100.0</u></u>	<u><u>6</u></u>	<u><u>9,133</u></u>	<u><u>100.0</u></u>	<u><u>7</u></u>

## SUMMARY

We enter into sales contracts either with our end customers directly or through their affiliated companies which are in charge of centralised procurement or through other trading companies. For the years ended 31 March 2016, 2017 and the six months ended 30 September 2017, sales to our five largest direct customers, in aggregate, accounted for 99.8%, 91.6% and 100.0% of our revenue, respectively. For the same periods, our largest direct customer accounted for 63.5%, 26.0% and 38.3% of our revenue, respectively, and our largest end customer accounted for 63.5%, 21.2% and 38.3% of our revenue, respectively.

We may either negotiate the contract terms directly with the potential end customers or through public tendering. Our tender success rate was 66.7%, 100.0% and 100.0% for the years ended 31 March 2016, 2017 and the six months ended 30 September 2017, respectively. We have a relatively high tender success rate during the Track Record Period as we have successfully implemented our sales and marketing strategy by visiting our potential customers and continuously communicate with them in order to fully understand their business environment and technical needs and assisting them to conduct a feasibility study before designing solutions and submitting tenders. During the Track Record Period, the revenue attributable to direct negotiation with potential end customers and public tendering are 6.0% and 94.0% for the year ended 31 March 2016, 20.3% and 79.7% for the year ended 31 March 2017 and nil and 100.0% for the six months ended 30 September 2017, respectively. These percentages fluctuate from time to time and is primarily driven by our customers' preference and requirements for project procurement since (i) we will first explore and determine feasible projects with all our target customers, by conducting feasibility study and considering various factors, prior to conducting any direct negotiation or participating in any public tender, and (ii) once a customer confirms the feasibility of a project, it would determine whether it would carry out any public tender depending on its internal procedure and requirements.

### Major suppliers

We source machinery, auxiliary tools and software from a variety of suppliers.

The following table sets out a breakdown of our cost of our components including machinery, auxiliary tools and software during the Track Record Period.

	Year ended 31 March				Six months ended 30 September	
	2016		2017		2017	
	<i>HKD'000</i>	<i>% of total cost of components</i>	<i>HKD'000</i>	<i>% of total cost of components</i>	<i>HKD'000</i>	<i>% of total cost of components</i>
Machinery	14,760	94.1	16,065	95.5	2,048	100.0
Auxiliary tools	437	2.8	452	2.7	—	—
Software	488	3.1	309	1.8	—	—
<b>Total</b>	<b>15,685</b>	<b>100.0</b>	<b>16,826</b>	<b>100.0</b>	<b>2,048</b>	<b>100.0</b>

## SUMMARY

For the years ended 31 March 2016, 2017 and the six months ended 30 September 2017, the cost of machinery constituted 90.7%, 90.4% and 76.8% of our total cost of sales, respectively.

We generally do not enter into any long-term supply contract with our suppliers, and our procurement team selects and maintains a list of qualified suppliers from which to procure our machinery, auxiliary tools and software. For the years ended 31 March 2016, 2017 and the six months ended 30 September 2017, the purchases from our five largest suppliers, in aggregate, accounted for 93.6%, 94.2% and 76.8% of our cost of sales, respectively, and the purchases from our largest supplier accounted for 46.9%, 58.8% and 76.8% of our cost of sales, respectively.

### **Pricing**

We generally bid for and obtain sales contracts by way of tender as required by state-owned enterprises, which constitute the majority of our end customers. We take many factors into consideration when setting the tender price, such as the technological requirements of the customer, time needed for completing the project, complexity of the solution, value added for the solution and budget of the customer. We also estimate and consider our direct costs and sales and marketing expenses when pricing our solutions.

### **Research and development**

We are dedicated to being a pioneer in precision 3D testing and precision machining technology. We have undertaken research and development activities on technology applications, new auxiliary tools design and relevant software applications to maintain our competitiveness. Our research and development team works closely with professors and researchers from established tertiary institutions through collaboration. As at the Latest Practicable Date, we had eight registered patents, including three invention patents and five utility patents, and five pending invention patent registrations. Our PRC subsidiary is in the process of applying to be recognised as a “High and New Technology Enterprise” in China and we expect such recognition will be granted by the end of March 2018. Upon successful grant of recognition, we will be able to enjoy a preferential tax rate of 15% for the specified years and potential government subsidies.

### **COMPETITIVE STRENGTHS**

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

- ability to provide high quality smart manufacturing solutions;
- an established smart manufacturing solutions provider for high-end manufacturers in strategically selected industries;
- a strong and stable management team with extensive industry experience;
- a strategically located sales team with extensive market reach; and
- strong know-how in smart manufacturing applications coupled with effective collaboration with professors and researchers from established tertiary institutions.

## SUMMARY

### BUSINESS STRATEGIES

We intend to implement the following strategies to further increase our market share and recognition:

- keep abreast of the latest technological changes relevant to our industry and maintain our technology advantages;
- establish our own research and development facilities;
- expand our business operations by increasing our team size, enhancing our internal management ability and expanding our sales coverage; and
- develop and promote integrated smart manufacturing solutions.

### INDUSTRY DEVELOPMENTS

The industrial precision 3D testing and precision machining solutions market in China is highly competitive. The market consists of more than 120 smart manufacturing solutions providers and the top five smart manufacturing solutions providers of industrial precision 3D testing and precision machining solutions had a total market share of 18.5% in terms of revenue in 2016, according to Frost & Sullivan. We were the second largest smart manufacturing solutions provider of industrial precision 3D testing and precision machining solutions, in terms of revenue, in China in 2016 with a market share of 4.6%. For further details, please refer to the section headed “Industry Overview” in this prospectus.

The smart manufacturing solutions industry in China is expected to continue to grow during the period from 2016 to 2021 as mainly driven by a series of favorable governmental policies such as the “Smart Manufacturing Development Plan (2016–2020)” (《智能製造發展規劃 (2016–2020年)》) and “Made in China 2025” (《中國製造2025》) and growing unmet demand from downstream industries. According to Frost & Sullivan, the total revenue of industrial precision 3D testing and precision machining solutions for smart manufacturing solutions providers in China is expected to grow at a CAGR of 18.6% from RMB820.6 million in 2016 to RMB1,928.9 million in 2021.

### SUMMARY OF FINANCIAL INFORMATION

The following tables set out our summary of financial information for the periods indicated and should be read together with the consolidated financial information in Appendix I to this prospectus, including the accompanying notes, and the information sets out in the section headed “Financial Information” in this prospectus.

## SUMMARY

### Summary of consolidated statements of comprehensive income information

	Year ended 31 March				Six months ended 30 September			
	2016		2017		2016		2017	
	HK\$'000	% of total revenue	HK\$'000	% of total revenue	HK\$'000	% of total revenue	HK\$'000	% of total revenue
	(Unaudited)							
<b>Revenue</b>	25,963	100.0	43,492	100.0	8,919	100.0	9,133	100.0
Cost of sales	(16,265)	(62.6)	(17,777)	(40.9)	(5,521)	(61.9)	(2,667)	(29.2)
<b>Gross profit</b>	<u>9,698</u>	<u>37.4</u>	<u>25,715</u>	<u>59.1</u>	<u>3,398</u>	<u>38.1</u>	<u>6,466</u>	<u>70.8</u>
Selling and marketing expenses	(802)	(3.1)	(1,255)	(2.9)	(606)	(6.8)	(848)	(9.3)
Administrative expenses	(3,933)	(15.2)	(4,954)	(11.4)	(2,071)	(23.2)	(16,314)	(178.6)
Other gains/(losses) — net	20	0.1	(62)	(0.1)	53	0.6	24	0.2
<b>Operating profit/(loss)</b>	<u>4,983</u>	<u>19.2</u>	<u>19,444</u>	<u>44.7</u>	<u>774</u>	<u>8.7</u>	<u>(10,672)</u>	<u>(116.9)</u>
Finance income	1	0.0	2	0.0	1	0.0	1	0.0
<b>Profit/(Loss) before income tax</b>	<u>4,984</u>	<u>19.2</u>	<u>19,446</u>	<u>44.7</u>	<u>775</u>	<u>8.7</u>	<u>(10,671)</u>	<u>(116.9)</u>
Income tax (expense)/credit	(1,362)	(5.2)	(2,187)	(5.0)	(195)	(2.2)	352	3.9
<b>Profit/(loss) for the year/period</b>	<u><u>3,622</u></u>	<u><u>14.0</u></u>	<u><u>17,259</u></u>	<u><u>39.7</u></u>	<u><u>580</u></u>	<u><u>6.5</u></u>	<u><u>(10,319)</u></u>	<u><u>(113.0)</u></u>

Our revenue increased by 67.5% to HK\$43.5 million for the year ended 31 March 2017 from HK\$26.0 million for the year 31 March 2016. This increase was mainly attributable to an increase of HK\$11.3 million in sales of precision 3D testing solutions, coupled with an increase of HK\$6.3 million in sales of precision machining solutions. This was primarily because we undertook a larger number of precision 3D testing solutions and precision machining solutions projects during the year ended 31 March 2017 primarily as a result of increased sales and marketing efforts and higher market demand as driven by favourable government policy. Our revenue slightly increased by 2.4% to HK\$9.1 million for the six months ended 30 September 2017 compared with HK\$8.9 million for the six months ended 30 September 2016.

Our gross profit increased by 165.2% to HK\$25.7 million for the year ended 31 March 2017 from HK\$9.7 million for the year ended 31 March 2016 and increased by 90.3% to HK\$6.5 million for the six months ended 30 September 2017 compared to HK\$3.4 million for the six months ended 30 September 2016. Our overall gross profit margin increased to 59.1% for the year ended 31 March 2017 from 37.4% for the year ended 31 March 2016 primarily due to an increase in the contract prices for our solutions as we had spent more efforts in research and development to provide quality solutions coupled with a decrease in average cost of sales as we had enhanced procurement cost control and had a decrease in the cost of machinery. Our overall gross profit margin increased to 70.8% for the six months ended 30 September 2017 due to an increase in the number of precision 3D testing solutions projects coupled with a decrease in the cost of machinery purchased.

We recorded a loss of HK\$10.3 million for the six months ended 30 September 2017 compared to a profit of HK\$0.6 million for the six months ended 30 September 2016 due to the incurrence of Listing expenses amounting to HK\$11.8 million.



## SUMMARY

### Summary of consolidated statements of financial position information

	As at 31 March		As at 30 September	As at 31 January
	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Non-current assets	63	534	1,257	1,404
Current assets	12,188	28,542	17,296	23,261
Total assets	12,251	29,076	18,553	24,665
Total equity	(2,144)	15,125	5,609	4,813
Current liabilities	14,395	13,951	12,944	19,852
Non-current liabilities	—	—	—	—
Total equity and liabilities	12,251	29,076	18,553	24,665
Net current (liabilities)/assets	(2,207)	14,591	4,352	3,409

Our negative total equity as at 31 March 2016 was mainly attributable to our accumulated loss of HK\$6.4 million as at 1 April 2015, which was primarily due to the significant expenses we had incurred on business development and research and development in the prior years when our business was still in an early development stage. We had recorded net profit for the year ended 31 March 2016 and 2017 as we had experienced a growth in our gross profit as described above and we have put more efforts on cost control to decrease our expenses.

We recorded net current liabilities of HK\$2.2 million as at 31 March 2016. Our net current liabilities position as at 31 March 2016 was mainly attributable to our current income tax liabilities of HK\$3.3 million, which were mainly provided for our non-PRC operating subsidiaries as they were deemed as non-resident enterprises for PRC tax purposes in August 2017 and were therefore subject to PRC income tax for the prior years. All outstanding PRC income tax due for our non-PRC operating subsidiaries was fully paid in September 2017.

## SUMMARY

### Summary of consolidated statements of cash flows information

	Year ended 31 March		Six months ended 30 September	
	2016	2017	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i>
Cash generated from/(used in) operations before changes in working capital	4,996	19,529	781	(10,695)
Changes in working capital	2,475	(19,838)	(3,197)	17,962
Income tax paid	—	(1,927)	—	(3,911)
Net cash generated from/(used in) operating activities	7,471	(2,236)	(2,416)	3,356
Net cash used in investing activities	(6)	(263)	(222)	(33)
Net cash (used in)/generated from financing activities	(7,549)	2,119	405	(4,633)
Net decrease in cash and cash equivalents	(84)	(380)	(2,233)	(1,310)
Cash and cash equivalents at beginning of the year/period	2,845	2,750	2,750	2,311
Exchange losses/gains on cash and cash equivalents	(11)	(59)	(15)	64
Cash and cash equivalents at the end of the year/period	<u>2,750</u>	<u>2,311</u>	<u>502</u>	<u>1,065</u>

We had net cash generated from operating activities of HK\$7.5 million for the year ended 31 March 2016, net cash used in operating activities of HK\$2.2 million for the year ended 31 March 2017 and net cash generated from operating activities of HK\$3.4 million for the six months ended 30 September 2017. Our net cash used in operating activities for the year ended 31 March 2017 was mainly attributable to changes in working capital resulting primarily from an increase in trade receivables of HK\$21.3 million from HK\$2.2 million as at 31 March 2016 to HK\$23.5 million as at 31 March 2017, which was primarily due to the timing of shipment as we completed shipment and recognised revenue for five projects in March 2017.

We have cash inflow before movements in working capital of HK\$5.0 million and HK\$19.5 million for the year ended 31 March 2016 and 2017, respectively, and we have cash outflow before movements in working capital of HK\$10.7 million for the six months ended 30 September 2017.

## SUMMARY

### Key Financial Ratios

	<b>As at/six months ended</b>		
	<b>As at/year ended 31 March</b>		<b>30 September</b>
	<b>2016</b>	<b>2017</b>	<b>2017</b>
Current ratio <sup>(1)</sup>	0.8	2.0	1.3
Quick ratio <sup>(2)</sup>	0.8	2.0	1.3
Return on assets (%) <sup>(3)</sup>	29.6	59.4	N/A
Return on equity (%) <sup>(4)</sup>	N/A	114.1	N/A

*Notes:*

- (1) Current ratio is calculated by dividing total current assets by total current liabilities as at the date indicated.
- (2) Quick ratio is calculated by dividing total current assets less inventories by total current liabilities as at the date indicated.
- (3) Return on assets is calculated by dividing net profit for the year by total assets as at the closing of the year and multiplied by 100%.
- (4) Return on equity is calculated by dividing net profit for the year by total equity as at the closing of the year and multiplied by 100%.

### RECENT DEVELOPMENTS AND MATERIAL ADVERSE CHANGE

Subsequent to 30 September 2017 (being the date of our latest audited consolidated balance sheet as set out in the Accountant's Report in Appendix I to this prospectus) and as at 31 January 2018, our business continued to record relatively strong performance. In terms of operations, we had expanded our team size by hiring six employees in total for our sales and marketing team, administration team and research and development team subsequent to 31 March 2017. With the expansion of our team size, we seek to further grow our business operations and enhance our research and development capabilities.

As at the Latest Practicable Date, we had 10 on-going projects on precision 3D testing solutions with a total outstanding contract value of HK\$16.4 million, of which HK\$12.9 million and HK\$3.5 million are expected to be recognised for the year ending 31 March 2018 and 2019, respectively, and we have one on-going project on precision machining solutions with a total outstanding contract value of HK\$1.0 million which is expected to be recognised for the year ending 31 March 2019. We expect our revenue of the precision machining solutions will decline for the year ending 31 March 2018 as we have placed more focuses on providing precision 3D testing solutions for the six months ended 30 September 2017 mainly due to its higher profit margin and we have been undergoing the process of optimizing and modifying our precision machining solutions to enhance its level of precision and efficiency and therefore did not actively explore new customers for this solution. We have no intention to scale down our business on precision machining solutions and did not turn down any precision machining solution project or quotation invitation during the six months ended 30 September 2017. As at the Latest Practicable

## SUMMARY

Date, we had already signed three memorandums of cooperation for precision machining solutions with different potential customers, which are expected to be carried out in 2018 and 2019. Nevertheless, such memorandums of cooperation were not legal binding and may not be materialised. According to Frost & Sullivan, the market demand for both precision 3D testing solutions and precision machining solutions are increasing and the total revenue is expected to grow at a CAGR of 18.6% from 2016 to 2021 which our Directors believe will have a positive impact on our business growth.

Our Directors confirmed that there has been no material adverse change in our business or financial condition since 30 September 2017 and up to the date of this prospectus.

Notwithstanding that there has been no material adverse change in our business, we expect to record a net loss for the year ending 31 March 2018, primarily due to the listing expenses to be charged to our consolidated statement of comprehensive income, as well as the expected decrease in revenue from precision machining solutions as compared to the year ended 31 March 2017. We estimate total payments of listing expenses of approximately HK\$31.5 million to be made for the year ending 31 March 2018, the majority of which will constitute cash outflows from operating activities and will consequently have a negative impact on our cash flows from operating activities for the year ending 31 March 2018. We expect a significant decrease in net profit for the year ending 31 March 2019 as compared to the year ending 31 March 2018 (excluding the Listing expenses) primarily due to an expected increase in expenses for (i) professional fees such as audit services and compliance services for our Group upon Listing, (ii) selling and marketing expenses in relation to organisation of seminars, participation in exhibitions and engagement of professional brand operating company and (iii) administrative expenses in relation to our establishment of research and development centres and recruitment of more administrative staff as well as appointment of Independent non-executive Directors.

## SHAREHOLDER INFORMATION

Immediately following completion of the Capitalisation Issue and the Share Offer, IFG Swans, which is wholly and beneficially owned by Mr. Wu, will hold 293,940,000 Shares, representing approximately 73.485% of the issued share capital of our Company. As IFG Swans and Mr. Wu are directly or indirectly entitled to exercise or control the exercise of 30% or more of the voting power at general meetings of our Company immediately following the Listing, each of them will be regarded as our Controlling Shareholder under the GEM Listing Rules. Please refer to the section headed “Relationship with the Controlling Shareholders” in this prospectus for further details.

Ms. Ching, our Pre-IPO Investor, acquired a 3% equity interest in Quick Tech from Mr. Wu at a consideration of RMB10,200. The consideration was fully settled and the acquisition was completed on 25 August 2017. As part of the Reorganisation, pursuant to an investment agreement dated 26 August 2017 and an equity transfer agreement dated 28 August 2017, our Company, through Hong Kong Zhi Phong, acquired the 3% equity interest in Quick Tech from Ms. Ching in consideration of the allotment and issue of 19 Shares by our Company credited as fully paid to Ms. Ching.

## SUMMARY

ARQ Zhuoyue, our Pre-IPO Investor, acquired 2,000 Shares at a consideration of HK\$1,260,120. The consideration was fully settled and the investment was completed on 29 August 2017. Immediately after completion of the Capitalisation Issue and the Share Offer, Ms. Ching's and ARQ Zhuoyue's shareholding in our Company will represent approximately 0.015% and 1.50% of the issued share capital of our Company, respectively. For details, please refer to the section headed "History, Reorganisation and Corporate Structure — Pre-IPO Investments".

### SHARE OFFER STATISTICS

The statistics below are based on the assumption that 100,000,000 Offer Shares are issued under the Share Offer.

	<b>Based on the low-end of the indicative Offer Price range of HK\$0.55 per Share</b>	<b>Based on the high-end of the indicative Offer Price range of HK\$0.85 per Share</b>
Market capitalisation of our Shares	HK\$220 million	HK\$340 million
Unaudited pro forma adjusted consolidated net tangible assets per Share	HK\$0.10	HK\$0.18

*Notes:*

- (1) The calculation of market capitalisation is based on the assumption that 400,000,000 Shares will be in issue immediately following completion of the Capitalisation Issue and the Share Offer.
- (2) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated after the adjustments referred to in the section headed "Financial Information — Unaudited Pro Forma Adjusted Consolidated Net Tangible Asset" in this prospectus and on the basis of 400,000,000 Shares to be in issue immediately following completion of the Capitalisation Issue and the Share Offer.

### DIVIDENDS

We do not have a fixed dividend policy. No dividend has been paid or declared by our Company since its establishment. For more information, see the section headed "Financial Information — Dividends and dividend policy" in this prospectus.

## SUMMARY

### FUTURE PLANS AND USE OF PROCEEDS

The net proceeds from the Share Offer, after deducting underwriting commissions and other estimated expenses in connection with the Share Offer, are estimated to amount to approximately HK\$38.6 million (assuming an Offer Price of HK\$0.70 per Share, being the mid-point of the indicative Offer Price range). We intend to use the proceeds for the following purposes:

- Approximately HK\$18.4 million (approximately 47.7% of our total estimated net proceeds) for establishing our own research and development centres in Beijing and Guangzhou and further research and development expenditures relating to product research and development, recruitment and provision of training for technical staff;
- Approximately HK\$10.4 million (approximately 27.0% of our total estimated net proceeds) for business expansion including establishment of sales branches in different regions in China, expansion of office premises, recruitment of management and local salesforces for various branches and provision of relevant internal and external training;
- Approximately HK\$5.9 million (approximately 15.3% of our total estimated net proceeds) for organising seminars, participating in local and international exhibitions and developing and implementing advertising plans;
- Approximately HK\$3.9 million (approximately 10.0% of our total estimated net proceeds) for working capital and general corporate purposes.

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated Offer Price range. Our expansion plan is expected to have a material impact on our financial results as an estimated expenses amounting to HK\$8.6 million will be incurred for the year ending 31 March 2019 for expanding our business operations and establishing our own research and development facilities. For further details, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

### REASONS FOR THE LISTING

We aim to be a first class smart manufacturing solutions provider in China. Our Directors believe that the Listing would be instrumental in enabling us to achieve our business strategies and provide us with broader access to capital for future growth such as establishing our own research and development centres and expanding our business operations. Our Directors also believe that a public listing status will enhance our corporate profile, brand recognition and market position which are important factors to success in the smart manufacturing solutions industry. In addition, with boarder access to financial resources and enhanced corporate profile and brand recognition upon Listing, our Directors believe it is easier to expand our customer base and widen our geographic coverage as new customers are generally more inclined to transact with a listed company with better corporate governance which in turn will increase our competitiveness. Our Directors also believe that the Listing will enable us to reach out to a wider talent pool and provide us with more means to attract and retain quality talents to further our technology and business developments.

## SUMMARY

### RISK FACTORS

Our business is subject to certain risks involved in our operations, including but not limited to risks relating to our business and industry, risks relating to conducting business in the PRC and risks relating to the Share Offer and the Shares. We believe that the following are some of the major risks that we face: (i) we do not have continuous long term business relationships with our customers and may be unable to secure projects in the future; (ii) we face risks associated with contracting with state-owned enterprises and their related bidding process; (iii) our business could be adversely affected by a shortage of quality machinery or auxiliary tools; (iv) our operations are heavily dependent on our senior management; (v) continuing collaboration with professors and researchers from established tertiary institutions is essential to our research and development capabilities; (vi) we operate in a competitive industry and may not be able to expand into new markets; (vii) we may not be able to maintain our design, engineering and technological expertise; (viii) future expansion plans are subject to uncertainties and risks and (ix) we have experienced significant growth in the past and we may not be able to maintain such growth in the future.

As different investors may have different interpretations and standards for determining the materiality of a risk, you should read the entire section headed “Risk Factors” in this prospectus carefully before you decide to invest in the Offer Shares.

### LISTING EXPENSES

During the Track Record Period, we had incurred listing expenses of HK\$15.7 million, of which HK\$11.8 million was charged to our consolidated statement of comprehensive income and the remaining amount of HK\$3.9 million was recorded as prepayment which is to be net off with share premium after the Listing. We expect to further incur listing expenses (including underwriting commissions) of approximately HK\$15.8 million (based on the mid-point of our indicative price range for the Share Offer and without taking into account any discretionary incentive fees, if applicable) by the completion of the Share Offer, of which an estimated amount of approximately HK\$10.7 million will be charged to our consolidated statement of comprehensive income for the year ending 31 March 2018 and an estimated amount of approximately HK\$5.1 million will be capitalised.

## DEFINITIONS

*In this prospectus, unless the context otherwise requires, the following words and expressions have the following meanings. Certain other terms are explained in the section headed “Glossary of technical terms” in this prospectus.*

“affiliate(s)”	any other person(s), directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Application Form(s)”	<b>WHITE</b> application form, <b>YELLOW</b> application form and <b>GREEN</b> application form or, where the context so requires, any of them, relating to the Share Offer
“ARQ Zhuoyue”	ARQ Zhuoyue Holding Limited, a company incorporated in the BVI with limited liability on 14 July 2017 and wholly owned by Prof. Yang; it is one of the Pre-IPO Investors and a Shareholder of our Company
“Articles”	the amended and restated articles of association of our Company conditionally adopted on 26 March 2018 and effective upon the Listing, as amended from time to time, a summary of which is contained in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“BCI East Asia”	BCI East Asia Holding Ltd., a company incorporated in the BVI with limited liability on 18 August 2017 and wholly owned by our Company
“Board”	our board of Directors
“Bow Chak”	Bow Chak Industry (HK) Limited (寶澤實業(香港)有限公司), a company incorporated in Hong Kong with limited liability on 13 February 2014 and wholly owned by our Company
“Business Day”	a day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks are generally open for normal banking business
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate



## DEFINITIONS

“Capitalisation Issue”	the issue of 299,900,000 new Shares to be made upon capitalisation of certain sum standing to the credit of the share premium account of our Company as referred to in the paragraph headed “Statutory and General Information — Information about our Company — 3. Resolutions passed in a meeting of the Shareholders held on 26 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 participant or a 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 Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China” or “PRC”	the People’s Republic of China which, for the purpose of this prospectus and for geographical reference only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“CIT Law”	the Corporate Income Tax Law of the PRC (《中華人民共和國企業所得稅法》)
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Zhicheng Technology Group Ltd., a company incorporated on 23 June 2017 under the laws of the Cayman Islands as an exempted company with limited liability

## DEFINITIONS

“connected person”	has the meaning ascribed thereto under the GEM Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules and, unless the context otherwise requires, refers to IFG Swans and Mr. Wu
“core connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“CPT Asia-Pacific”	CPT Asia-Pacific Holding Ltd., a company incorporated in the BVI with limited liability on 18 August 2017 and wholly owned by our Company
“Deed of Indemnity”	the deed of indemnity dated 26 March 2018 entered into by our Controlling Shareholders in favour of our Company
“Deed of Non-Competition”	the deed of non-competition undertaking dated 26 March 2018 entered into by our Controlling Shareholders in favour of our Company
“Director(s)”	the director (s) of our Company
“Euro”	the lawful currency of the member states of the European Union that adopted the single currency in accordance with the Treaty establishing the European Community (signed in Rome on 25 March 1957), as amended by the Treaty on European Union (signed in Maastricht on 7 February 1992)
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market researcher and consultant
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time
“ <b>GREEN</b> application form”	the application form to be completed by the <b>White Form eIPO</b> Service Provider, Computershare Hong Kong Investor Services Limited
“Group”, “our Group”, “we” or “us”	our Company and its subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, our Company’s current subsidiaries
“HK dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

## DEFINITIONS

“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Cheng Phong”	Hong Kong Cheng Phong Technology Limited (香港正豐科技有限公司), a company incorporated in Hong Kong with limited liability on 20 January 2010 and wholly owned by our Company
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Zhi Phong”	Hong Kong Zhi Phong Technology Limited (香港志豐科技有限公司), a company incorporated in Hong Kong with limited liability on 27 July 2017 and wholly owned by our Company
“IFG Swans”	IFG Swans Holding Ltd., a company incorporated in the BVI with limited liability on 19 June 2017, which is wholly owned by Mr. Wu and is one of our Controlling Shareholders
“Independent Third Party(ies)”	an individual or a company who or which is independent of and not connected with (within the meaning of the GEM Listing Rules) any Director, chief executive or substantial shareholders (within the meaning of the GEM Listing Rules) of our Company, its subsidiaries or any of their respective associates
“Latest Practicable Date”	20 March 2018, being the latest practicable date prior to the issuance of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“Listing”	listing of the Shares on GEM
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Date”	the date, expected to be on or about Friday, 20 April 2018, on which dealings in our Shares are permitted to commence on GEM
“Listing Division”	the listing division of the Stock Exchange

## DEFINITIONS

“Memorandum of Association” or “Memorandum”	the amended and restated memorandum of association of our Company conditionally adopted on 26 March 2018 and effective upon the Listing, as amended from time to time, a summary of which is contained in Appendix III to this prospectus
“MG Pacific”	MG Pacific Holding Ltd., a company incorporated in the BVI with limited liability on 18 August 2017 and wholly owned by our Company
“MGW Swans”	MGW Swans Ltd., a company incorporated in the BVI with limited liability on 27 December 2012 and wholly owned by our Company
“Mr. Wu”	Mr. Wu Di (吳鎬), our chairman, an executive Director and chief executive officer of our Company; he is also the sole shareholder of IFG Swans and one of our Controlling Shareholders
“Ms. Ching”	Ms. Ching Lai Man (程麗雯), one of the Pre-IPO Investors and a Shareholder of our Company
“Ms. Liu”	Ms. Liu Zhining (劉智寧), an executive Director and chief operating officer of our Company
“Offer Price”	the final price per Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) which is currently expected to be no more than HK\$0.85 per Share and no less than HK\$0.55 per Share, such price to be determined on or before the Price Determination Date
“Offer Shares”	the Placing Shares and the Public Offer Shares
“Placing”	the conditional placing of the Placing Shares to professional, institutional and other investors by the Placing Underwriters at the Offer Price, as described in the section headed “Structure and Conditions of the Share Offer — Determining of the Offer Price” in this prospectus
“Placing Shares”	the 90,000,000 Shares being initially offered by our Company for subscription under the Placing, subject to re-allocation as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Underwriter(s)”	the underwriter(s) of the Placing, who is or are expected to enter into the Placing Underwriting Agreement to subscribe or procure subscribers for the Placing Shares

## DEFINITIONS

“Placing Underwriting Agreement”	the underwriting agreement relating to the Placing expected to be entered into among our Company, the Sole Bookrunner and the Placing Underwriter(s) to be dated on the Price Determination Date
“PRC government”	the government of the PRC, including all political subdivisions (including provincial, municipal and other local or regional government entities) and organisations of such government or, as the context requires, any of them
“PRC Legal Adviser”	Beijing Jingtian & Gongcheng Law Firm
“Pre-IPO Investment(s)”	the investment made by each of the Pre-IPO Investors, details of which are more particularly described in the section headed “History, Reorganisation and Corporate Structure” in this prospectus
“Pre-IPO Investor(s)”	Ms. Ching and ARQ Zhuoyue
“Price Determination Agreement”	the agreement to be entered into between the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date to fix and record the Offer Price
“Price Determination Date”	the date, expected to be on or about Tuesday, 10 April 2018, but no later than Wednesday, 18 April 2018, on which the Offer Price is to be fixed by agreement between our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) for the purpose of the Share Offer
“Principal Share Registrar”	Estera Trust (Cayman) Limited
“Prof. Yang”	Professor Yang Zhuoru (楊卓如), our technical director and the sole shareholder of ARQ Zhuoyue
“province”	a province, autonomous region or municipality under the direct supervision of the central government of the PRC
“Public Offer”	the offer of the Public Offer Shares for subscription by the public in Hong Kong at the Offer Price, on and subject to the terms and conditions described in the section headed “Structure and Conditions of the Share Offer” in this prospectus and the Application Forms
“Public Offer Shares”	the 10,000,000 Shares (subject to re-allocation), being initially offered by us for subscription at the Offer Price under the Public Offer

## DEFINITIONS

“Public Offer Underwriter”	the underwriter of the Public Offer listed in the section headed “Underwriting — Public Offer Underwriter” in this prospectus
“Public Offer Underwriting Agreement”	the underwriting agreement dated 28 March 2018 relating to the Public Offer entered into among our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Sole Bookrunner and the Public Offer Underwriter, as further described in the section headed “Underwriting — Underwriting Arrangements and Expenses” in this prospectus
“Quick Tech”	Quick Tech Corporation Ltd. (廣州魁科機電科技有限公司), a company established in the PRC with limited liability on 3 April 2008 and wholly owned by our Company
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganisation”	the reorganisation arrangements implemented by our Group in preparation for the Listing, details of which are more particularly described in the section headed “History, Reorganisation and Corporate Structure” in this prospectus
“RMB”	Renminbi, the lawful currency of the PRC
“SAFE”	the State Administration of Foreign Exchange of the PRC
“SAFE Circular No. 37”	the Circular of the State Administration of Foreign Exchange on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents’ Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過境外特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) promulgated by SAFE on 4 July 2014
“SAFE Circular No. 13”	the Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment — related Foreign Exchange Administration Policies (《關於進一步簡化和改進直接投資外匯管理政策的通知》)
“SAT”	the State Administration of Taxation of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

## DEFINITIONS

“Share(s)”	the ordinary share(s) of par value of US\$0.0001 each in the share capital of our Company
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 26 March 2018 and effective upon the Listing, the principal terms of which are summarised under the section headed “Statutory and General Information” in Appendix IV to this prospectus
“Shareholder(s)”	holder(s) of the Share(s)
“Sole Bookrunner” and “Sole Lead Manager”	RaffAello Securities (HK) Limited, a licensed corporation registered under the SFO to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities as defined in the SFO
“Sole Sponsor”	RaffAello Capital Limited, a licensed corporation registered under the SFO to conduct type 6 (advising on corporate finance) regulated activity as defined in the SFO
“sq.m.”	square metres
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed thereto in section 15 of the Companies Ordinance
“substantial shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Takeovers Code”	the Codes on Takeovers and Mergers, as approved by the SFC, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the two years ended 31 March 2017 and the six months ended 30 September 2017
“U.S. Securities Act”	the United States Securities Act of 1993 (as amended from time to time)
“Underwriters”	the Public Offer Underwriter and the Placing Underwriters
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement

## DEFINITIONS

“United States” or “U.S.”	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
“US dollars” or “US\$”	United States dollars, the lawful currency of the United States
“ <b>WHITE</b> Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicant’s or applicants’ own name(s)
“ <b>White Form eIPO</b> Service Provider”	Computershare Hong Kong Investor Services Limited
“ <b>White Form eIPO</b> ”	the application for the Public Offer Shares to be issued in the applicant’s own name by submitting applications online through the designed website of the <b>White Form eIPO Service Provider</b> , <a href="http://www.eipo.com.hk">www.eipo.com.hk</a>
“ <b>YELLOW</b> Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS
“ZHP Orient”	ZHP Orient Holding Ltd., a company incorporated in the BVI with limited liability on 14 July 2017 and wholly owned by our Company
“%”	per cent

If there is any inconsistency between the official Chinese name of the PRC laws or regulations or the PRC governments authorities or the PRC entities mentioned in this prospectus and their English translation, the Chinese version shall prevail.



## GLOSSARY OF TECHNICAL TERMS

*In this prospectus, unless the context otherwise requires, explanations and definitions of certain terms used in this prospectus in connection with us and our business shall have the meanings set out below. The terms and their meanings may not correspond to standard industry meaning or usage of these terms.*

“auxiliary positioning module”	a module used to determine the actual position of the workpiece
“auxiliary tool”	a mechanical tool with different auxiliary functions such as fixing, holding or rotating the precision testing machine or testing object
“CAD”	computer-aided design, which refers to the use of computer systems (or workstations) to aid in the creation, modification, analysis, or optimization of a design
“calibration”	the process of configuring an instrument to provide a result for working within an acceptable range
“casting”	a manufacturing process in which a liquid material is usually poured into a mold, which contains a hollow cavity of the desired shape, and then allowed to solidify; the solidified part is also known as a casting part, which is ejected or broken out of the mold to complete the process
“CCD”	charge-coupled device, also known as image sensor, is an integrated circuit, which can sense light and transfer the images into digital signals
“CNC”	computer numeric control, which refers to the control of the functions and motions of a machine tool by means of a prepared programme containing alphanumeric data
“CNC machining centre”	mechanical engineering manufacturing equipment operable under CNC automation by making use of several axes and a variety of tools and operations
“coordinate transformation module”	an off-line or online software clamping solution that automatically calculates and analyses a new machine coordination by comparing the nominal value of the known part with the measured actual data in order to align the actual position of the current part
“debugging”	the process of finding and resolving of defects that prevent the normal operation of a computer software or system

## GLOSSARY OF TECHNICAL TERMS

“deformation”	any changes in the shape or size of an object due to an applied force or a change in temperature
“general purpose components”	an electronic device or mechanical part that can be generally used for precision testing as an auxiliary tool
“grating”	an optical component with a periodic structure, which splits and diffracts light into several beams travelling in different directions
“grating measurement principle”	a measurement principle that enables collection of 3D information of the testing object’s surface by projecting digital reference grating with position information onto the testing object’s surface; as a result of modulation of the testing object, reference grating is distorted and such distorted grating contains the 3D information of the testing object for further calculation
“impact test”	a standardised high strain-rate test which determines the amount of energy absorbed by a material during fracture
“mechanical probe”	a sensor used to physically acquire signals from the internal blind spot of an object; the probe allows the precise positioning of thin needles on the surface of an object
“milling”	the process of precisely and accurately cutting, shaping or finishing materials with a rotating cutting tool
“optical probe”	a small sensor that distinguishes the type of fluid in its vicinity as it is moved up and down a production well; light is sent from a source down a fibre-optic cable to the tip of the probe, and reflected back to a sensor, which converts it into an electrical signal
“photogrammetry”	the use of photography in surveying and mapping to measure distances between various reference points attached to the testing object from different angles by a high-resolution digital camera
“precision machining solution”	a system that can achieve a large range of processing requirement and deal with various processing materials by using different processing programmes
“precision testing solution”	a system that uses a 3D scanning device combined with image processing software for high-precision measurement of the desired object under static or dynamic circumstances

## GLOSSARY OF TECHNICAL TERMS

“processing”	the series of actions that are taken to change raw materials during the production of goods
“rapid prototyping”	a manufacturing process which can quickly fabricate a scale model of a physical part or assembly using CAD data
“reverse engineering”	the reproduction of a known product following detailed inspection and analysis of its construction or composition
“self-crosslinking water-borne acrylate resin”	an aqueous coating composition comprising (i) a binder resin having latent crosslinking functionality, (ii) a crosslink for the resin, and (iii) polymeric extender particles is disclosed
“smart manufacturing solution(s)”	a one-stop solution including conceptualisation, design, sourcing, procurement of required machinery, software and tools, system assembly and site installation, quality control and support and maintenance of system
“stripes”	a relatively long, narrow band of a different colour, appearance, weave, material, or nature from the rest of a surface or thing
“surface treatment”	a method widely used in most industries to provide improved surface properties of a component by removing material, adding material or chemically altering the surface
“tooling fixture”	a work-holding or support device used in the manufacturing industry to securely locate and support the work, ensuring that all parts produced using the fixture will maintain conformity and interchangeability
“turntable”	a tool on which a work piece is placed and rotated about its longitudinal axis and which is used for precision testing
“3D”	three dimensional

## FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These statements related to events that involve known and unknown risks, uncertainties and other factors, including those described in the section headed “Risk Factors” in this prospectus, which may cause our actual results, performance or achievements to be materially different from performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- Our business prospects, strategies, plans, objectives and goals;
- The business opportunities that we may pursue;
- Our dividend policy;
- The amount and nature of, and potential for, future development of our business; and
- Certain statements in the section headed “Financial Information” in the prospectus with respect to trend in prices, volumes, operations, margins, overall market trends, risk management and exchange rates.

The words “aim”, “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “likely”, “may”, “plan”, “potential”, “seek”, “should”, “will”, “would”, and the negative of these terms and other similar expressions, as they related to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of uncertainties and factors, including but not limited to:

- Changes in domestic market and business conditions as well as industry trends related to our operations;
- Changes in regulatory environments which are relevant to the business and operations of our Group, our customers and our suppliers;
- Changes in our customers’ demands and business performance;
- Changes in the competitive landscape of our industries;
- Introduction and implementation of new or different laws in the area we operate in;
- Our ability to obtain adequate capital resources to fund future expansion plans;
- Our ability to successfully implement our business plans, strategies, objectives and goals;
- Our ability to protect our technologies, knowhow, patents, brand, trademarks or other intellectual property rights;

## FORWARD-LOOKING STATEMENTS

- Developments in technology and our ability to successfully keep up with technological advancement;
- Our ability to attract and retain technical professionals and other qualified employees and key personnel;
- Changes in currency exchange rates; and
- The other risk factors discussed in this prospectus as well as other factors beyond our control.

Subject to the requirements of applicable laws, rules and regulations, we do 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 expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section, as well as the risks and uncertainties discussed in the section headed “Risk Factors” in this prospectus.

## RISK FACTORS

*Investing in the Shares involves certain risks. You should read this prospectus in its entirety and carefully consider each of the risks described below and all of the other information contained in this prospectus before deciding to purchase the Shares. If any of the following risks materialises, our business, financial condition and results of operations could be materially and adversely affected. The trading price of the Shares could decline and you may lose all or part of your investment.*

### RISKS RELATING TO OUR BUSINESS AND INDUSTRY

**We generated revenue from a relatively small number of customers during the Track Record Period, with whom we did not have any continuous long-term business relationships, and we may be unable to secure projects or maintain our growth or profitability at historical rate in the future**

Due to the nature of our business, we provide smart manufacturing solutions to our customers on a project basis. As we do not have any long term contractual arrangements with our customers, there is no assurance that we will continue to secure new contracts or maintain or increase our current level of business activities with existing or future customers in the future. In addition, we generated revenue from a relatively small number of customers in a year. For the years ended 31 March 2016, 2017 and the six months ended 30 September 2017, sales to our five largest direct customers, in aggregate, accounted for 99.8%, 91.6% and 100.0%, respectively, of our revenue. For the same periods, sales to our largest direct customer accounted for 63.5%, 26.0% and 38.3%, respectively, of our revenue and sales to our largest end customer accounted for 63.5%, 21.2% and 38.3%, respectively, of our revenue. The loss of any of our major customers or any material decline or cancellation of orders from them may adversely affect our business operations, financial performance and condition. Moreover, as our smart manufacturing solutions generally possess a relatively long life-span, our customers do not have repetitive needs within a short period of time and therefore it is more difficult for us to continue to enter into successive contracts with our customers.

Our business therefore largely depends on our ability to continuously get new tenders and secure contracts from more customers. It is generally very difficult to predict whether or when we will get additional contracts, as many of our customers select solutions providers based on their own internal processes which are affected by a number of factors, including actual business needs, market conditions, financing arrangements, governmental approvals, terms of the tender submitted and the qualifications of the bidder. Our tender success rate was 66.7%, 100.0% and 100% for years ended 31 March 2016, 2017 and the six months ended 30 September 2017, respectively. We cannot assure you that we can maintain our tender success rate in the future. In the event that our customers' bidding process or selection criteria change, our success rate for bidding certain projects may be adversely affected. If we are unable to secure business from future projects and new customers, our financial performance will be adversely affected.

During the Track Record Period, our revenue increased by 67.5% from HK\$26.0 million for the year ended 31 March 2016 to HK\$43.5 million for the year ended 31 March 2017 and increased by 2.4% to HK\$9.1 million for the six months ended 30 September 2017 as compared to HK\$8.9 million for the six months ended 30 September 2016. Due to the nature of our business,

## RISK FACTORS

the orders received from our customers are project-based. Our growth may not be sustained in the future if we are unable to get new tenders, secure new contracts or continue to expand the scope of our operations. Our scale of operation and our technology level may also hinder our growth. The expansion of our business has, and will continue to, put pressure on our managerial, financial, operational and other resources. We also need to enhance financial and quality controls and recruit and train additional staff in order to keep pace with our growth. We may need to increase employee compensation levels in order to retain our existing executives and staff and attract the additional personnel we expect we may require. We may also need to explore more customers and expand our market, customer base and scale of operation. We cannot assure you that we will be able to manage our future expansion effectively. If we are unable to effectively manage our expanding operations and control increasing staff costs, our profitability may be adversely affected.

During the Track Record Period, we attained gross profit margin of 37.4%, 59.1% and 70.8% for the years ended 31 March 2016, 2017 and the six months ended 30 September 2017, respectively. However, the gross profit margin we attained during the Track Record Period may not be taken as a reference to estimate our gross profit margin in the future. Our gross profit margin is affected by our revenue and cost of sales. Since the pricing of our solutions is project-specific, our gross profit margin may fluctuate due to different cost structure comprised and the level of technical requirements listed in different projects. In addition, our ability to maintain our historical revenue, cost of sales as well as gross profit margins is contingent on a variety of competitive, industrial, macroeconomic, governmental and regulatory factors and conditions which are beyond our control.

There is no assurance that we will be successful in meeting all challenges and addressing the risks and uncertainties that we may face in developing our business and our growth or gross profit margin can be maintained at the level similar to those in the Track Record Period. If we fail to maintain our growth or gross profit margin in the future, our financial results may be adversely affected.

### **We face risks associated with contracting with state-owned enterprises and their related bidding processes**

The majority of our end customers are state-owned enterprises and their demand for smart manufacturing solutions may be affected by government budget and policy consideration. In addition, the majority of our business is secured through a project bidding process which, in most cases, is regulated by certain PRC law, including the PRC Tender Law (《中華人民共和國招標投標法》) and governmental authorities. These regulations and the regulatory authorities that enforce them impose strict guidelines on the bidding processes. If we fail to comply with the PRC Tender Law and other relevant regulations, we may be disqualified from participating in the bidding process, or subject to other penalties, any of which could materially and adversely affect our business operations.

## RISK FACTORS

### **Our business could be adversely affected by a shortage of quality machinery or auxiliary tools**

The success of our business depends on our ability to obtain sufficient quantities of quality machinery and auxiliary tools, such as non-contact 3D optical measurement system, composite measurement and analysis system, non-contact 3D deformation measurement and analysis system and customised CNC machining centre, on commercially acceptable terms and in a timely manner. Our different testing systems and CNC machining centres used in the smart manufacturing solutions are mostly manufactured by overseas suppliers. Moreover, in the course of providing our smart manufacturing solutions, we use different auxiliary tools and engage local suppliers to produce such auxiliary tools.

We maintain a list of qualified suppliers from which to procure our machinery, auxiliary tools and software. Nevertheless, qualified suppliers may not always be readily available when our needs for procurement arise. If we are unable to source the relevant machinery or auxiliary tools, we may be unable to deliver the smart manufacturing solution to our customers and we may be required to source such machinery or auxiliary tools on a delayed basis or at a higher price than anticipated. If we are not able to find any alternative source in time, our business, reputation and results of operations may be adversely affected. In addition, we may not be able to monitor the manufacturing performance of the suppliers as directly and efficiently as with our own staff. If the supplier's performance does not meet with our quality standards, the quality of our smart manufacturing solutions may be affected, which could in return harm our reputation and potentially expose us to litigation and damage claims.

### **We rely on our major suppliers for a stable supply of machinery and auxiliary tools**

For the years ended 31 March 2016, 2017 and the six months ended 30 September 2017, purchases from our five largest suppliers, in aggregate, accounted for 93.6%, 94.2% and 76.8%, respectively, of our cost of sales. For the same periods, purchases from our largest supplier accounted for 46.9%, 58.8% and 76.8%, respectively, of our cost of sales. We generally do not enter into long-term agreements with our suppliers as we have to source different models of testing machinery or CNC machining centre as well as various auxiliary tools in accordance with our customers' orders. The future relationships between us and our suppliers and the willingness of our suppliers to supply machinery and auxiliary tools to us will be critical to our business and operations. If any of our major suppliers does not continue to supply us with the necessary machinery and auxiliary tools and we fail to source new suppliers in due course with competitive prices, our business, financial condition and results of operations could be adversely affected.

### **We are exposed to credit risks as trade receivables from our customers may subject to long turnover period**

We generally require our customers to deliver a letter of credit to us prior to the date of shipment, pursuant to which we are entitled to receive payment of 85% to 90% of the contract value upon shipment of machinery. The remaining 10 % to 15% of the contract value will be paid upon receipt of the final acceptance certificate. The majority of our sales are made on letters of credit and the remaining amounts are usually with a credit terms of 30 days. Our average trade receivables turnover days was approximately 22.6 days, 108.1 days and 323.1 days for the years



## RISK FACTORS

ended 31 March 2016, 2017 and the six months ended 30 September 2017, respectively. For further details, please refer to the section headed “Financial Information — Description of selected consolidated statement of financial position items — Trade receivables” in this prospectus.

There are credit risks associated with our business. As at 31 March 2016, 31 March 2017 and 30 September 2017, our trade receivables amounted to HK\$2.2 million, HK\$23.5 million and HK\$8.7 million, respectively. Trade receivables that were aged over 90 days amounted to HK\$1.5 million, HK\$1.5 million and HK\$5.3 million as at 31 March 2016, 31 March 2017 and 30 September 2017, respectively. The amount of our trade receivables coupled with the long turnover time could have an adverse impact on our working capital needs. As at 31 March 2016, 31 March 2017 and 30 September 2017, our trade receivables that were past due but not impaired amounted to HK\$1.5 million, HK\$2.1 million and HK\$5.3 million, respectively. If we encounter significant delays or defaults in payment by our customers or are otherwise unable to recover our trade receivables, our cash flows from operations may be inadequate to meet our working capital requirements and our financial condition as well as results of operations may be adversely affected.

### **We may be subject to a liquidity gap due to mismatch in time between receipt of payment from our customers and payments to our suppliers**

During the Track Record Period, we are required to pay our suppliers a 10% to 30% of the contract value in advance upon signing of the supplier contracts for the procurement of machinery if we were paying by bank remittances. We rely on prompt payment from our customers to fund our payment to suppliers. As at 31 March 2016, 31 March 2017 and 30 September 2017, our trade receivables were approximately HK\$2.2 million, HK\$23.5 million and HK\$8.7 million and our trade receivables turnover days were approximately 22.6 days, 108.1 days and 323.1 days, respectively; while our trade payables were approximately HK\$0.5 million, HK\$2.2 million and HK\$1.3 million and our trade payable turnover days were approximately 9.0 days, 27.9 days and 119.0 days, respectively. In case of the mismatch in time between receipt of payments from our customers and payments to our suppliers, we have to rely on our cash at banks and on hand to maintain our cash flow and to fund our daily operations. If we fail to manage the cash flow mismatch or if the mismatch enlarges, we may have higher funding requirements to meet our payment obligations and our results of operations and financial condition may be materially and adversely affected.

### **Our operations are heavily dependent on our senior management**

Our future success depends, to a significant extent, on the continuing services and the performance of our senior management, in particular, Mr. Wu and Prof. Yang who have been key to our strategic development and research and development efforts. If one or more of our senior management executives are unable or unwilling to continue in their present positions, we may not be able to find a suitable replacement, or at all, and our business may be disrupted and our financial condition and results of operations may be materially and adversely affected. Competition for experienced management and personnel is intense, the pool of qualified candidates is limited, and we may not be able to retain the services of our senior management or other key personnel, or

## RISK FACTORS

attract and retain high-quality personnel in the future. In addition, if any of our senior management or other key personnel joins a competitor or forms a competing company, our business and operation could be adversely affected.

### **Continuing collaboration with professors and researchers from established tertiary institutions is essential to our research and development capabilities**

Our research and development team from time to time works with professors and researchers from established tertiary institutions through collaboration. For example, as at the Latest Practicable Date, we were engaged in collaboration with South China University of Technology and Taiyuan Institute of Technology. We collaborated with these institutions mainly on a project basis. Our research and development team conducted various research projects in their laboratories, which enabled us to benefit from their resources, technical know-how and experience. During the Track Record Period, we incurred outsourcing research and development expenses in the amounts of HK\$1.8 million, HK\$1.6 million and HK\$0.7 million for the years ended 31 March 2016, 2017 and the six months ended 30 September 2017, respectively.

As we currently do not have our own research and development centre, we rely on the resources provided by tertiary institutions to a certain extent. Although we have not experienced any suspension or termination of collaboration with tertiary institutions, we would lose all the resources provided by such collaboration if they were for whatever reason suspended or terminated, and in such an event our research and development capabilities and results of our operations could be adversely affected. If we cannot identify and secure new collaboration with other tertiary institutions with similar resources or with professors and researchers with similar expertise or if we cannot establish our own research and development centres, our research and development capabilities could be adversely affected.

### **We operate in a competitive industry and may not be able to expand into new markets**

As advised by our PRC Legal Adviser, there is no legal or regulatory entry barrier to the business of providing smart manufacturing solutions in China under the PRC laws and regulations. According to Frost & Sullivan, one of the entry barriers may be the high technological knowledge required as our major customers are high-end equipment manufacturers in the aviation, aerospace, shipbuilding, ground transportation vehicles and electronics industries. There are other established international and local smart manufacturing solutions providers operating in the market among different industries whom may possess more in depth experience, expertise, technical knowhow and financial ability to capitalise on pricing strategies and other services to gain an edge over competition. Please refer to the section headed “Industry Overview” in this prospectus for further information on the competitive landscape of the industry. If there is any change or worsening of the economic conditions in the markets in which our customers operate, or in the event that our competitors offer cheaper alternatives to our solutions, or engage in aggressive pricing in order to increase their market share, or are capable of supplying solutions with superior performance, our business and financial condition could be adversely affected and we may need to consider exploring or expanding into new markets depending on the market conditions and prevailing circumstances.

## RISK FACTORS

There is no assurance that the competitiveness of our competitors will not improve or that we will be successful in expanding our market share against our competitors or expanding into new markets. Our competitors may be able to respond more quickly to new or emerging technologies and changes in customer requirements or demands. In such circumstances, we would have to invest additional time and financial resources to enhance our research and development, source products with higher quality, promote our solutions to our existing and potential new customers and expand into new markets. Hence, this could adversely affect our business, financial condition and operating results.

### **The employment contracts entered into by us with most of our employees have a fixed term and we may not be able to retain our personnel**

We require skilled employees with technical expertise and relevant experience. We incurred staff costs of HK\$1.4 million, HK\$2.2 million and HK\$1.1 million for the years ended 31 March 2016, 2017 and the six months ended 30 September 2017, respectively. To support the growth of our business, we intend to increase our workforce by hiring more experienced and skilled employees to implement our expansion plan and enhance the efficiency of our smart manufacturing solutions.

Driven by the past economic growth in China, competition for qualified personnel is substantial and labour costs have increased significantly in general in China. We did not enter into long term employment contracts with most of our existing employees. We cannot assure you that we will always be able to retain as well as attract sufficient qualified employees on commercially reasonable terms, or at all. In the event of labour shortages, we may face difficulties in recruiting employees with qualified expertise or retaining employees without subject to increasing labour costs. Any failure to attract qualified personnel or retain experienced employees at reasonable costs and in a timely manner could reduce our competitive advantage, undermine our ability to produce smart manufacturing solutions in time and hinder our growth in revenue and profits.

In addition, we cannot assure you that labour disputes, work stoppages or strikes will not arise in the future. Increase in our labour costs, failure to maintain our personnel or any future disputes with our employees could adversely affect our business, results of operations and financial condition.

### **We may not be able to maintain our design and technological expertise**

The market for smart manufacturing solutions is characterised by rapidly changing technologies and evolving developments. The core technologies, especially the know-how of parameter configuration of core instruments that are used in smart manufacturing solutions, are not easily mastered. The continual success of our business will depend upon our ability to hire, retain and expand our pool of qualified technical personnel, to maintain technological leadership in our industry, to develop and market our solutions that meet changing customer's needs, and to successfully anticipate or respond to technological changes in solutions formation processes in a cost-effective and timely manner.

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We cannot be certain that we will develop the capabilities required by our customers in the future. The emergence of new technologies, industry standards or customer requirements may render our equipment or know-how obsolete or uncompetitive. We currently own a few computers for simulation purposes. We may have to acquire new facilities or equipment to remain competitive. The acquisition and implementation of new facilities and equipment may require us to incur significant expense and capital investment, which could reduce our profit margins and affect our operating results. If we were to establish or acquire new facilities such as research and development centres, we may not be able to maintain or develop the relevant technological expertise due to a lack of trained personnel, effective training of new staff or technical difficulties with new machinery. Our failure to participate and adapt to our customers' changing technological needs and requirements, or to hire and retain a sufficient number of technical staff and ability to maintain our design and technological expertise may have a material adverse effect on our business.

**We recorded net current liabilities as at 31 March 2016 and we may expose ourselves to liquidity risk if we experience net current liabilities in the future**

We recorded net current liabilities of HK\$2.2 million as at 31 March 2016. The net current liabilities position was mainly attributable to current income tax liabilities of HK\$3.3 million, which were mainly provided for our Hong Kong and BVI operating subsidiaries as they were deemed as non-resident enterprises for PRC tax purposes in August 2017 and were therefore subject to PRC income tax for the prior years. There is no assurance that we will not record net current liabilities or net liabilities in the future. We may not have sufficient working capital to meet our current liabilities or expand our operations as anticipated. In such circumstances, our liquidity, business operations, financial condition and prospects may be materially and adversely affected.

**We had net operating cash outflow from our operating activities for the six months ended 30 September 2016 and the year ended 31 March 2017 and may face financial difficulties in the future if we fail to maintain effective cash flow management**

We had net cash inflow from operating activities of approximately HK\$7.5 million and HK\$3.4 million for the year ended 31 March 2016 and the six months ended 30 September 2017, respectively. We recorded net cash outflow from operating activities of approximately HK\$2.4 million and HK\$2.2 million for the six months ended 30 September 2016 and the year ended 31 March 2017. For further details, please refer to the section headed "Financial Information — Liquidity and capital resources — Cash flows from operating activities" in this prospectus.

While we have in the past financed our working capital needs primarily with our cash at banks and on hand such as initial investment and advances from our Controlling Shareholders and net cash generated from operating activities, we cannot assure you that we will always be able to generate net cash from operating activities. Net operating cash outflow could impair our ability to make necessary capital expenditures and constrain our operational flexibility as well as adversely affect our ability to meet our liquidity requirements. We cannot assure you that we will not suffer any decline in our future working capital or cash flow position in the future. If we fail to maintain effective working capital and cash flow management, we may face financial difficulties and our business and financial condition could be materially and adversely affected.

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### **We rely on our research and development team and may not be able to develop new technological applications**

We place significant reliance on our research and development team and its innovation as well as its ability to expand our technological capabilities. Please refer to the paragraph headed “Statutory and General Information — Further information about the business of our Company — 9. Intellectual property rights of our Group” in Appendix IV to this prospectus for more details of our patented technological applications. The success of our business is dependent upon our ability to continuously develop, in a timely manner, new technological applications through research and development and introduce new solution designs to cater our customers’ requirements. We may be required to invest extra time and resources to develop new technological applications for solution design in order to satisfy changing requirements of our customers.

We cannot assure you that our product research and development efforts will result in the development of innovative solution technologies that lead to technology breakthroughs, or will be completed on time, or will generate expected benefits. Further, we cannot assure you that we will continually be able to acquire the sole intellectual property rights over our research efforts which are made in collaboration with professors and researchers from tertiary institutions, or that any newly developed technology will be commercially successful. If our development efforts do not lead to introduction of new solution that meet market demand or cope with our customers’ ever-changing demands on a timely basis, or develop solutions that are innovative or superior to those of our competitors or commercially successful or are well accepted by the market, this may adversely affect our competitiveness, and our business, operational results and financial conditions may as a result be adversely affected.

### **Any failure to adequately protect our proprietary technology and technical know-how or any infringement of third party intellectual property rights by us may adversely affect our business and reputation**

We rely substantially on proprietary technology, technical know-how and research data to conduct our business. As at the Latest Practicable Date, we had eight registered patents and five pending invention patent registrations. The success of our business depends on our ability to protect our technical know-how and our intellectual property portfolio, and to obtain patents without infringing the proprietary rights of others. However, we cannot ensure that we will be able to enforce our patents even if they are obtained. If we are unable to obtain and protect intellectual property rights embodied within our designs, this could reduce or eliminate the competitive advantages of our proprietary technology, which could adversely affect our business.

Conversely, there is also a risk that third parties may bring a claim against us for infringing their intellectual property rights, thereby requiring us to defend or settle any related intellectual property infringement allegations or disputes. We may be required to incur substantial costs to develop non-infringing alternatives or to obtain the required licences. There is no assurance that we will succeed in developing such alternatives or in obtaining such licences on reasonable terms, or at all, and any failure to do so may disrupt our designing processes, damage our reputation and adversely affect our results of operations.

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### **We rely on computer systems for solution design, simulation and other operations and any disruptions in our systems could materially adversely affect our business**

We rely on computer systems to support our technological capabilities, including our solution design, simulation and other operations. As with any computer systems, unforeseen issues may arise from time to time. In the event that our computer systems do not work effectively, our ability to receive adequate, accurate and timely data could be adversely affected, which in turn could inhibit our solutions' design process and implementation. Furthermore, it is possible that our computer systems could experience a complete or partial shutdown. If such a shutdown occurred, it could materially adversely affect our ability to deliver our smart manufacturing solution to our customers in a timely manner of which our business and reputation could be adversely affected.

### **We may require an increasing amount of working capital and management resources to sustain our overall growth and execute our expansion plans and any failure to obtain the capital we need on acceptable terms, or at all, may adversely affect our expansion plans and growth prospects**

We depend on our cash at banks and on hand as well as cash generated from our operations to operate and expand our business. Our working capital requirements may increase if we have higher procurement needs, increase our employee's remuneration or procure more fixed assets or patents during our business operation.

We also require capital to develop new technological applications. We may be required to invest in research and development of new technological applications as well as to improve our existing technological application and know-how. We may incur a substantial portion of these costs in advance of any additional turnover to be generated by new or upgraded solutions or technology resulting from the expenditure. Our capital expenditures may also increase as a result of our further expansion of our business operations, which may result in an increase in our borrowing needs in the future.

Our working capital needs may further increase as we need substantial capital expenditures to continually upgrade and expand our facilities, research and development capabilities, and sales network to keep pace with the competitive landscape, technological advances and changing requirements in our industry. As part of our strategic development plan, we intend to establish our own research and development centres, recruit more sales and technical staff and increase our sales points. We estimate our set up cost for the research and development centres to be approximately HK\$4.0 million and the annual costs for their operations to be approximately HK\$1.5 million and HK\$2.8 million for the years ending 31 March 2019 and 2020, respectively. Please refer to the sections headed "Business — Business Strategies" and "Future Plans and Use of Proceeds" in this prospectus for further details of our expansion plans.

To the extent that our funding requirements exceed our financial resources, we will be required to seek additional debt or equity financing or to defer planned expenditures. In the past, we have financed our working capital and capital expenditures mainly through our cash at banks and on hand as well as cash flow from our operations. If we decide to raise additional funds through the incurrence of debt, our interest and debt repayment obligations will increase, and we may be subject to additional covenants, which could limit our ability to access cash flows from operations. There can be no assurance that we will be able to raise adequate financing to fund our

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future capital requirements on acceptable terms, in time, or at all. Our failure to obtain sufficient financing in a timely manner and at reasonable cost could result in the delay or abandonment of our development and expansion plans and may have a material adverse effect on our business and financial results.

### **Future expansion plans are subject to uncertainties and risks**

We have set out our future expansion plans in the section headed “Future Plans and Use of Proceeds” in this prospectus. The implementation of our expansion plans are subject to uncertainties and risks. There is no assurance that we will succeed in implementing our expansion plans or executing our growth strategies due to a number of factors beyond our control, including changes in rules and regulations applicable to us and general market demands for our products, or that our objectives will be fully or partially or effectively accomplished. If we are unable to implement our expansion plans and our business strategies successfully or effectively, our business, profitability and financial conditions in the future may be materially and adversely affected.

There is no assurance that we will be successful in our expansion plans. If we fail to project the time, labour and costs required for implementing our expansion plans accurately, or if we fail to secure sufficient amount of sales order or at all after the expansion, our business and results of operation may be adversely affected.

In addition, there may be additional operating expenses such as operating lease payments and staff salaries arising from our expansion plan. If we are unable to generate sufficient revenue from our business or if our financial needs are greater than expected, we may need to further raise funds via debt or equity means or adjust our intended use of proceeds from the Share Offer or future plans as described in this prospectus, including our plans for hiring of more staffs, expansion of our office size and spending on advertising and marketing activities. If our future revenue are not sufficient for us to sustain such plans, our financial performance may be adversely affected.

### **Fluctuations in prices of machinery, auxiliary tools and software could negatively impact our operations and may adversely affect our profitability and we may not be able to pass on our increased costs to our customers**

We procure machinery, auxiliary tools and software in accordance with our customers’ technical requirements and commercial needs as the major cost components for our smart manufacturing solutions. In particular, machinery accounted for 90.7%, 90.4% and 76.8% of our cost of sales for the years ended 31 March 2016, 2017 and the six months ended 30 September 2017, respectively.

As most of our supplier contracts are one-off transactions and we generally obtain price quotations from our suppliers before entering into sales contracts, we are generally able to pass on any increase in procurement costs to our customers. However, we cannot guarantee that we are always able to pass on all increases in the procurement cost to our customers in the future.

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If the price of our material supplies substantially increases, we may incur additional costs to acquire the same quality of machinery, auxiliary tools or software to meet our customer's needs. In addition, if we cannot identify alternative sources of quality materials when needed, at acceptable prices or with the required quantity and quality, or at all, it may materially and adversely affect our ability to deliver solutions to our customers in a timely manner, or at all, and therefore our business, financial condition, results of operations and prospects could be materially and adversely affected.

### **Failure to maintain an effective quality control system may have an adverse effect on our business**

Capability to provide high quality smart manufacturing solutions is one of our key competitive edges. Thus, the effectiveness of our quality control system is our utmost priority to our customers. This requires us to adopt a stringent quality control system which involves us placing a certain amount of capital and human resources to ensure that every step of the solution process is being strictly monitored. Please refer to the section headed "Business — Quality Control" in this prospectus for details of our quality control. If we are unable to maintain our effective quality control system, it may result in a decrease in demand for our services which would diminish our competitiveness in the smart manufacturing solution service market. Furthermore, we may risk providing products and services that are faulty, unsafe or ineffective and cause us to be liable to various liability claims or other forms of litigation and our reputation, as well as our business will be adversely affected.

### **We may encounter legal claims and disputes concerning product defects**

During the course of our business operations, we may face the possibility of various claims and disputes concerning product defects. We may face the risk of product liability claims from our customers. Our solutions include products that are manufactured to conform to and perform according to our customers' specifications. For products manufactured by our suppliers, our suppliers will provide a one year warranty to us against defective workmanship and we generally provide the same warranty to our customers. During this warranty period, our suppliers and we are required to rectify defects in our solutions due to workmanship free of charge.

Although we have not received any legal claims or incurred any loss related to legal claims during the Track Record Period, we cannot assure you that we will not be required to rectify defects during the warranty period which are not covered by our supplier's warranty in the future. Further, in respect of those manufacturing defects which have caused loss or damage to our customers, we may be subject to claims from them beyond the warranty period. In the event that our customers lodge claims against us for recovery of such loss and damage, our reputation, operation and financial conditions may be adversely affected.

### **We are susceptible to the business cycles of the industries in which our customers operate**

We provide smart manufacturing solutions to high-end equipment manufacturers in the aviation, aerospace, shipbuilding, ground transportation vehicles and electronics industries. The business cycles and growth prospects of each of these downstream industries will have a corresponding effect on the demand for our solutions. If any of these downstream industries faces cyclical downturn and decreases its demand for smart manufacturing solutions, our business,



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financial condition and results of operations could be adversely affected. There can be no assurance that we can effectively manage any future fluctuations in demand. Should there be a prolonged downturn on any of these industries, our business and profitability will be adversely affected.

### **Natural disasters, public health and public security hazards in the PRC may severely disrupt our business and operations**

Our customers and auxiliary tools suppliers are all located in China. The outbreak of any severe diseases in China, if uncontrolled, could have an adverse effect on the overall business sentiment and environment in China, which in turn may have an adverse impact on domestic consumption and on our sales. In addition, if our employees are affected by a severe communicable disease, we may be required to institute measures to prevent the spread of the disease. The spread of any severe communicable disease in China may also affect the operations of our general suppliers and other service providers.

Moreover, China has experienced natural disasters, including earthquakes, floods, landslides and droughts in the past, resulting in deaths of people, significant economic losses and significant and extensive damage to factories, power lines and other properties, as well as blackouts, transportation and communications disruptions and other losses in the affected areas. Any future natural disasters, public health and public security hazards may, among other things, materially and adversely affect or disrupt our operations. Furthermore, such natural disasters, public health and public security hazards may severely restrict the level of economic activity in affected areas, which may in turn materially and adversely affect our business, results of operations and prospects.

### **RISK FACTORS RELATING TO CONDUCTING BUSINESS IN THE PRC**

#### **Changes in the economic, political and social conditions and government policies in China may have an adverse effect on our business**

During the Track Record Period, our business operations were conducted in China and all of our revenue was derived from the PRC market. As a result, we are susceptible to changes in the economic, political and social conditions in China. The economy of China differs from the economies of most developed countries in many respects, including the degree of government involvement, degree of development, growth rate, control of foreign exchange and import and allocation of resources. In the past, the PRC government has implemented measures emphasising market forces for economic reform. However, the PRC government continues to play a significant role in regulating industrial development and the allocation, production, pricing and management of resources. We may not in all cases be able to capitalise on the economic reform measures adopted by the PRC government. In addition, the implementation of the PRC laws and regulations involves a degree of uncertainty. We cannot predict the future development of the PRC legal system, including any promulgation of new laws, change to existing laws or the interpretation or enforcement thereof, or the pre-emption of local regulations by national laws, and the effect it may have on us. Changes in the economic, political and social conditions or the relevant policies of the PRC government, such as changes in laws and regulations (or the interpretation thereof) and fiscal

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or financial measures, could have an adverse effect on the overall economic growth of China, which could subsequently hinder our business, growth strategies, financial condition and results of operations.

**Failure to comply with SAFE regulations relating to the establishment of offshore special purpose companies by PRC residents, particularly SAFE Circular No. 37, may subject our PRC resident Shareholders or our PRC subsidiary to liabilities or penalties, limit our ability to inject capital into our PRC subsidiary or limit the ability of our PRC subsidiary to distribute profits to our Company**

In July 2014, SAFE promulgated SAFE Circular No. 37, pursuant to which a “special purpose vehicle” means an overseas enterprise directly established or indirectly controlled by a domestic resident (including domestic institutions and domestic individual residents) for the purpose of engaging in investment and financing with the domestic enterprise assets or interests he legally holds, or with the overseas assets or interests he legally holds. Domestic residents establishing or taking control of a special purpose vehicle abroad which engages in overseas investment and financing or makes round-trip investments in the PRC are required to effect foreign exchange registration.

According to our PRC Legal Adviser, Mr. Wu and Prof. Yang are both subject to the requirements under SAFE Circular No. 37 and all necessary foreign exchange registrations under SAFE Circular No. 37 were completed on 23 August 2017. However, there is no assurance that the PRC government will not have a different interpretation of the requirements of SAFE Circular No. 37 in the future. Moreover, we may not be fully informed of the identities of all the future Shareholders who are PRC residents. We do not have control over the Shareholders and cannot assure you that all of the PRC resident Shareholders will comply with SAFE Circular No. 37. Failure of the PRC resident Shareholders to register or amend their SAFE registrations in a timely manner pursuant to SAFE Circular No. 37 may subject such Shareholders and our PRC subsidiary to fines and legal sanctions. Failure to comply with SAFE Circular No. 37 may also limit our ability to contribute additional capital to our PRC subsidiary, limit the ability of the PRC subsidiary to distribute dividends to our Company or otherwise materially and adversely affect our business.

**Our Company or any of our non-PRC subsidiaries would be subject to PRC corporate income tax on its worldwide income if it were considered a PRC “resident enterprise” under the CIT Law**

Under the CIT Law and its implementation rules, enterprises established outside of the PRC with “de facto management bodies” within the PRC are considered a “resident enterprise” and will be subject to PRC corporate income tax at a rate of 25% on their worldwide income. The implementation rules under CIT Law define the term “de facto management bodies” as “establishments that carry out substantial and overall management and control over the production, operation, personnel, accounting, properties and other aspects of an enterprise.” The SAT promulgated the Notice Regarding the Determination of Chinese-controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (“Circular 82”) on 22 April 2009, which provides certain specific criteria for determining whether the “de facto management body” of a Chinese-controlled offshore incorporated enterprise

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is located in the PRC. On 27 July 2011, the SAT issued the Measures for Administration of Income Tax of Chinese-controlled Resident Enterprises Incorporated Overseas (Trial) (“**Circular 45**”) to supplement Circular 82 and other tax laws and regulations. Circular 45 clarifies certain issues relating to resident status determination.

Although Circular 82 and Circular 45 apply only to offshore enterprises controlled by PRC enterprises or PRC group companies and not those controlled by PRC individuals or foreigners, the determining criteria set out in Circular 82 and Circular 45 may reflect the SAT’s general position on how the “de facto management body” test should be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises or individuals or foreign enterprises. All of our senior management team members are located in the PRC. If our Company or any of our non-PRC subsidiaries were considered to be a PRC “resident enterprise”, it would be subject to the PRC enterprise income tax at a rate of 25% on our worldwide income.

### **Our Company may be deemed as a PRC resident enterprise under the CIT Law and any gains on the sales of our Shares and dividends on our Shares may be subject to PRC income taxes**

Under the CIT Law and its implementation rules, a PRC withholding tax at the rate of 10% is applicable to dividends payable to investors which are “non-resident enterprises” that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with such establishment or place of business to the extent such dividends have their source within the PRC unless there is an applicable tax treaty between the PRC and the jurisdiction in which an overseas holder resides which reduces or exempts the relevant tax. According to the Arrangements between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), the dividends derived by a foreign investor residing in Hong Kong from its PRC subsidiary is subject to a tax rate of 5% provided that the foreign investor directly holds not less than 25% of the equity interest of the PRC subsidiary. However, according to the Notice of the State Administration of Taxation on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) issued by the SAT on 20 February 2009, if the main purpose of a transaction or an arrangement is to obtain preferential tax treatment, the PRC tax authorities will have the discretion to adjust the preferential tax rate for which an offshore entity would otherwise be eligible. In addition, any gain realised on the transfer of shares by foreign investors is subject to a 10% PRC income tax if such gain is regarded as income derived from sources within the PRC. Since it is uncertain whether our Company will be considered as a PRC “resident enterprise”, dividends payable to the foreign investors of our Company with respect to the Shares, or the gain the foreign investors of our Company may realise from the transfer of the Shares, may be treated as income derived from sources within the PRC and be subject to the PRC tax.

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### **Fluctuations in the value of the Renminbi could have an adverse effect on your investment**

The income and expenses of our PRC subsidiary have been and are expected to continue to be primarily denominated in Renminbi and it is exposed to the risks associated with the fluctuation in the currency exchange rate of Renminbi. Should Renminbi appreciate against other currencies, the value of the proceeds from the Share Offer and any future financings, which are to be converted from Hong Kong dollars or other currencies into Renminbi, would be reduced and might accordingly hinder our business development due to the reduced amount of funds raised. On the other hand, in the event of devaluation of Renminbi, the dividend payments of our Company, which are to be paid in Hong Kong dollars after conversion of the distributable profit denominated in Renminbi, would be reduced. Hence, substantial fluctuation in the currency exchange rate of Renminbi may have a material adverse effect on our business, operations and financial position and the value of your investment in the Shares.

### **Renminbi is not freely convertible and the PRC government laws and regulations may impact the availability of funds to pay dividends**

Renminbi is not a freely convertible currency and the conversion of Renminbi into any other currency is regulated by the PRC government. In general, foreign investment enterprises are permitted to convert Renminbi to foreign currencies for current account transactions (including, for example, distribution of profits and payment of dividends to foreign investors) through designated foreign exchange banks following prescribed procedural requirements. On the other hand, control over conversion of Renminbi to foreign currencies for capital account transactions (including, for example, direct investment, loan and investment in securities) is more stringent and such conversion is subject to a number of limitations.

Our Company is a holding company incorporated in the Cayman Islands and operates part of our business through our PRC subsidiary. Therefore, the availability of funds for us to pay dividends to our Shareholders and to service any offshore indebtedness may be affected by dividends received from our PRC operating subsidiary, which is subject to limitations with respect to dividend payments. Should our PRC subsidiary be unable to pay dividends due to government policies or regulations, our Company's ability to pay dividends to the Shareholders and service any offshore indebtedness may be adversely affected.

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

### **There has been no prior public market for our Shares**

Prior to the Share Offer, there was no public market for our Shares. While we have applied to list and deal in our Shares on the Stock Exchange, we cannot assure you that an active or liquid public market for our Shares will develop or be sustained if developed. If an active and liquid trading market does not develop, you may have difficulty in selling any of our Shares that you purchase. The Offer Price of our Shares will be determined through negotiations between our Company and the Sole Lead Manager (for itself and on behalf of the Underwriters), and it may not necessarily be indicative of the market price of our Shares after the Listing. An investor who purchases Shares in the Share Offer may not be able to resell such Shares at or above the Offer Price and, as a result, may lose all or part of the investment in such Shares.

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### **The market price and trading volume of our Shares may be volatile**

The market price and trading volume of our Shares may be volatile. Factors such as the following may significantly affect the trading volume and the price of our Shares:

- changes in global and local economic conditions;
- changes in foreign currency exchange rates;
- fluctuations in our operating results;
- announcements of new investments, strategic alliances or acquisitions;
- modifications to our financial estimates or our competitors by securities analysts;
- addition or departure of our Directors and senior management;
- new policies in the high-end equipment manufacturing related industries or smart manufacturing solutions industry in China; and
- general market conditions or other developments affecting us or our industry.

In addition, the securities market has from time to time experienced significant price and volume fluctuations that have affected the market prices for the securities of companies listed on the Stock Exchange. As a result, investors in our Shares may experience volatility in the market price of their Shares and a decrease in the value of Shares regardless of our operating performance or prospects.

### **The interests of our Controlling Shareholders may differ from those of our other Shareholders, and such Shareholders may be disadvantaged by the actions of our Controlling Shareholders**

Immediately following completion of the Capitalisation Issue and the Share Offer, our Controlling Shareholders will beneficially own and control the exercise of approximately 73.485% of the voting rights in the general meetings of our Company. Our Controlling Shareholders could therefore exercise significant influence in determining the outcome of any corporate transaction or other matters submitted to our Shareholders for approval, including but not limited to mergers, consolidations and the sale of all, or substantially all, of our assets, election of Directors, and other significant corporate actions. The interests of our Controlling Shareholders may differ from the interests of our other Shareholders. If the interests of our Controlling Shareholders conflict with the interests of other Shareholders, or if our Controlling Shareholders choose to cause our business to pursue strategic objectives that conflict with the interests of our other Shareholders, those Shareholders could be disadvantaged by the actions of our Controlling Shareholders.

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### **Future sales of our Shares or issuance of new Shares by us in the public market may materially and adversely affect the market price of our Shares and shareholding of the Shareholders**

Future sales of a substantial number of our Shares could negatively impact the market price of our Shares and our ability to raise funds in the future at a time and price that we deem appropriate. The Shares held by our Controlling Shareholders are subject to certain lock-up undertakings, details of which are set out in the section headed “Underwriting” in this prospectus. There is no assurance that any of them will not dispose of any Shares they now own or may own in the future, following the expiration of the relevant lock-up periods or that any other substantial shareholders will not dispose of any Shares they now own or may own in the future following the Share Offer. Future sales of a substantial number of our Shares in the public market or any speculation that such sales may occur may materially and adversely affect the market price of our Shares.

In addition, we may raise additional funds by issuing new equity securities in the future to finance expansion of the existing business or develop new businesses. If the new equity securities are not issued to the existing Shareholders on a pro-rata basis, the ownership percentages of the existing Shareholders may be reduced, and in addition, the newly issued securities may confer rights, preferences or privileges superior to those of the Offer Shares.

### **The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ from the laws of Hong Kong and other jurisdictions**

Our corporate affairs are governed by, among other things, the Memorandum and Articles of the Company and the Companies Law and common law of the Cayman Islands. The rights of Shareholders to take action against our Directors, actions by minority shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in other jurisdictions.

### **Investors should not unduly rely on facts and statistics in this prospectus**

Certain facts and statistics in this prospectus that do not relate directly to our operations, including those relating to the high-end equipment manufacturing industry and the smart manufacturing solutions industry in China, have been derived or extracted from various publications of governmental agencies and Independent Third Parties. However, the facts and statistics in this prospectus may not be reliable in terms of their completeness, accuracy and fairness given such information has not been independently verified by our Company, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters or any of their respective directors, officers, affiliates, advisers or representatives, or any other parties involved in the Share Offer, and such information may not be consistent with other publicly available information.

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Our Company, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters or any of their respective directors, officers, affiliates, advisors or representatives, or any other parties involved in the Share Offer make no representation as to the completeness or accuracy of those information and there is no assurance that such information contained in this prospectus is prepared to the same standard or level of accuracy and comparable with similar kind of information available in other publications or jurisdictions. Therefore, the facts and statistics in this prospectus shall not be unduly relied upon.

### **Investors should not rely on any information in the press articles or other media regarding our Group or the Share Offer not contained in this prospectus**

There may be certain press coverage in certain news publications regarding our Group and the Share Offer which include certain financial information, financial projections and other information about our Group that do not appear in this prospectus. We wish to emphasise to potential investors that we do not accept any responsibility for the accuracy or completeness of any information disseminated in the articles or media and that such information was not sourced from or authorised by our Group.

We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the information and underlying assumptions. To the extent that any of such information is inconsistent with, or conflicts with, the information contained in this prospectus, we disclaim it. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

### **Forward-looking statements contained in this prospectus are subject to risks and uncertainties**

This prospectus contains certain statements that are “forward-looking” and indicated by the use of forward-looking terms such as “aim”, “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “likely”, “may”, “plan”, “potential”, “seek”, “should”, “will” or “would” or similar expressions. You are cautioned that any forward-looking statement involves risks and uncertainties and any or all of the assumptions relating to the forward-looking statements could prove to be inaccurate. As a result, the forward-looking statement could be incorrect. The inclusion of forward-looking statements in this prospectus should not be regarded as a representation by us that the plans and objectives will be achieved, and you should not place undue reliance on such statements.

## **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. Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure and Conditions of the Share Offer” in this prospectus, and the procedures for applying for the Public Offer Shares are set out in the section headed “How to Apply for Public Offer Shares” in this prospectus and in the relevant Application Forms.

The Offer Shares are offered for subscription solely on the basis of the information contained and the representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Share Offer, or to make any representation, not contained in this prospectus. Any information or representation not contained herein must not be relied upon as having been authorised by us, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, any of our or their respective directors, officers, employees, agents, affiliates or advisers or any other party involved in the Share Offer. Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information in this prospectus is correct as at any subsequent time.

### **UNDERWRITING**

The Share Offer comprises the Public Offer of initially 10,000,000 Public Offer Shares and the Placing of initially 90,000,000 Placing Shares.

The listing of, and permission to deal in, our Shares on the Stock Exchange is sponsored by the Sole Sponsor. The Share Offer is managed by the Sole Bookrunner and the Sole Lead Manager. The Public Offer is fully underwritten by the Public Offer Underwriter pursuant to the Public Offer Underwriting Agreement. The Placing is expected to be fully underwritten by Placing Underwriter(s) pursuant to Placing Underwriting Agreement and is subject to our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) agreeing on the Offer Price.

Further information about the Underwriter(s) and the Underwriting Agreements are set out in the section headed “Underwriting” in this prospectus.



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

### **DETERMINATION OF THE OFFER PRICE**

The Offer Shares are being offered at the Offer Price which will be determined by the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date, which is expected to be on or around Tuesday, 10 April 2018. If, for any reason, the Offer Price is not agreed between the Sole Bookrunner (for itself and on behalf of the Underwriters) and us by Wednesday, 18 April 2018, the Share Offer will not proceed and will lapse.

The Offer Price is currently expected to be no more than HK\$0.85 per Share and no less than HK\$0.55 per Share. The Sole Bookrunner (for itself and on behalf of the Underwriters) may reduce the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such a case, a notice of the reduction of the indicative Offer Price range will be published on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.ztecgrou.com](http://www.ztecgrou.com).

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

Each person acquiring the Offer Shares under the Public Offer will be required to, or deemed by his acquisition of the Offer Shares to, confirm that he is aware of the restrictions on offer and sale of the Offer Shares described in this prospectus and the relevant Application Forms, where applicable.

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

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 or any applicable rules and regulations of such jurisdictions pursuant to any registration made with or authorisation by the relevant securities regulatory authorities as an exemption therefrom.

### **APPLICATION FOR LISTING OF THE SHARES ON GEM**

We have applied to the Listing Division of the Stock Exchange for the granting of, listing of, and permission to deal in, our Shares in issue prior to the Share Offer and to be issued pursuant to the Capitalisation Issue and the Share Offer and any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme.

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

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

Under Section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be void if permission for the listing of, and dealing in, the Shares on GEM has been refused before the expiration of three weeks from the date of closing of the application lists or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange.

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

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of listing and at all times thereafter, our Company must maintain the “minimum prescribed percentage” of 25% of the issued share capital of our Company in the hands of the public. Accordingly, a total of 100,000,000 Offer Shares representing 25% of our enlarged issued share capital immediately following completion of the Capitalisation Issue and the Share Offer will be made available under the Share Offer.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

Potential investors in the Share Offer are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposal of, and dealing in our Shares (or exercising rights attached to them). None of our Company, our Directors, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters and any of our or their respective directors, officers, employees, agents, affiliates or advisers or any other party involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, our Shares.

### **REGISTRATION AND STAMP DUTY**

All issued Shares upon completion of the Share Offer are freely transferable. The principal register of members of our Company will be maintained in the Cayman Islands by Estera Trust (Cayman) Limited, and a branch register of members of our Company will be maintained in Hong Kong. Unless our Directors otherwise agreed, all transfer and other documents of title of Shares must be lodged for registration with, and registered by Computershare Hong Kong Investor Services Limited, our Company’s Hong Kong Share Registrar.

All the Offer Shares will be registered on the branch register of members of the Company in Hong Kong. Only Shares registered on our Company’s branch register of members maintained in Hong Kong may be traded on GEM. Dealings in the Shares registered on our Company’s branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty. If you are unsure about the taxation implications of subscribing for the Offer Shares, or about purchasing, holding or disposing of or dealing in them, you should consult an expert.

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

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

Subject to the granting of the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus on GEM and compliance 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 on 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 the settlement arrangements as such arrangements may 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 enabling our Shares to be admitted into CCASS.

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

Dealing in the Shares on GEM is expected to commence on Friday, 20 April 2018. Shares will be traded in board lots of 4,000 Shares each.

### **EXCHANGE RATE CONVERSION**

Unless otherwise specified and for the purpose of illustration only, amounts denominated in RMB, US dollars and Euro have been converted into HK dollars, and vice versa, in this prospectus at the following rate:

RMB 1: HK\$1.12  
US\$ 1: HK\$7.82  
Euro 1: HK\$9.19

No representation is made that any amounts in Renminbi, US dollars, Euro or HK dollars can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

### **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 names of any of the entities mentioned in this prospectus which are not in the English language and their English translations, the names in their respective original languages shall prevail.

### **ROUNDING**

In this prospectus, where information is presented in thousands or millions, amounts of less than one thousand or one million, as the case may be, have been rounded to the nearest hundred, or hundred thousand, respectively. Amounts presented as percentages have, in certain cases, been rounded to the nearest tenth of a percent. Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding. Accordingly, the total of each column of figures as presented may not be equal to the sum of the individual items.

## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

### DIRECTORS

#### Chairman, executive Director and chief executive officer

Name	Address	Nationality
Wu Di (吳鎬)	Room 503 213 Tiyu West Cross Street Tianhe District Guangzhou PRC	Chinese

#### Executive Director and chief operating officer

Liu Zhining (劉智寧)	Room 502 247 Dafeng 1st Street Tianhe District Guangzhou PRC	Chinese
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#### Independent non-executive Directors

Tang Yong (湯勇)	Room 403, Block 48 Huagong Nanxiu Village 381 Wushan Road Tianhe District Guangzhou PRC	Chinese
Tan Michael Zhen Shan (譚鎮山)	Flat F, 5/F Oak Mansion Taikoo Shing Quarry Bay Hong Kong	Chinese
Xing Shaonan (邢少南)	Flat B, 8/F Hua Hai Building 3-5 Fort Street North Point Hong Kong	Chinese

Please refer to the section headed “Directors and Senior Management” in this prospectus for further details.

<b>DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER</b>
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**PARTIES INVOLVED IN THE SHARE OFFER**

<b>Sole Sponsor</b>	RaffAello Capital Limited Room 2002, 20/F Tower Two, Lippo Centre 89 Queensway Hong Kong
<b>Sole Bookrunner and Sole Lead Manager</b>	RaffAello Securities (HK) Limited Rooms 2002 and 2002B, 20/F Tower Two, Lippo Centre 89 Queensway Hong Kong
<b>Legal advisers to our Company</b>	<i>As to Hong Kong law:</i> Norton Rose Fulbright Hong Kong 38th Floor, Jardine House 1 Connaught Place Central Hong Kong  <i>As to Cayman Islands law:</i> Appleby 2206–19 Jardine House 1 Connaught Place Central Hong Kong  <i>As to PRC law:</i> Beijing Jingtian & Gongcheng Law Firm 34th Floor, Tower 3 China Central Place 77 Jianguo Road Beijing 100025 PRC
<b>Legal advisers to the Underwriters</b>	<i>As to Hong Kong law:</i> King & Wood Mallesons 13/F Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong

<b>DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER</b>
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*As to PRC law:*  
Global Law Office  
Units B/C, 26F, Tower 5  
Dachong International Center  
No.39 Tonggu Road  
Nanshan District  
Shenzhen  
PRC

**Auditors and reporting accountants** PricewaterhouseCoopers  
*Certified Public Accountants*  
22/F, Prince's Building  
Central  
Hong Kong

**Receiving bank** Standard Chartered Bank (Hong Kong) Limited  
15/F, Standard Chartered Tower,  
388 Kwun Tong Road,  
Hong Kong

**Industry Consultant** Frost & Sullivan (Beijing) Inc., Shanghai  
1018, Tower B  
500 Yunjin Road,  
Shanghai 200232,  
China

**Compliance adviser** RaffAello Capital Limited  
Room 2002, 20/F  
Tower Two, Lippo Centre  
89 Queensway  
Hong Kong

## CORPORATE INFORMATION

<b>Registered office</b>	Office of Sertus Incorporations (Cayman) Limited Sertus Chambers, Governors Square, Suite # 5-204, 23 Lime Tree Bay Avenue P.O. Box 2547 Grand Cayman, KY1-1104 Cayman Islands
<b>Headquarters and principal place of business in the PRC</b>	Room 1508-1510, Jin Ying Building 1 Wu Shan Jin Ying Road Tianhe District Guangzhou PRC
<b>Place of business in Hong Kong registered under Part 16 of the Companies Ordinance</b>	36/F, Tower Two Times Square 1 Matheson Street Causeway Bay Hong Kong
<b>Company's website</b>	<b><u><a href="http://www.ztecgroupp.com">www.ztecgroupp.com</a></u></b> <i>(Note: the information contained in this website does not form part of this prospectus)</i>
<b>Company secretary</b>	Ms. Wong Sau Ping (ACIS; ACS) 36/F, Tower Two Times Square 1 Matheson Street Causeway Bay Hong Kong
<b>Compliance officer</b>	Ms. Liu Zhining Room 502 247 Dafeng 1 <sup>st</sup> Street Tianhe District Guangzhou PRC

## CORPORATE INFORMATION

<b>Authorised representatives</b> <i>(for the purpose of the GEM Listing Rules)</i>	Ms. Wong Sau Ping (ACIS; ACS) 36/F, Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong  Ms. Liu Zhining Room 502 247 Dafeng 1 <sup>st</sup> Street Tianhe District Guangzhou PRC
<b>Audit committee</b>	Mr. Xing Shaonan ( <i>Chairman</i> ) Mr. Tang Yong Mr. Tan Michael Zhen Shan
<b>Remuneration committee</b>	Mr. Tang Yong ( <i>Chairman</i> ) Mr. Xing Shaonan Ms. Liu Zhining
<b>Nomination committee</b>	Mr. Wu Di ( <i>Chairman</i> ) Mr. Tang Yong Mr. Tan Michael Zhen Shan
<b>Principal Share Registrar</b>	Estera Trust (Cayman) Limited P.O. Box 2547 Grand Cayman KY1-1104 Cayman Island
<b>Hong Kong Share Registrar</b>	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17th Floor, Hopewell Centre 183 Queen’s Road East Wan Chai Hong Kong



## CORPORATE INFORMATION

### Principal bankers

The Hongkong and Shanghai Banking Corporation  
1 Queen's Road Central  
Central  
Hong Kong

Ping An Bank  
Guangzhou Wanda Plaza Branch  
Shop No. 103  
179 Yuncheng South 2nd Street  
Baiyun District  
Guangzhou  
PRC

Industrial and Commercial Bank of China  
Guangzhou West District Branch  
370 Kaifa Avenue  
Guangzhou Economic and Technological Development  
Zone  
Guangzhou  
PRC

## INDUSTRY OVERVIEW

*Unless otherwise indicated, the information contained in this section is derived from various governmental and official publications, other publications and the market research report prepared by Frost & Sullivan, which was commissioned by us.*

*We believe that the sources of information are appropriate and we have taken reasonable and cautious care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. We, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters or any of our or their respective directors, officers, employees, agents, affiliates or advisers or any other party involved in the Share Offer have not independently verified such information and have made no representation as to the accuracy and completeness thereof. The relevant information and statistics may not be consistent with such other information and statistics compiled within or outside the PRC. As a result, you are advised not to place undue reliance on such information.*

### SOURCES OF INFORMATION

We have commissioned Frost & Sullivan, an independent market researcher and consultant, to analyse and report on the industrial precision 3D testing and precision machining solutions industry in China. Frost & Sullivan is an independent global consulting firm founded in 1961 in New York. Frost & Sullivan offers industry research and market strategies and provides growth consulting and corporate training. Its industry coverage in China includes automotive and transportation, chemicals, materials and food, commercial aviation, consumer products, energy and power systems, environment and building technologies, healthcare, industrial automation and electronics, industrial and machinery, and technology, media and telecom.

We commissioned Frost & Sullivan for a total fee of RMB400,000. We are of the view that the payment of such fee does not affect the fairness of the conclusions drawn in the Frost & Sullivan Report dated 29 March 2018 (the “**F&S Report**”).

### **F&S Report**

We have included certain information from the F&S Report in this prospectus because our Directors believe that such information facilitates an understanding of the relevant market for potential investors. The market research process for the F&S Report has been undertaken through detailed primary research which involves discussing the status of the industrial precision 3D testing and precision machining solutions industry with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan’s own research database.

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

- China’s economy is likely to maintain steady growth in the next decade;

## INDUSTRY OVERVIEW

- China's social, economic and political environment is likely to remain stable in the forecast period; and
- market drivers like favourable policies and increasing urbanisation will drive industrial precision 3D testing and precision machining solutions market.

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

### OVERVIEW OF THE SMART MANUFACTURING INDUSTRY IN CHINA

#### Definition of smart manufacturing and high-end equipment manufacturing

Smart manufacturing refers to the use of fully-integrated, collaborative manufacturing systems that apply technologies to realise responding in real time to the changing demands and conditions in the manufacturing site.

The high-end equipment manufacturing industry mainly includes aviation equipment, satellite and applications, rail transportation equipment, marine engineering equipment, and intelligent manufacturing equipment.

Unlike high-end equipment manufacturing, smart manufacturing focuses on the technology rather than the applied field. Some of the key technologies applied in the smart manufacturing industry include big data processing, advanced robotics, and precision testing and machining.

#### Smart manufacturing industry

Driven by a series of favourable policies such as the “Smart Manufacturing Development Plan (2016–2020)” (《智能製造發展規劃(2016–2020年)》) and “Made in China 2025” (《中國製造2025》), the revenue of the smart manufacturing industry in China is well positioned to accelerate its growth in the future. The revenue of the smart manufacturing industry has risen from RMB838.4 billion in 2012 to RMB1,450.0 billion in 2016, representing a CAGR of 14.7%, and is expected to grow to RMB3,668.4 billion in 2021 with a CAGR of 20.4% from 2016 to 2021.

According to the “Smart Manufacturing Development Plan (2016–2020)”, the smart manufacturing industry will develop at least 60 major technologies by the year of 2020, among which the development of smart testing and assembling (智能檢測與裝配裝備) is one of the eight key major technologies that will be emphasised in this period. As precision 3D testing and precision machining represent a key technology breakthrough, the precision 3D testing and precision machining solutions market has a promising future as smart manufacturing continues to grow in application.

## INDUSTRY OVERVIEW

### Output value of high-end equipment manufacturing

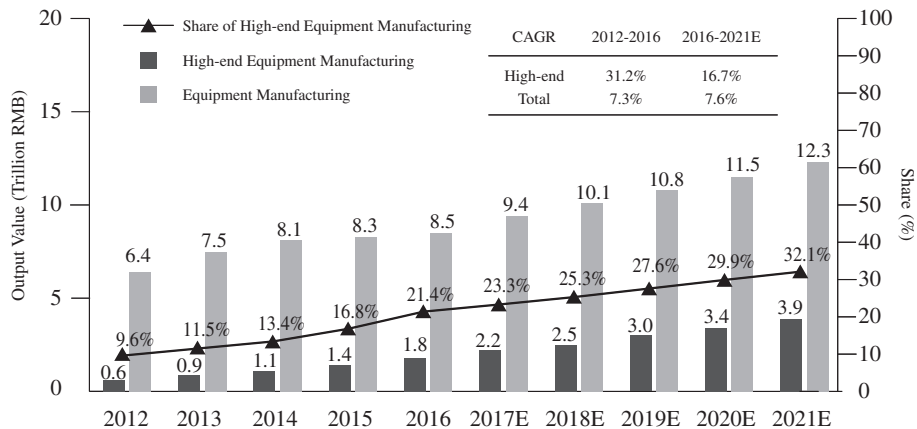
The 12<sup>th</sup> Five-Year Plan for the High-End Equipment Manufacturing Industry has proposed for the first time that high-end equipment manufacturing should be the focus of the industrial manufacturing industry, which led to various developments in related fields. In particular, aviation, aerospace, shipbuilding, ground transportation vehicles and electronics are the major industries in high-end equipment manufacturing.

According to the National Bureau of Statistics of China, the total output value of equipment manufacturing has increased from RMB6.4 trillion in 2012 to RMB8.5 trillion in 2016, representing a CAGR of 7.3%. The high-end equipment manufacturing segment has shown a faster growth than the overall equipment manufacturing industry, and it has grown from RMB0.6 trillion in 2012 to RMB1.8 trillion in 2016, with a CAGR of 31.2% during the same period.

With the national strategy in upgrading the overall equipment manufacturing industry, high-end equipment manufacturing is of great importance, and the share of output value of equipment manufacturing contributed by high-end equipment manufacturing has increased significantly from 9.6% in 2012 to 21.4% in 2016.

In the forecast period from 2016 to 2021, led by the 13<sup>th</sup> Five-Year Plan, the high-end equipment manufacturing segment is expected to continue to grow and outperform the overall equipment manufacturing industry. The output value of high-end equipment manufacturing is expected to reach RMB3.9 trillion in 2021 with its share in the overall equipment manufacturing industry growing to 32.1%.

### Output Value of High-end Equipment Manufacturing (China), 2012–2021E



Source: National Bureau of Statistics of China; Frost & Sullivan

# INDUSTRY OVERVIEW

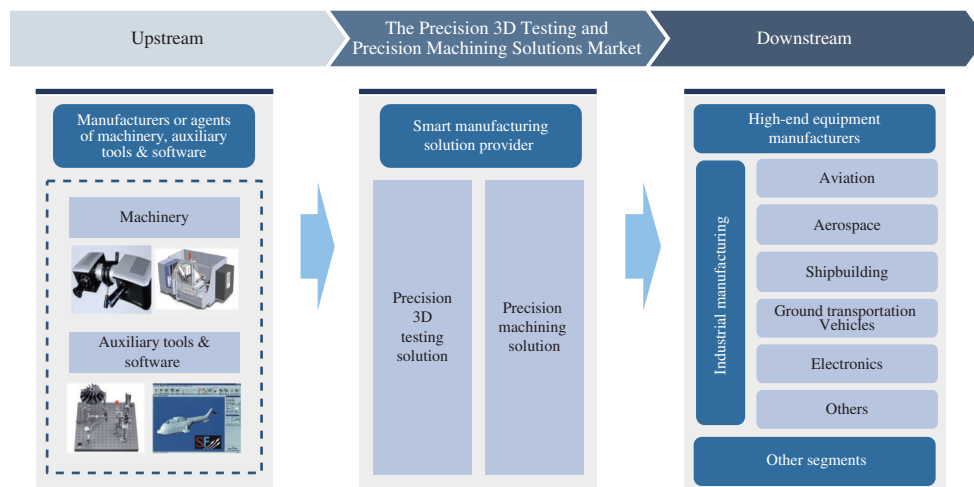
## OVERVIEW OF THE INDUSTRIAL PRECISION 3D TESTING AND PRECISION MACHINING SOLUTIONS MARKET IN CHINA

### Precision 3D testing and precision machining solutions

Precision 3D testing solution is a system that makes use of photogrammetry and grating measurement principle for data collection. It can provide precise measurement and generate analysed data of the testing object.

Precision machining solution is generally a customised CNC machining system that offers automatic, precise and consistent motion control in the manufacturing process by enabling motions to be done through programmed commands.

### Value chain



The upstream markets of precision 3D testing and precision machining solutions are manufacturers, or their agents, of 3D scanner, 3D deformation measurement system, customised CNC machining centre, auxiliaries tools such as fixtures and general purpose components, and software.

Precision 3D testing solutions and precision machining solutions can be applied in various downstream segments, among which industrial manufacturing for high-end equipment manufacturers is the major one. Among the industries comprising industrial manufacturing, aviation, aerospace, shipbuilding, ground transportation vehicles and electronics are the major industries in which precision 3D testing solutions and precision machining solutions are used.

The industrial precision 3D testing and precision machining solutions market thus refers to the market where smart manufacturing solution providers provide precision 3D testing solutions and precision machining solutions to high-end equipment manufacturers in industries such as aviation, aerospace, shipbuilding, ground transportation vehicles and electronics.

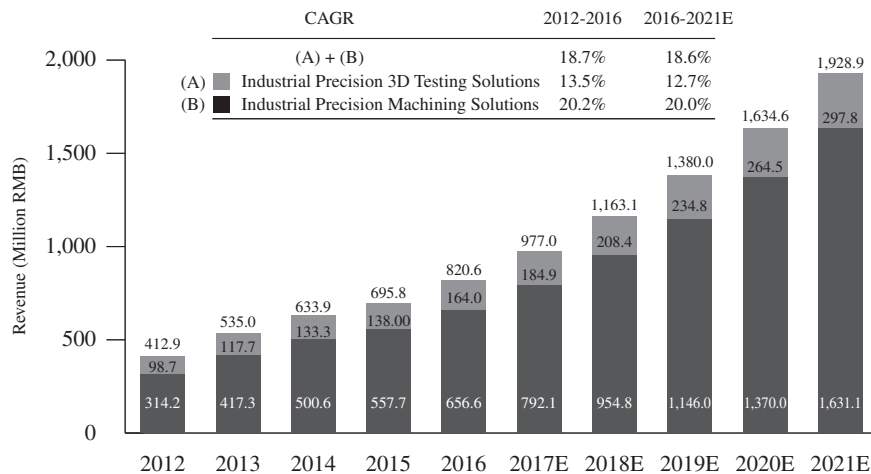
## INDUSTRY OVERVIEW

### Market size and growth

China's industrial precision 3D testing and precision machining solutions market has flourished in the past five years due to growing demand in downstream industries. The total revenue of industrial precision 3D testing and precision machining solutions has increased from RMB412.9 million to RMB820.6 million from 2012 to 2016, with a CAGR of 18.7%. During the same period, the revenue of industrial precision 3D testing solutions has increased from RMB98.7 million to RMB164.0 million, while the revenue of industrial precision machining solutions has increased from RMB314.2 million to RMB656.6 million.

In the forecast period from 2016 to 2021, the total revenue of industrial precision 3D testing and precision machining solutions is expected to grow at a CAGR of 18.6% from RMB820.6 million in 2016 to RMB1,928.9 million in 2021, among which the revenue of industrial precision 3D testing solutions is expected to increase from RMB164.0 million in 2016 to RMB297.8 million in 2021, representing a CAGR of 12.7% from 2016 to 2021, and the revenue of industrial precision machining solutions is expected to increase from RMB656.6 million in 2016 to RMB1,631.1 million in 2021, representing a CAGR of 20.0% from 2016 to 2021.

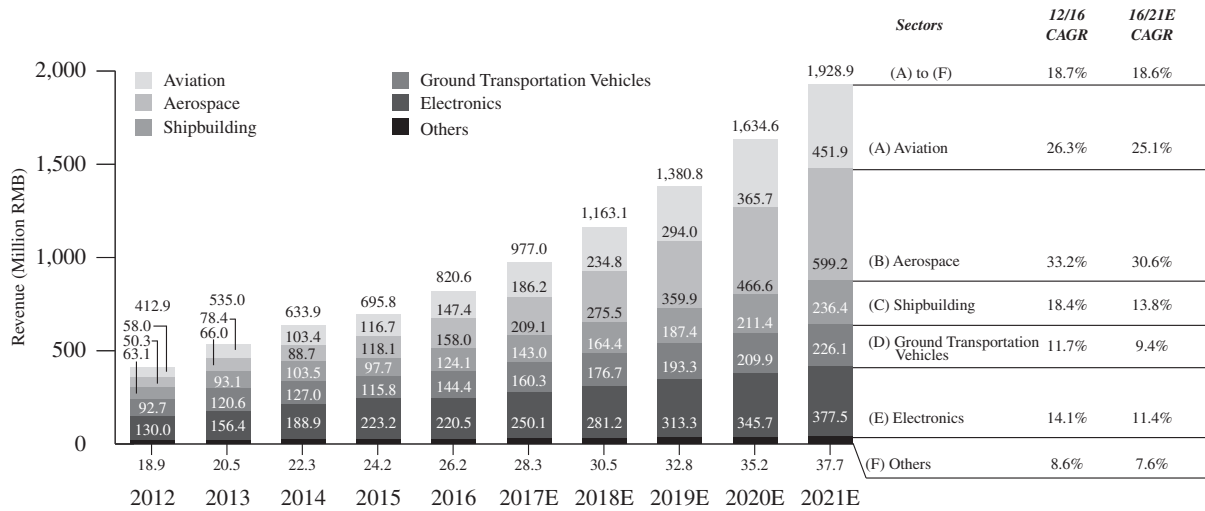
**Revenue of Industrial Precision 3D Testing and Precision Machining Solutions (China), 2012–2021E**



Source: Frost & Sullivan

## INDUSTRY OVERVIEW

### Revenue of Industrial Precision 3D Testing and Precision Machining Solutions by Downstream Industries (China), 2012–2021E



Source: Frost & Sullivan

Notes:

- 1) Industrial precision 3D testing and precision machining solutions are mainly applied in the aviation, aerospace, shipbuilding, ground transportation vehicles and electronics industries.
- 2) The revenue above only includes revenue generated from provision of solutions and ancillary services, excluding revenue solely generated from manufacturing and trading of equipment.

Among all downstream industries, aviation and aerospace are the two major growth engines of the industrial precision 3D testing and precision machining solutions market. Revenue for the aviation manufacturing industry and aerospace manufacturing industry has grown at CAGRs of 26.3% and 33.2% from 2012 to 2016, respectively, and is expected to grow at CAGRs of 25.1% and 30.6% from 2016 to 2021, respectively.

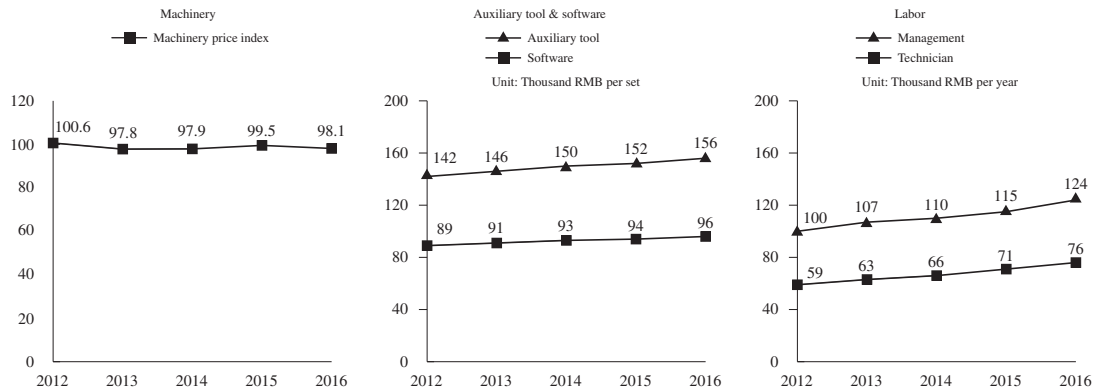
#### Major cost

Machinery is the major cost of industrial precision 3D testing and precision machining solutions. The machinery price index has slightly decreased from 100.6 in 2012 to 98.1 in 2016, and is expected to decrease to approximately 96.5 in 2021 due to technology innovation and reduced reliance on import.

Other major costs such as auxiliary tools, software and labor increased gradually in the historical period, and are expected to keep a steady increasing trend in the forecast period. The average price of auxiliary tools and software are expected to reach RMB174 thousand per set and RMB105 thousand per set in 2021, respectively; while the average annual labor price of management and technician are expected to reach RMB155 thousand and RMB102 thousand in 2021, respectively.

## INDUSTRY OVERVIEW

### Price of Components and labour (China), 2012–2016



Source: National Bureau of Statistics; China Federation of Industry and Commerce; Frost & Sullivan

### Government policies and regulations

The PRC government's key policies on industrial precision 3D testing and precision machining solutions include the following:

- The 13<sup>th</sup> Five-Year Plan for national strategic emerging industry development plan* (《“十三五”國家戰略性新興產業發展規劃》) promulgated by the State Council and effective from November 2016. It proposes that 3D printing and smart manufacturing are two key areas of future industry transformation, and research on key technology and core components of precise measurement should be promoted to elevate the smart manufacturing technology onto a higher level. The plan is expected to accelerate the development of the industrial precision 3D testing and precision machining solutions market.
- The “Smart Manufacturing Development Plan (2016 — 2020)”* (《智能製造發展規劃(2016–2020年)》) promulgated by the Ministry of Industry and Information Technology and the Ministry of Finance and effective from September 2016. It proposes that smart manufacturing is one of the key areas of innovation development. The plan emphasises on the development of eight core smart manufacturing technologies, including smart testing and assembling which is mainly covered by the industrial precision 3D testing and precision machining solutions market. The plan also sets a goal on the coverage of domestic providers exceeding 50% by the year of 2020.
- The 13<sup>th</sup> Five-Year Plan for national scientific and technological innovation* (《“十三五”國家科技創新規劃》) promulgated by the State Council and effective from July 2016. Based on the goal of developing China as a robust manufacturing country, it proposes that smart manufacturing is a key project of scientific and technological innovation. The plan offers a blueprint for the development of shipbuilding and aviation technology and equipment, with a focus on developing high-end equipment to meet the needs of aerospace, aviation and automotive industries. With a promising future of those downstream industries, smart manufacturing solutions providers are well positioned to grow fast.



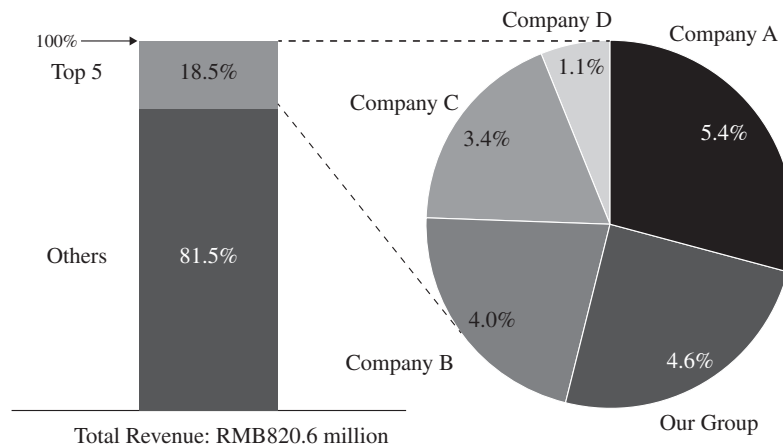
## INDUSTRY OVERVIEW

- “Made in China 2025” (《中國製造2025》) promulgated by the State Council and effective from May 2015. As a major national project, Made in China 2025 emphasises on smart manufacturing. It points out that research and development should make breakthrough on core technologies such as smart testing to advance the current manufacturing process. Acting as the leading players in the industrial modernisation, smart manufacturing solutions providers are expected to benefit from the national project.

### Competitive landscape

The industrial precision 3D testing and precision machining solutions market in China is highly competitive. The market consists of more than 120 smart manufacturing solutions providers due to its attractive growth opportunities. The following chart sets out the market shares of major players in the market:

#### Ranking of Smart Manufacturing Solutions Providers of Industrial Precision 3D Testing and Precision Machining Solutions by Revenue (China), 2016



Source: Frost & Sullivan

Notes:

- (1) Revenue of our Group is for the year ended 31 March 2017 while revenue of Company A, Company B, Company C and Company D is for the year ended 31 December 2016.
- (2) The revenue above only includes revenue generated from provision of solutions and ancillary services and excludes revenue solely generated from manufacturing and trading of equipment.
- (3) Company A was founded in Taiwan in 1996 and is a leading smart manufacturing solutions provider in the Greater China region. Company B was founded in Zhengzhou, China in 2007 and focuses on precision 3D testing solutions. Company C was founded in Hangzhou, China in 2004 and is engaged in provision of solutions and sale of equipment. Company D was founded in Shanghai, China in 2005 and is engaged in provision of solutions and sale of equipment.

## INDUSTRY OVERVIEW

The top five smart manufacturing solutions providers of industrial precision 3D testing and precision machining solutions in China had a total market share of 18.5% in terms of revenue in 2016. We were the second largest smart manufacturing solutions provider of industrial precision 3D testing and precision machining solutions, in terms of revenue, in China in 2016 with a market share of 4.6%.

The majority of the competitors of the Group in China are also solutions providers focusing on providing smart manufacturing solutions to customers which operates similar business model as the Group.

### Key growth drivers

The growth of the industrial precision 3D testing and precision machining solutions market in China is primarily driven by, among others, the following factors:

- Favourable governmental policies: the State Council has promulgated a series of policies that favour the development of the industrial precision 3D testing and precision machining solutions market, such as the “Smart Manufacturing Development Plan (2016 — 2020)” and “Made in China 2025”. Those governmental policies set a mid to long-term goal for the smart manufacturing industry and help create a favourable environment to all related industries.
- Growing unmet demand from downstream industries: the performance of the solutions market largely depends on the demand of its downstream industries. The unmet demand from the downstream industries such as aviation and aerospace is one major market driver that leads to the fast growth of the industrial precision 3D testing and precision machining solutions market in recent years. Set out below is the revenue of China’s major industrial manufacturing industries for the years indicated:

### Revenue of China’s Major Industrial Manufacturing Industries, 2012, 2016 and 2021E

Industry	2012	2016	2021E	2012/2016	2016/2021
	<i>RMB billion</i>	<i>RMB billion</i>	<i>RMB billion</i>	<i>CAGR</i> %	<i>CAGR</i> %
Aviation	300.6	410.0	588.1	8.1	7.5
Aerospace	252.7	416.3	716.5	13.3	11.5
Shipbuilding	456.8	697.6	892.8	11.2	5.1
Ground Transportation Vehicles	5,098.7	8,018.6	13,069.2	12.0	10.3
Electronics	8,461.9	9,820.0	11,719.0	3.8	3.6

*Source:* China Aerospace Science and Technology Corporation; China Aerospace Science and Industry Corporation; Aviation Industry Corporation of China ; China Association of National Shipbuilding Industry; National Bureau of Statistics of China; Ministry of Industry and Information Technology; Frost & Sullivan

## INDUSTRY OVERVIEW

- Increasing urbanisation: with the continued steady growth of China's macroeconomic environment, China's urbanisation rate is likely to maintain its growth in the foreseeable future. In 2016, the urban population accounted for 57.3% of total population in China, and is expected to reach 64.1% in 2021. The increasing urbanisation knocks out the out-dated labour-intensive manufacturing and promotes industrial upgrading. Consequently, advanced technology such as precision 3D testing will penetrate into high-end equipment manufacturing industry following the trend of industrial upgrading, which drives the future growth of the industrial precision 3D testing and precision machining solutions market.
- Growing national expenditure on research and development of high-end equipment manufacturing: China still lags behind many developed countries in manufacturing, such as Germany, the U.S. and Japan, especially in the field of high-end equipment manufacturing. The PRC government has realised the shortage of production capacity and the manufacturing technology. Consequently, the PRC government has also significantly increased national expenditures on research and development in various fields, such as the aviation and aerospace manufacturing industries, in order to achieve the goal of enhancing comprehensive national strength.
- Private capital investment in related industries: many high-end equipment manufacturers affiliated with state-owned giant manufacturers went public in the past decades to raise private capital. For example, China Aerospace Science and Technology Corporation has 12 subsidiaries listed on stock exchanges and Aviation Industry Corporation of China has 29 subsidiaries listed on stock exchanges, including our End Customer H. Capital investment promotes the development of those companies and the whole high-end equipment manufacturing industry as well.

### Key entry barriers

Although there are a number of growth drivers in the market, certain key entry barriers exist in the market as follows:

- Customer relationship: due to the high correlation with downstream industries, the market is highly impacted by demand from the downstream industries. As the downstream market is dominated by state-owned enterprises with long-term and stable demand, it is crucial to maintain a long-term and stable relationship with these companies.
- Core technology: the core technologies, especially the know-how of parameter configuration of core instruments that are used in industrial precision 3D testing and precision machining, are not easily mastered. New entrants have to learn to master the core technologies before commencing business in the market and being able to meet customer requirements.

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- Project experience: a typical industrial precision 3D testing and precision machining solutions project involves not only the design of the system but also the long-term implementation of a newly-built system into the customer's manufacturing process. Rich experience in projects can help to shorten the implementation cycle. Currently, in all executed projects, bidders are required to provide evidence to show its qualifications during the bidding phase, which illustrates the importance of project experience.
- Specialised talents: talents specialised in industrial precision 3D testing and precision machining solutions are scarce in the current market. It is difficult to find suitable talent who can master the knowledge involved in industrial precision 3D testing and precision machining solutions.
- Geographic presence: high-end equipment manufacturers are located in different regions in China. Smart manufacturing solutions providers should therefore build up local offices to establish a nationwide network in order to develop their business. By so doing, sales representatives can have better access to potential customers and engineers are then able to execute projects at the customers' site.

### Threats

There are certain existing threats to the industrial precision 3D testing solution and precision machining solution industry in China as follows:

- Reliance on imported core components: the industrial precision 3D testing solutions and precision machining solutions industry in China has made great progress in recent years. However, the core technologies and components of industrial precision 3D testing solutions and precision machining solutions industry depend largely on the imported products. Such reliance is likely to pose a threat to the development of the PRC's industrial precision 3D testing solutions and precision machining solutions market if the supply of imported products is insufficient for the increasing market demand or there is any change of foreign policies as the upstream of the industry is largely controlled by foreign companies.
- Increasing cost on raw materials and labour: the rising cost has been putting pressure on smart manufacturing solution providers during the recent years, mainly attributable to the rising cost of raw materials including auxiliary tools and software, and increased wage of management and technician. There is likelihood that smart manufacturing solution providers may encounter higher cost for provision of smart manufacturing solutions.

## REGULATORY OVERVIEW

Our business and operations in China are subject to laws and regulations of the PRC. This section summarises the main laws and regulations which impact the key aspects of our business.

### LAWS AND REGULATIONS RELATING TO CUSTOMS, IMPORT AND EXPORT

The Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》), which took effect on 1 July 2004 and subsequently amended on 7 November 2016, and the Measures for the Filing and Registration of Foreign Trade Business Operators (《對外貿易經營者備案登記辦法》), which took effect on 1 July 2004 and subsequently amended on 18 August 2016, require that foreign trade operators who engage in the import or export of goods or technologies must register in accordance with the rules and obtain the Registration Form of Foreign Trade Business Operators. In case a foreign trade business operator fails to obtain the Registration Form of Foreign Trade Business Operators according to the rules, the customs shall not handle its customs declaration and clearance for import and export.

In accordance with the PRC Customs Law (《中華人民共和國海關法》) which was amended on 28 December 2013 and last amended on 5 November 2017, the Regulations of the Regulation on the Administration over Import and Export of Goods of PRC (《中華人民共和國貨物進出口管理條例》) which took effect on 1 January 2002 and the Administrative Provisions of the Customs of the PRC on the Registration of Customs Declaration Entities (《中華人民共和國海關報關單位註冊登記管理規定》), which took effect on 13 March 2014 and was last amended on 20 December 2017 and will take effect on 1 February 2018, a consignee or consignor of imported/exported goods can make customs declaration through its own customs declarers, or entrust it to a customs declaration enterprise which has been registered with the Customs for making declaration. Consignees or consignors of imported/exported goods or customs declaration enterprises shall register with the Customs in accordance with laws.

Our PRC subsidiary has not been engaged in any import or export of goods or technologies. Thus, it has not filed the registration for import or export of goods or technologies and has not obtained the registration form of Foreign Trade Business Operators. Our PRC subsidiary may either entrust a customs declaration enterprise for making customs declaration or file the registration and obtain the registration form before engaging in import or export of goods or technologies.

In accordance with the Law on Inspection of Import and Export Commodity of the PRC (《中華人民共和國進出口商品檢驗法》), which was last amended on 29 June 2013 and the Regulations for the implementation of the Law on the Inspection of Import and Export Commodity of the PRC (《中華人民共和國進出口商品檢驗法實施條例》), which took effect on 1 December 2005, and was last amended on 6 February 2016 and 1 March 2017, the import and export commodities which fall into the compulsory catalog shall be inspected by the commodity inspection authorities; the import and export commodities which are not included in the compulsory catalog shall be inspected by taking samples. Consignees or Consignors or their agents may apply to the commodity inspection authorities for inspection. Supplies purchased by our offshore subsidiaries and exported to the PRC do not fall into the compulsory inspection catalog and are subject to the sampling inspection. Our company and our clients normally would not take the initiative to apply to the commodity inspection authorities for inspection.

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### LAWS AND REGULATIONS RELATING TO BID INVITATION AND BIDDING

The Law of the PRC on Bid Invitation and Bidding, (《中華人民共和國招標投標法》) (the “**Biding Law**”), which took effect on 1 January 2000 and was last amended on 28 December 2017, and the Implementing Regulation of the Bid Invitation and Bidding Law of PRC (《中華人民共和國招標投標法實施條例》), which was last amended on 1 March 2017, set out the procedures for bid invitation and bidding, and shall be applicable to bidding activities in the PRC. We mainly obtains projects through bidding, and shall follow the rules of Biding Law.

### LAWS AND REGULATIONS RELATING TO PRODUCT QUALITY

Our marketing activities in the PRC are subject to the Product Quality Law of the PRC (《中華人民共和國產品質量法》) (the “**Product Quality Law**”), which was last amended on 27 August 2009. According to the Product Quality Law, products offered for sale must meet the relevant quality and safety standards. Enterprises must not produce or market counterfeit products in any fashion, including forging brand labels or giving false information about the manufacturer of a product.

Any violations of Product Quality Law may result in civil liabilities and penalties, such as compensation for damages, fines, suspension or shutdown of business, as well as confiscation of products illegally produced for sale and the sales proceeds of such products. Manufacturers and sellers whose products cause personal or property damages due to their latent defects are liable for such damages. The responsible individual or enterprise may be subject to criminal liabilities for serious violation. In accordance with the Tort Liability Law of the People’s Republic of China (《中華人民共和國侵權責任法》) which took effect on 1 July 2010, if a product is defective by reason of the fault of the seller and results in damage to others, the seller shall bear tort liability; if a defective product endangers the personal or property safety of others, the infringer shall be entitled to request that the seller assume tort liability through, inter alia, removal of impediment and elimination of danger.

### LAWS AND REGULATIONS RELATING TO LABOUR PROTECTION

In accordance with the Labour Law of the PRC (《中華人民共和國勞動法》), which was last amended on 27 August 2009, and the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), which took effect on 1 July 2013, and the Implementation Regulation of the Labour Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) which took effect on 18 September 2008, labour contracts in written form shall be executed to establish labour relationships between employers and employees. Employers shall establish and develop labour rules, regulations and systems according to the PRC laws to protect the rights and ensure the performance of duties of employees, and career development and training systems shall be established. Employers shall also set up and develop the labour safety and health system in strict compliance with the rules and standards of labour safety and sanitation of the PRC and provide education on labour safety and sanitation for the employees to prevent work-related accidents and occupational harm.

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### LAWS AND REGULATIONS RELATING TO SOCIAL INSURANCE AND HOUSING PROVIDENT FUND

In accordance with the Law of Social Insurance of the PRC (《中華人民共和國社會保險法》) which took effect on 1 July 2011, the Provisional Regulation on the Collection and Payment of Social Insurance Premiums (《社會保險費征繳暫行條例》) which took effect on 22 January 1999, the Decision of the State Council on the Establishment of Basic Medical Insurance System for Urban Workers (《國務院關於建立城鎮職工基本醫療保險制度的決定》) which took effect on 14 December 1998, the Decisions of the State Council on the Establishment of Unified System of Basic Retirement Insurance Fund for the Employees of Enterprises (《國務院關於建立統一的企業職工基本養老保險制度的決定》) which took effect on 16 July 1997, the Regulations of Insurance for Work-Related Injury (《工傷保險條例》) which was amended on 1 January 2011, the Regulations of Insurance for Unemployment (失業保險條例) which took effect on 22 January 1999, the Provisional Insurance Measures for Maternity of Employees (《企業職工生育保險試行辦法》) which took effect on 1 January 1995 and the Regulations on Management of Housing Provident Fund (《住房公積金管理條例》) which was amended on 24 March 2002, employers shall make payments of the basic medical insurance, basic retirement insurance, insurance for work-related injury, unemployment insurance, maternity insurance and housing provident fund for the employees.

If the employer fails to file the social insurance registration, the social insurance administration authority shall order it to make rectification within a prescribed time limit. If rectification is not made within the prescribed time limit, a fine will be imposed on the employer. If the employer does not pay the full amount of the social insurance as scheduled, the social insurance collection institution shall order it to pay within a prescribed time limit together with a late fee. If the payment is not settled by the prescribed time limit, a fine will be imposed on the employer. If the employer fails to file the housing provident fund, the housing provident fund administration centre shall order the employer to pay up in a prescribed time limit, if the employer still fails to pay up within the prescribed time limit, the fund administration centre may apply to the court for enforcement of the unpaid amount.

### LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTY RIGHT

#### Trademark law

Pursuant to the Trademark Law of the PRC (《中華人民共和國商標法》), and the Implementation Rules of the PRC Trademark Law (《中華人民共和國商標法實施條例》) which were last amended on 1 May 2014, a registered trademark means a trademark that has been approved by and registered with the trademark office, including goods marks, service marks, collective marks and certification marks and can be renewed within 12 months before its expiration. A registered trademark is valid for 10 years commencing on the date of registration approval. For a registered trademark licensing, licensor should file the licensing of the trademark with the trademark bureau, the trademark bureau shall gazette the licensing, and non-filing of the licensing of a trademark shall not be contested against a good faith third party. The following acts shall constitute infringement of the exclusive right to use a registered trademark: (1) using a trademark that is identical or similar to a registered trademark of the same type of commodities or similar commodities without a license from the registrant of that trademark; (2) selling

## REGULATORY OVERVIEW

commodities that infringe upon the exclusive right to use a registered trademark; (3) forging or manufacturing without authorization the marks of a registered trademark, or selling marks of a registered trademark that are forged or manufactured without authorization; (4) changing another party's registered trademark and putting the commodities with the changed trademark into the market without the consent of the holder of that trademark; or (5) other conduct that would hinder another party's exclusive right to use its registered trademark.

### Patent law

In accordance with the Patent Law of PRC (《中華人民共和國專利法》), which was last amended on 1 October 2009 and the Implementation Rules for the Implementation of the Patent Law of the PRC (《中國人民共和國專利法實施細則》), which was last amended on 1 February 2010, patent is divided into three categories, i.e., invention patent, design patent and utility model patent. The duration of invention patent right is 20 years, and the duration of design patent right and utility model patent right is 10 years, all of which are calculated from the date of filing. An individual or entity who uses patent without the license of the patent holder, counterfeits patent products or engages in patent infringement activities shall be held liable for compensation to the patent holder and may be subject to a fine, or even criminal liabilities.

### Domain names

In accordance with the Implementation Rules on Registration of Domain Names for Chinese Internet Information Centre (《中國互聯網絡信息中心域名註冊實施細則》), which took effect on 29 May 2012 and the Measures on Dispute Resolution of National Domain Names for the Chinese Internet Information Centre (《中國互聯網絡信息中心國家頂級域名爭議解決辦法》) which took effect on 21 November 2014, and the Proceeding Rules on Dispute Resolution of National Domain Names for the Chinese Internet Information Centre (《中國互聯網絡信息中心國家頂級域名爭議解決程序規則》), which took effect on 21 November 2014 and the Measures on Administration for Internet Domain Names (《互聯網絡域名管理辦法》), which took effect on 1 November 2017, domain name registrations are handled through domain name service agencies established under the relevant regulations, and the applicants become domain name holders upon successful registration. As at the Latest Practicable Date, we have one registered domain name in the PRC.

## LAWS AND REGULATIONS RELATING TO TAXATION

### Corporate income tax

In accordance with the CIT Law, which took effect on 1 January 2008 and was last amended on 24 February 2017, and the Implementation Regulation for the Corporate Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) which took effect on 1 January 2008 (collectively, the “**CIT Law and Regulation**”), taxpayers consist of resident enterprises and non-resident enterprises. Resident enterprises are defined as enterprises that are established in China in accordance with the PRC laws, or that are established in accordance with the laws of foreign countries (region) but whose actual or *de facto* control entity is within the PRC. Non-resident enterprises are defined as enterprises that are set up in accordance with the laws of foreign countries (region) and whose actual administration is conducted outside the PRC, but (i) have premise or establishment in China, or (ii) have no entities or premises in China but have income generated from China. According to the CIT Law and Regulation, foreign invested enterprises in



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the PRC are subject to corporate income tax at a uniform rate of 25%. For a non-resident enterprise having no premise or establishment inside China, or for a non-resident enterprise whose incomes have no actual connection to its premise or establishment inside China, a withholding tax of 10% will be levied for the income derived from China. An agent entrusted by non-resident enterprise to carry out production and business operation within the territory of China shall be deemed as an premise or establishment set up by such non-resident enterprise within the territory of China. A non-resident enterprise which has established premises or establishments in China shall pay enterprise income tax on its income earned by such premises or establishments from inside China, and also its income which is earned outside China but is actually associated with such premises or establishments. Pursuant to the Administrative Measures for Income Tax Assessment and Collection for Non-Resident Enterprises (《非居民企業所得稅核定徵收管理辦法》), which took effect on 20 February 2010 and was amended on 1 June 2015, for a non-resident enterprise which has office and establishment in China and are unable to compute accurately and declare truthfully its taxable income due to incomplete accounting books, incomplete information causing difficulty in audit, or other reasons, the tax authorities have the right to assess its taxable income.

Pursuant to Interim Measures on Administration of Taxation on Representative Offices of Foreign Enterprises (《外國企業常駐代表機構稅收管理暫行辦法》), which took effect on 1 January 2010 and was amended on May 2016, the representative office shall register with local tax bureau, declare and pay tax on its attributable income or taxable income in accordance with law.

Pursuant to the CIT Law and Regulation, income from equity investment between qualified resident enterprises such as dividends and bonuses, which refers to investment income derived by a resident enterprise from direct investment in another resident enterprise, is tax-exempt.

In accordance with the CIT Law and Regulation, a high-tech enterprise which has independent intellectual property rights and comply with the rules of corporate income tax and other relevant laws and regulations enjoys a reduced corporate income tax rate of 15%. The specific standards and procedures for the management of identification of high-tech enterprises are stipulated in the Measures for the Administration of the Certification of High-tech Enterprises (《高新技術企業認定管理辦法》) which was jointly issued by the Ministry of Science and Technology, the Ministry of Finance and the SAT on 14 April 2008, took retroactive effect on 1 January 2008 and amended on 29 January 2016, took retroactive effect on 1 January 2016.

In accordance with the CIT Law and Regulation, qualified small low-profit enterprises refers to enterprises that do not engaged in restricted or prohibited industries and meet the following criteria: (a) industrial enterprise, with annual taxable income less than RMB300,000, with employees less than 100, and with total assets less than RMB30 million; or (b) non-industrial company, with annual taxable income less than RMB300,000, with employees less than 80, and with total assets less than RMB10 million. The rate of enterprise income tax on qualified small low-profit enterprises shall be reduced to 20%. In accordance with the Notice on Preferential Income Tax Policies Applicable to Small Low-profit Enterprises (《關於小型微利企業所得稅優惠政策的通知》) which was issued on 13 March 2015 with retrospective effect on 1 January 2015, and was repealed when the Notice on Expanding the scope of Preferential Income Tax Policies Applicable to Small Low-profit Enterprises (《關於擴大小型微利企業所得稅優惠政策範圍的通知》) was issued on 6 June 2017 and took retroactive effect on 1 January 2017, the upper limit of

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the amount of annual taxable income of a small and low-profit enterprise shall be RMB200,000. And pursuant to the foregoing Notice on Expanding the Scope of Preferential Income Tax Policies Applicable to Small Low-profit Enterprises, for a period from 1 January 2017 to 31 December 2019 small and low-profit enterprise with annual taxable income of no more than RMB 500,000 could enjoy tax exempt for 50% of its taxable income.

### Dividend tax

Pursuant to the Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) which took effect on 20 February 2009, all of the following requirements shall be satisfied in order to enjoy the preferential tax rates provided under the tax agreements: (i) the tax resident that receives dividends should be a company as provided in the tax agreement; (ii) the equity interests and voting shares of the PRC resident company directly owned by the tax resident reach the percentages specified in the tax agreement; and (iii) the equity interests of the Chinese resident company directly owned by such tax resident at any time during the twelve months prior to receiving the dividends reach a percentage specified in the tax agreement.

Pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) which took effect in mainland PRC on 1 January 2007, a PRC resident enterprise which distributes dividends to its Hong Kong shareholders should pay income tax according to the PRC law, however, if the beneficiary of the dividends is a Hong Kong resident enterprise, which directly holds no less than 25% equity interests of the aforesaid enterprise (i.e. the dividend distributor), the tax levied shall be 5% of the distributed dividends. If the beneficiary is a Hong Kong resident enterprise, which directly holds less than 25% equity interests of the aforesaid enterprise, the tax levied shall be 10% of the distributed dividends. Meanwhile, Circular of the State Administration of Taxation on the Interpretation and the Determination of the “Beneficial Owners” in the Tax Treaties (《國家稅務總局關於如何理解和認定稅收協定中“受益所有人”的通知》) and Announcement of the State Administration of Taxation on Issue Concerning “Beneficial Owner” in Tax Treaties (《國家稅務總局關於稅收協定中“受益所有人”有關問題的公告》), which will take effect on 1 April 2018 and repeal the former circular, have stipulated some factors that are unfavorable to the determination of “beneficial owner”.

Pursuant to the Administrative Measures for Non-resident Enterprises to Enjoy Treatments under Tax Treaties (《非居民納稅人享受稅收協定待遇管理辦法》) which took effect on 1 November 2015, a non-resident taxpayer qualified to enjoy the treatment under the tax treaties could enjoy the treatment automatically when filing tax return or making withholding declaration by withholding agents, and will be subject to the administration of the tax authorities thereafter.

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### Value-added tax

According to the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) which took effect on 1 January 2009, and last amended on 19 November 2017, and the Provisional Implementation Rules of the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例實施細則》) which was last amended on 1 November 2011, all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, and the importation of goods within the territory of the PRC shall pay value-added tax.

In accordance with the Plan for Pilot Practice of Levying VAT in Lieu of Business Tax (營業稅改徵增值稅試點方案) which took effect on 16 November 2011 and Notice of Carrying out the Pilot Practice of Levying VAT in lieu of Business Tax on the Transportation Industry and some Modern Services Industries in Eight Provinces and Cities Including Beijing (關於在北京等8省市開展交通運輸業和部分現代服務業營業稅改徵增值稅試點的通知) which took effect on 1 August 2012 and became invalid when the pilot practice was extended nationwide on 1 August 2013, Guangdong shall complete the tax levying system transfer (collection of VAT in lieu of business tax) on 1 November 2012, after that, the taxpayer of Guangdong in transportation and certain areas of modern services industries shall pay the VAT in lieu of business tax. The tax rate of 17% shall be applicable to those like lease of tangible property, the tax rate of 11% shall be applicable to the transportation industry and the construction industry, and the tax rate of 6% shall be applicable to other modern service industries. According to the Circular on Comprehensively Promoting the Pilot Program of the Collection of VAT in Lieu of Business Tax (關於全面推開營業稅改徵增值稅試點的通知), which took effect on 1 May 2016 and was last amended on 1 January 2018, the pilot practice of levying VAT in lieu of business tax was extended nationwide to the sale of services, intangible assets or property. Our business shall be subject to VAT with reference with the above rules.

### Urban maintenance and construction tax as well as education surtax

In accordance with the Provisional Provisions on the Collection of Educational Surtax (《徵收教育費附加的暫行規定》), which was last amended on 8 January 2011, all entities and individuals who pay consumption tax, value-added tax and business tax shall also be required to pay educational surtax. The educational surtax rate is 3% of the amount of value-added tax, business tax and consumption tax actually paid by each entity or individual, and the educational surtax shall be paid simultaneously with value-added tax, business tax and consumption tax. In accordance with the Provisional Regulations on Urban Maintenance and Construction Tax of the PRC (《中華人民共和國城市維護建設稅暫行條例》) which was last amended on 8 January 2011 and Circular of the State Administration of Taxation on Issues Concerning the Collection of the Urban Maintenance and Construction Tax (《國家稅務總局關於城市維護建設稅徵收問題的通知》), which took effect on 12 March 1994, any entity or individual liable to consumption tax, value-added tax and business tax shall also be required to pay urban maintenance and construction tax. Payment of urban maintenance and construction tax shall be based on the consumption tax, value added tax and business tax which a taxpayer actually pays and shall be made simultaneously when the latter are paid. The rates of urban maintenance and construction tax shall be 7%, 5% and 1% for a taxpayer in a city, in a county town or town and in a place other than a city, county town or town respectively.

### LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT

#### Restriction of foreign investment

According to the Provisions Guiding the Direction of Foreign Investment (《指導外商投資方向規定》) took effect on 1 April 2002, industries in China are classified into four categories: “permitted foreign investment industries”, “encouraged foreign investment industries”, “restricted foreign investment industries” and “prohibited foreign investment industries”. “Encouraged foreign investment industries”, “restricted foreign investment industries” and “prohibited foreign investment industries” are stipulated in the Guidance Catalogue of Industries for Foreign Investment (《外商投資產業指導目錄》) (the “**Catalogue**”). Those industries, which do not fall into any of these three categories, are regarded as “permitted foreign investment industries.

The Catalogue is promulgated and is amended by the National Development and Reform Commission (the “**NDRC**”) and the Ministry of Commerce (the “**MOFCOM**”). According to the last amended catalogue which took effect on 28 July 2017, the industries in which our PRC subsidiary engages do not fall into any of the “restricted foreign investment industries” or “prohibited foreign investment industries”.

#### Establishment of foreign invested enterprise

An enterprise which establishes, operates and manages within the China territory is subject to the PRC Corporation Law (《中華人民共和國公司法》)(the “**Corporation Law**”). Corporation law is also applicable to foreign investment company, while where there are other special laws relating to foreign investment, such laws shall prevail.

The procedures for the establishment of wholly foreign-owned company, verification, registration and approval procedures, registered capital requirements, foreign exchange restrictions, accounting practices, taxation and labor matters are subject to the Law on Wholly Foreign-owned Enterprises of PRC (《中華人民共和國外資企業法》), which was last amended on 1 October 2016 and the Implementation Regulations for Law on Wholly Foreign-owned Enterprises of PRC (《中華人民共和國外資企業法實施細則》), which was last amended on 1 October 2016 and the Certain Provisions on Change of the Equity Interests of the Investors of A Foreign-Invested Enterprise (《外商投資企業投資者股權變更的若干規定》), which took effect on 28 May 1997 and was last amended on July 2017, and the Provisional Administration Measures for the Registration of the Formation and Changes of Foreign Invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》) which was last amended on 30 July 2017.

#### Resident representative offices

In accordance with Provisional Regulations of PRC Concerning the Control of resident representative offices of Foreign Enterprises (《關於管理外國企業常駐代表機構的暫行規定》), which took effect on 30 October 1980, where a foreign enterprise has an actual need to establish resident representative office (the “**Representative Offices**”) in China, it shall first submit its application, and go through the registration procedure after the approval of its application. No foreign enterprise is allowed to start business activities in the nature of Representative Office before approval is granted and the registration procedure is completed.

## REGULATORY OVERVIEW

In accordance with the Administrative Regulations on the Registration of Resident Representative Offices of Foreign Enterprises (《外國企業常駐代表機構登記管理條例》), which was amended on 18 July 2013, Representative Offices of foreign enterprises refer to the offices established within the territory of China by foreign enterprises in accordance with the its provisions for the purpose of engaging in non-profit activities in connection with the business of such foreign enterprises. Such Representative Offices is not a legal person. The industrial and commercial administrative authorities shall be the registration and administrative authorities of representative offices. Representative Offices may engage in the following activities in connection with the business of the foreign enterprises:

- (1) market survey, display, publicity activities in connection with the products or services of foreign enterprises; and
- (2) liaison activities in connection with product sales, service provision, procurement and investment of foreign enterprises in PRC.

Our subsidiary, Hong Kong Cheng Phong, has established a representative office in Guangzhou on 19 October 2016 for engaging in non-profit activities related to its business in China.

## LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE

In accordance with the Foreign Exchange Administrative Regulations of the PRC (《中華人民共和國外匯管理條例》) (the “**Foreign Exchange Administrative Regulations**”) which was last amended on 5 August 2008, Renminbi is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as capital transfer, direct investment, investment in securities, derivative products or loans unless prior approval or registration of the SAFE is obtained.

In accordance with the Administration Rule on the Settlement and Sale of and Payment in Foreign Exchange (《結匯、售匯及付匯管理規定》), which took effect on 1 July 1996, a foreign invested enterprise is allowed to handle the settlement, sale and payment in foreign exchange for capital account items after submitting valid commercial documents and getting approval from the State Administration of Foreign Exchange. According to the SAFE Circular No. 13 which took effect on 1 June 2015, certain aforementioned approval power of the SAFE are authorised to qualified banks.

Pursuant to the Circular of the State Administration of Foreign Exchange on Reforming the Administrative Approach Regarding the Settlement of the Foreign Exchange Capitals of Foreign Invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資金結匯管理方式的通知》) which took effect on 1 June 2015, and the Notice of the State Administration of Foreign Exchange

## REGULATORY OVERVIEW

on Reforming and Standardizing the Administrative Provisions on Capital Account Foreign Exchange Settlement (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) which took effect on 9 June 2016, whose main business is investment, are allowed to make equity investment in the PRC using the Renminbi funds converted from its registered capital. Meanwhile, the use of such Renminbi funds converted cannot be:

- directly or indirectly used for payment beyond the business scope of the enterprises or any payment prohibited by national laws and regulations;
- unless otherwise provided by laws and regulations, directly or indirectly used or investment in securities or other financial products investment (except the bank capital-protection products);
- granting loans to non-related enterprises unless permitted under the scope of business; or for construction or purchase of real estate not for self-use, save for real estate enterprises.

In addition, foreign invested enterprises are allowed to settle foreign exchange capitals on a discretionary basis; the foreign invested enterprises may, according to its actual business needs, settle with a bank the portion of the foreign exchange capital in its capital account for which the relevant foreign exchange bureau has confirmed monetary contribution rights and interests (or for which the bank has registered the account-crediting of monetary contribution). For the time being, foreign-invested enterprises are allowed to settle 100% of their foreign exchange capitals on a discretionary basis. The SAFE may adjust the foregoing percentage as appropriate based on prevailing international balance of payments.

In accordance with the “Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Overseas Investment and Financing and Inbound Investment via Special Purpose Vehicles” (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), a “special purpose vehicle” means an overseas enterprise directly established or indirectly controlled by a domestic resident (including domestic institutions and domestic individual residents) for the purpose of engaging in investment and financing with the domestic enterprise assets or interests he or she legally holds, or with the overseas assets or interests he or she legally holds. Domestic residents establishing or taking control of a special purpose vehicle abroad which makes round-trip investments in the PRC are required to file foreign exchange registration with the local foreign exchange bureau. According to the Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies, the initial foreign exchange registration for establishing or taking control of a special purpose company by domestic residents can be filed with a qualified bank, instead of the local foreign exchange bureau.

### LAWS AND REGULATIONS RELATING TO DIVIDEND DISTRIBUTION

The principal law governing dividend distributions of our PRC subsidiary is the Corporation Law, the dividend distribution of wholly foreign-owned enterprises (“WFOE”) and Sino-foreign equity joint ventures (“EJV”) are further governed by the PRC Law on Wholly Foreign-owned Enterprises and its implementation regulations, the PRC Law on Sino-foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法》) and its implementation regulations. According

## REGULATORY OVERVIEW

to above laws and regulations, Chinese companies (including foreign-owned enterprises and Sino-foreign equity joint ventures) may only pay dividends based on the accumulated profits calculated in accordance with the PRC accounting principles.

In addition, in accordance with the Corporation Law, when a company distributes their after-tax profits for a given year, they shall allocate 10% of profits to their statutory common reserve. Companies shall no longer be required to make allocations to their statutory common reserve once the aggregate amount of such reserve exceeds 50% of their registered capital. If a company's statutory common reserve is insufficient to make up its losses of the previous years, such losses shall be made up from the profit for the current year prior to making allocations to the statutory common reserve pursuant to the preceding paragraph. Such reserved cash cannot be distributed as cash dividends. In addition, in accordance with the PRC Law on Sino-foreign Equity Joint Ventures, the net profits of a joint venture shall be distributed to the parties to the venture in proportion to their respective shares in the registered capital after paying joint venture income tax in accordance with the tax laws of the PRC and after making deductions for the reserve fund, the employee bonus and welfare fund, and the venture development fund as stipulated in the articles of association of the joint venture.

### M&A RULES

In Accordance with the Rules on the Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者並購境內企業的規定》) (the “**M&A Rules**”) which was promulgated by the MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the SAT, the State Administration for Industry and Commerce of the PRC, China Securities Regulatory Commission and SAFE, which took effect on 8 September 2006 and subsequently amended on 22 June 2009 by the MOFCOM, a foreign investor was required to obtain necessary approvals when (i) a foreign investor acquires equity in a domestic non-foreign invested enterprise thereby converting it into a foreign-invested enterprise, or subscribes for new equity in a domestic enterprise via an increase of registered capital thereby converting it into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign-invested enterprise which purchase and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise. According to Article 11 of the M&A Rules, where a domestic company or enterprise, or a domestic natural person, through an overseas company established or controlled by it/him, acquires a domestic company which is related to or connected with it/him, approval from MOFCOM of the PRC is required. According to the Provisional Administration Measures for the Registration of the Formation and Changes of Foreign Invested Enterprises which took effect on 30 July 2017 and amended the M&A Rules, whereby the acquisition of domestic enterprises by foreign investor, which does not engage in the special market entry management measures and does not fall into the Article 11 of the M&A Rules, is no longer subject to approval. A record-filing procedure shall be applied instead.

Before Hong Kong Zhi Phong's acquisition of the entire equity interests of our PRC subsidiary, our PRC subsidiary had converted into a sino-foreign equity joint venture on 18 August 2017, and did not belong to “domestic companies” based on M&A Rules. Therefore, the M&A Rules does not apply to the acquisition of all the shares of our PRC subsidiary by Hong Kong Zhi Phong, and no approval from MOFCOM or the China Securities Regulatory Commission is needed.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

### OUR CORPORATE HISTORY

Our Group's history can be traced back to 2008 when our founder Mr. Wu, who is also currently our Chairman, chief executive officer and an executive Director, founded Quick Tech. Prior to establishing Quick Tech in China, Mr. Wu engaged in the field of smart manufacturing machining and industrial design in the U.S. and gained valuable experience in this area. In 2008, Mr. Wu considered that smart manufacturing in China was still developing at an early stage and therefore saw the potential business opportunity in China. With his prior work experience in this field, he began to engage in the smart manufacturing solutions industry in China.

In order to tap into the market of smart manufacturing solutions in China, Mr. Wu established Quick Tech in 2008. Due to the growing customer base of Quick Tech and for the purpose of business expansion, in 2010, Mr. Wu decided to establish Hong Kong Cheng Phong focusing on the sales of smart manufacturing solutions while Quick Tech shifted its focus and specialised in the area of research and development.

During the period from 2012 to 2014, in view of the growing market in both precision testing and precision machining solutions, Mr. Wu established MGW Swans and Bow Chak, focusing on the sales of static precision testing and precision machining solutions, respectively.

### OUR BUSINESS AND CORPORATE DEVELOPMENT MILESTONES

The following table summarises various key milestones in the business development of our Group:

<b>Year</b>	<b>Milestones</b>
2008	<ul style="list-style-type: none"><li>● We established Quick Tech in Guangzhou</li></ul>
2009	<ul style="list-style-type: none"><li>● We developed a technical cooperation relationship with South China University of Technology in China</li></ul>
2010	<ul style="list-style-type: none"><li>● We established Hong Kong Cheng Phong as a smart manufacturing solutions provider providing precision testing and precision machining solutions</li><li>● Quick Tech started its business focus on the research and development of smart manufacturing solutions</li><li>● We established our first sales and marketing presence in Beijing</li></ul>
2012	<ul style="list-style-type: none"><li>● We provided our first solution to a customer in the shipbuilding industry</li><li>● We established MGW Swans, focusing on the sales of static precision testing solutions</li><li>● We established our sales and marketing presence in Xi'an</li></ul>



## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

<b>Year</b>	<b>Milestones</b>
2013	<ul style="list-style-type: none"><li>● We established our sales and marketing presence in Chongqing</li></ul>
2014	<ul style="list-style-type: none"><li>● We established Bow Chak, focusing on the sales of precision machining solutions</li><li>● We started strategic research projects with a professor in a technological university in Singapore</li><li>● We first provided our solution to a customer in the aviation industry</li></ul>
2015	<ul style="list-style-type: none"><li>● We first provided our solution to a customer in the ground transportation vehicles industry</li><li>● We established our sales and marketing presence in Changsha</li></ul>
2016	<ul style="list-style-type: none"><li>● We established our sales and marketing presence in Nanjing</li><li>● We established our sales and marketing presence in Changchun</li></ul>

### OUR GROUP'S DEVELOPMENT

Details of the establishment and major changes in equity in the major operating members of our Group are set out below:

#### **Our PRC subsidiary**

##### ***Quick Tech***

Quick Tech is principally engaged in the research and development of smart manufacturing solutions technology and the provision of technical consultancy service.

Quick Tech was established in the PRC on 3 April 2008 as a limited liability company with an initial registered capital of RMB500,000 whose equity interest was held by Mr. Wu as to 80% and by Mr. Wu's father, Mr. Wu Jihua, as to the remaining 20%. Mr. Wu Jihua's entire equity interest in Quick Tech was held on trust for Mr. Wu since the establishment of Quick Tech. Such trust arrangement was established because Mr. Wu would like to retain flexibility in the future corporate development and planning for his newly start-up business. Under the Corporate Law, a natural person is allowed to establish only one limited liability company with a single equity holder, and such limited liability company cannot establish any wholly owned companies. Considering the possible future expansion of Quick Tech and establishment of other group companies, Mr. Wu therefore brought in his father to be his trustee holding part of his equity interest in Quick Tech such that Quick Tech would have two registered equity holders. Our PRC Legal Adviser has confirmed that trust arrangement does not violate any laws or regulations in the PRC.

### **Our Hong Kong and BVI subsidiaries**

Considering the business expansion of Quick Tech, Mr. Wu established three other subsidiaries, each focusing on a different niche within the smart manufacturing solutions industry. Since we source most of our supplies from overseas suppliers, in order to facilitate the procurement process, Mr. Wu chose to establish these offshore subsidiaries.

#### ***Hong Kong Cheng Phong***

Hong Kong Cheng Phong was incorporated in Hong Kong on 20 January 2010 with limited liability. It is principally engaged in the sales of precision testing and precision machining solutions.

As at the date of its incorporation, Hong Kong Cheng Phong allotted and issued 100 shares of HK\$1 each to Mr. Wu.

#### ***MGW Swans***

MGW Swans was incorporated in the BVI on 27 December 2012 with limited liability. It is principally engaged in the sales of static precision testing solutions.

On 2 January 2013, MGW Swans allotted and issued 50,000 ordinary shares each with a par value of US\$100 to Mr. Wu's mother-in-law, Ms. Luo Sha. On 13 September 2017, MGW Swans repurchased 49,999 ordinary shares from Ms. Luo Sha resulting in Ms. Luo Sha holding one ordinary share of MGW Swans, representing the entire share capital of MGW Swans. Ms. Luo Sha's entire equity interest in MGW Swans was held on trust for Mr. Wu since the establishment of MGW Swans. Such trust arrangement was established because Mr. Wu wanted to be relieved from all the documentation and administrative burden in relation to MGW Swans. Having considered Mr. Wu's frequent business travelling plans and the time and efforts required to attend to administrative documents, Ms. Luo Sha was considered by Mr. Wu as the appropriate person to be his trustee given their family relationship.

#### ***Bow Chak***

Bow Chak was incorporated in Hong Kong on 13 February 2014 with limited liability. It is principally engaged in the sales of precision machining solutions.

As at the date of its incorporation, Bow Chak allotted and issued 100 ordinary shares of HK\$1 each to Ms. Liu, who acted as the trustee of Mr. Wu. Such trust arrangement was established because Mr. Wu wanted to be relieved from all the documentation and administrative burden in relation to Bow Chak. Having considered Mr. Wu's frequent business travelling plans and the time and efforts required to attend to administrative documents, and Ms. Liu was considered by Mr. Wu as the appropriate person to be his trustee as she joined our Group since our establishment in 2008 and has been a trusted employee ever since.

### PRE-IPO INVESTMENTS

#### First Pre-IPO Investment

In early 2017, in preparation for the Listing, Mr. Wu was looking for a non-PRC investor to broaden the shareholders' portfolio of the Group. Through Mr. Wu's business network, he became acquainted with Ms. Ching, an Independent Third Party. Considering the prospects and growth potential of our Group and the shareholders' portfolio of the Group, Ms. Ching decided to invest in the Group. As a result of her investment, Quick Tech became a sino-foreign equity joint venture and was not subject to certain PRC regulatory requirements including the M&A Rules. For details, please refer to the paragraph headed "Regulatory Overview — M&A Rules" in this prospectus. It is not the intention of the Company to avoid any of the PRC regulatory requirements under the M&A Rules. On 1 August 2017, Mr. Wu and Ms. Ching entered into an equity transfer agreement, pursuant to which Mr. Wu agreed to sell and transfer a 3% equity interest in Quick Tech to Ms. Ching at a consideration of RMB10,200. The consideration was determined through arm's length negotiation among the parties with reference to the valuation of Quick Tech as at 31 March 2017 as advised by an independent valuer. The said consideration was properly and legally settled on 25 August 2017. Upon completion, Quick Tech was held as to 77% by Mr. Wu, 20% by Mr. Wu Jihua (as trustee of Mr. Wu) and 3% by Ms. Ching.

As part of the Reorganisation, our Company, Quick Tech, Mr. Wu and Ms. Ching entered into an investment agreement dated 26 August 2017, and Hong Kong Zhi Phong, Mr. Wu, Mr. Wu Jihua and Ms. Ching entered into an equity transfer agreement dated 28 August 2017. Pursuant to these agreements, Ms. Ching agreed to transfer her 3% equity interest in Quick Tech to Hong Kong Zhi Phong at a consideration of RMB10,200, which was satisfied by the allotment and issue of 19 Shares by our Company credited as fully paid to Ms. Ching. The number of consideration Shares was determined with reference to the valuation of the Group (assuming completion of the Reorganisation) as at 30 June 2017 as advised by an independent valuer.

Our Directors believe that the investment of Ms. Ching can diversify the shareholders' portfolio of our Group.

#### Second Pre-IPO Investment

Our Company, Mr. Wu, Prof. Yang and ARQ Zhuoyue entered into an investment agreement dated 26 August 2017, pursuant to which we agreed to allot and issue 2,000 Shares credited as fully paid to ARQ Zhuoyue for a consideration of HK\$1,260,120. The consideration was determined through arm's length negotiation among the parties with reference to the valuation of the Group (assuming completion of the Reorganisation) as at 30 June 2017 as advised by an independent valuer. The said consideration was properly and legally settled in full on 29 August 2017. Our Directors believe that the investment of ARQ Zhuoyue can strengthen the share capital base and diversify the shareholders' portfolio of our Group. The proceeds from the above subscription was fully utilised and principally used as the general working capital of our Group.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

### Background of the Pre-IPO Investors

Ms. Ching, aged 28, is a merchant who has approximately two years of experience in online trading business in Hong Kong. In early 2017, Ms. Ching became acquainted with Mr. Wu through her business network. Save for the investment in our Group, Ms. Ching is an Independent Third Party and has no past or present relationships with our Group, our Shareholders, our Directors, our senior management, or any of their respective associates and any connected persons of our Company. To the best knowledge and belief of our Directors, Ms. Ching decided to invest in our Group in view of the long-term prospects and growth potential of our Group and her investment was funded by her personal resources. The Directors confirmed that, to the best of their knowledge and having made all reasonable enquiries, Ms. Ching or her associates had not made any pre-IPO investments in other companies (as described in the Guidance Letter HKEx-GL 43-12 issued by the Stock Exchange). The Directors also confirmed that the Company and the Directors did not, and to the best knowledge of the Company, the Controlling Shareholders, the Company's connected persons and their respective close associates also did not, enter into any agreement, arrangement or understanding, in whichever form, with Ms. Ching in relation to the investment of Ms. Ching in our Company.

ARQ Zhuoyue was incorporated in the BVI on 14 July 2017 with limited liability. ARQ Zhuoyue is beneficially and wholly owned by Prof. Yang, a senior management of our Group and the father-in-law of Mr. Wu. Please refer to the biography of Prof. Yang in the section headed "Directors and Senior Management — Senior Management" in this prospectus. To the best knowledge and belief of our Directors, Prof. Yang decided to invest in our Group in view of the long-term prospects and growth potential of our Group and the investment of ARQ Zhuoyue in our Group was funded by Prof. Yang's personal resources.

The table below sets out the key particulars of the Pre-IPO Investments:

	<b>First Pre-IPO Investment</b>	<b>Second Pre-IPO Investment</b>
Name of the Pre-IPO Investor:	Ms. Ching	ARQ Zhuoyue
Date of relevant agreement:	1 August 2017	26 August 2017
Amount of consideration:	RMB10,200	HK\$1,260,120
Payment date of the consideration:	25 August 2017	29 August 2017
Cost per Share paid <sup>(1)</sup> :	Approximately HK\$0.19	HK\$0.21
Discount to the Offer Price <sup>(1)</sup> :	72.8%	70.0%
Approximate shareholding upon Listing <sup>(1)</sup> :	0.015%	1.50%

*Note:*

- (1) The calculation is based on mid-point of our indicative price range for the Share Offer and taking into account the Capitalisation Issue but without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

No special rights were granted to both Ms. Ching and ARQ Zhuoyue in connection with their investments in our Company. Immediately following completion of the Capitalisation Issue and the Share Offer, the Shares to be held by Ms. Ching and ARQ Zhuoyue will not be subject to any lock-up arrangement after the Listing Date.

Immediately following completion of the Capitalisation Issue and the Share Offer, the Shares to be held by Ms. Ching and ARQ Zhuoyue would be considered as part of the public float for the purpose of Rule 11.23 of the GEM Listing Rules as (i) none of the Pre-IPO Investors nor the ultimate beneficial owner of ARQ Zhuoyue is a director, chief executive or substantial shareholder of our Group or a close associate of any of them (the “**Non-Public Shareholders**”); (ii) the acquisitions of the Shares by the Pre-IPO Investors were not financed by the Non-Public Shareholders; and (iii) ARQ Zhuoyue is not accustomed to taking instructions from a Non-Public Shareholder for the voting or dispositions in respect of the Shares held by it.

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 issued by the Stock Exchange as the respective considerations of Ms. Ching and ARQ Zhuoyue under the Pre-IPO Investments were fully settled on 25 August 2017 and 29 August 2017, which were before 28 clear days prior to the date of the first submission of the listing application to the Stock Exchange in relation to the Listing, and no special rights were granted to the Pre-IPO Investors in respect of the Pre-IPO Investments. The “Guidance on Pre-IPO Investment in Convertible Instruments” (HKEx-GL44-12) was not applicable to the Pre-IPO Investment as no convertible instrument was issued.

### REORGANISATION

Our Company underwent the Reorganisation in preparation for the Listing, which involved the following steps:

#### 1. Incorporation of IFG Swans

IFG Swans was incorporated in the BVI on 19 June 2017 with limited liability. It is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1. On 19 June 2017, IFG Swans allotted and issued one share with a par value of US\$1 as fully paid to Mr. Wu at par.

#### 2. Incorporation of our Company

Our Company was incorporated as an exempted company under the laws of the Cayman Islands with limited liability on 23 June 2017, with an authorised share capital of US\$50,000 divided into 500,000,000 shares of par value of US\$0.0001 each. Upon the incorporation of our Company, one subscriber Share was transferred to IFG Swans.

On 25 August 2017, our Company further allotted and issued 97,950 Shares as fully paid to IFG Swans.

### **3. Incorporation of ZHP Orient, Hong Kong Zhi Phong, CPT Asia-Pacific, BCI East Asia and MG Pacific**

ZHP Orient was incorporated in the BVI on 14 July 2017 with limited liability. It is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1. As at the date of its incorporation, ZHP Orient allotted and issued one share with a par value of US\$1 as fully paid to our Company at par. ZHP Orient then became a wholly owned subsidiary of our Company.

Hong Kong Zhi Phong was incorporated in Hong Kong on 27 July 2017 with limited liability. As at the date of its incorporation, Hong Kong Zhi Phong allotted and issued one share of HK\$1 each to ZHP Orient. Hong Kong Zhi Phong then became a wholly owned subsidiary of ZHP Orient.

CPT Asia-Pacific was incorporated in the BVI on 18 August 2017 with limited liability. It is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1. On 18 August 2017, CPT Asia-Pacific allotted and issued one share with a par value of US\$1 as fully paid to our Company at par. CPT Asia-Pacific then became a wholly owned subsidiary of our Company.

BCI East Asia was incorporated in the BVI on 18 August 2017 with limited liability. It is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1. On 18 August 2017, BCI East Asia allotted and issued one share with a par value of US\$1 as fully paid to our Company at par. BCI East Asia then became a wholly owned subsidiary of our Company.

MG Pacific was incorporated in the BVI on 18 August 2017 with limited liability. It is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1. On 18 August 2017, MG Pacific allotted and issued one share with a par value of US\$1 as fully paid to our Company at par. MG Pacific then became a wholly owned subsidiary of our Company.

Each of ZHP Orient, Hong Kong Zhi Phong, CPT Asia-Pacific, BCI East Asia and MG Pacific is an investment holding company of our Group and does not carry on any business.

### **4. Acquisition of Quick Tech by our Group**

Pursuant to an investment agreement dated 26 August 2017 and an equity transfer agreement dated 28 August 2017, our Company, through Hong Kong Zhi Phong, acquired a 3% equity interest in Quick Tech from Ms. Ching at a consideration of RMB10,200, which was satisfied by the allotment and issue of 19 Shares by our Company credited as fully paid to Ms. Ching. Please refer to the paragraph headed “Pre-IPO Investments — First Pre-IPO Investment” in this section of the prospectus for further details of the Pre-IPO Investments.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Pursuant to an equity transfer agreement dated 28 August 2017, Hong Kong Zhi Phong further acquired the remaining equity interest of Quick Tech from Mr. Wu (of which 20% of the equity interest in Quick Tech was held by Mr. Wu Jihua as trustee of Mr. Wu), representing 97% equity interest in Quick Tech, at a cash consideration of RMB0.3 million. The consideration which was determined with reference to the valuation of Quick Tech as at 31 March 2017 as advised by an independent valuer. Upon completion of the above transactions, Quick Tech became a wholly owned subsidiary of Hong Kong Zhi Phong.

### **5. Subscription of Shares by ARQ Zhuoyue**

On 26 August 2017, our Company, Mr. Wu, Prof. Yang and ARQ Zhuoyue entered into an investment agreement, pursuant to which we allotted and issued 2,000 Shares credited as fully paid to ARQ Zhuoyue for a consideration of HK\$1,260,120. Please refer to the paragraph headed “Pre-IPO Investments — Second Pre-IPO Investment” in this section of the prospectus for further details of the Pre-IPO Investments.

### **6. Acquisition of Hong Kong Cheng Phong by CPT Asia-Pacific, Bow Chak by BCI East Asia and MGW Swans by MG Pacific**

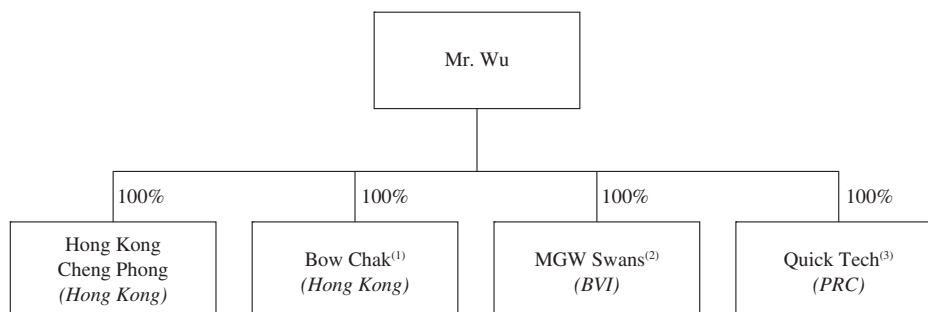
Pursuant to a sale and purchase agreement dated 18 September 2017 between Mr. Wu, CPT Asia-Pacific and our Company, CPT Asia-Pacific acquired the entire issued share capital in Hong Kong Cheng Phong from Mr. Wu at a consideration of HK\$3,278,106.58, which was satisfied by the allotment and issue of 10 Shares by our Company credited as fully paid to IFG Swans (as nominee of Mr. Wu). Upon completion, Hong Kong Cheng Phong became a wholly owned subsidiary of CPT Asia-Pacific.

Pursuant to a sale and purchase agreement dated 18 September 2017 between Mr. Wu, Ms. Liu, BCI East Asia and our Company, BCI East Asia acquired the entire issued share capital in Bow Chak from Mr. Wu (as the beneficial owner) and Ms. Liu (as the registered owner) at a consideration of HK\$9,571,424.67, which was satisfied by the allotment and issue of 10 Shares by our Company credited as fully paid to IFG Swans (as nominee of Mr. Wu). Upon completion, Bow Chak became a wholly owned subsidiary of BCI East Asia.

Pursuant to a sale and purchase agreement dated 18 September 2017 between Mr. Wu, Ms. Luo Sha, MG Pacific and our Company, MG Pacific acquired the entire issued share capital in MGW Swans from Mr. Wu (as the beneficial owner) and Ms. Luo Sha (as the registered owner) at a consideration of HK\$38,850,352.85, which was satisfied by the allotment and issue of 10 Shares by our Company credited as fully paid to IFG Swans (as nominee of Mr. Wu). Upon completion, MGW Swans became a wholly owned subsidiary of MG Pacific.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

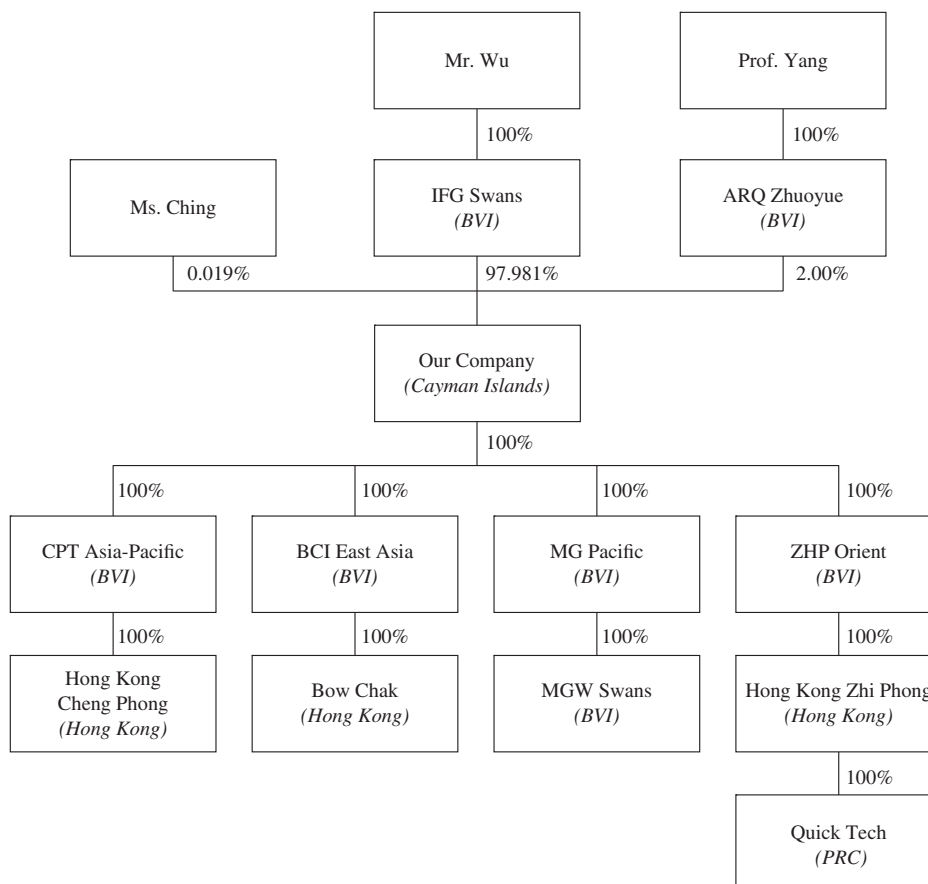
The following chart sets out our Group's shareholding and corporate structure immediately before the Reorganization and prior to the Pre-IPO Investments:



Note:

- (1) Ms. Liu held 100% of the equity interest in Bow Chak on trust for Mr. Wu.
- (2) Ms. Luo Sha (Mr. Wu's mother-in-law) held 100% of the equity interest in MGW Swans on trust for Mr. Wu.
- (3) Mr. Wu Jihua (Mr. Wu's father) held 20% of the equity interest in Quick Tech on trust for Mr. Wu.

The following chart sets out our Group's shareholding and corporate structure immediately after the Reorganisation and the Pre-IPO Investments but before completion of the Capitalisation Issue and the Share Offer:



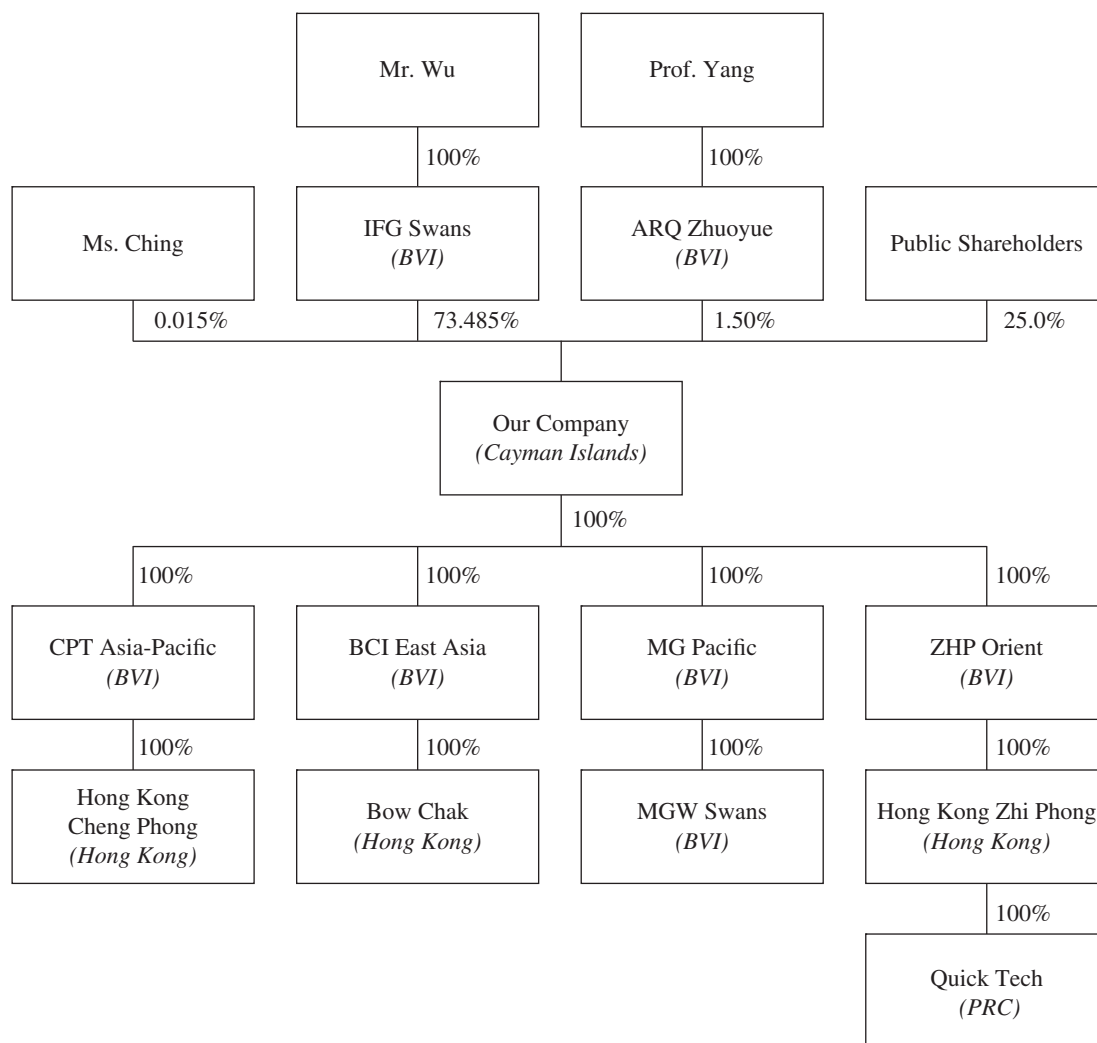


## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

### THE CAPITALISATION ISSUE AND THE SHARE OFFER

Conditional upon the share premium account of our Company being credited as a result of the Share Offer, our Company will capitalise all or a portion, as the case may be, of the balance of the share premium account and apply such sum in paying up in full at par a total of 299,900,000 Shares for allotment and issue to the existing shareholders of our Company on a pro rata basis.

The following chart sets out our Group's shareholding and corporate structure immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme).



### PRC REGULATORY REQUIREMENTS

#### M&A Rules

The M&A Rules, among other things, purport to require that an offshore special purpose vehicle (“SPV”), formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of China Securities Regulatory Commission prior to the listing and trading of such SPV’s securities on an overseas stock exchange, especially in the event that the SPV acquires shares of or equity interest in the PRC companies in exchange for the shares of offshore companies.

Pursuant to the Manual of Guidance on Administration for Foreign Investment Access (《外商投資准入管理指引手冊》) promulgated by MOFCOM in December 2008, notwithstanding the fact that (i) the domestic shareholder is connected with the foreign investor or not; or (ii) the foreign investor is the existing shareholder or a new investor, the M&A Rules shall not apply to the transfer of an equity interest in a foreign-invested enterprise (“FIE”) from the domestic shareholder to the foreign investor. On the basis that Quick Tech has been a FIE since 18 August 2017, the legal nature of the transfer to Hong Kong Zhi Phong of 100% equity interest in Quick Tech was a transfer of an equity interest in a FIE rather than mergers and acquisitions of a domestic enterprise (內資企業) as defined in the M&A Rules. Therefore, the acquisition of 100% equity interest in Quick Tech by Hong Kong Zhi Phong did not fall under the M&A Rules and instead falls under the Provisions for the Alteration of Investors’ Equities in Foreign Invested Enterprises (《外商投資企業投資者股權變更的若干規定》). On 8 September 2017, Quick Tech obtained the Acknowledgement of the Record-filing of the Change of FIE (《外商投資企業變更備案回執》) from the competent commerce authority, namely the Foreign Trade and Economic Cooperation Bureau of Guangzhou Tianhe District (廣州市天河區對外貿易經濟合作局), and registered on 13 September 2017 by the Administration for Industry & Commerce of Guangzhou Tianhe District (廣州市天河區工商行政管理局), in respect of acquisition of 100% equity interest in Quick Tech by Hong Kong Zhi Phong.

#### SAFE Circular No. 37

According to SAFE Circular No. 37 and SAFE Circular No. 13, before a domestic resident contributes its legally owned onshore or offshore assets and equity into an overseas SPV, the domestic resident shall conduct foreign exchange registration for offshore investment with a qualified bank. Mr. Wu and Prof. Yang are subject to the requirements under the SAFE Circular No. 37. Our PRC Legal Adviser confirmed that all the necessary foreign exchange registration with qualified banks under the SAFE Circular No. 37 were completed on 23 August 2017.

Our PRC Legal Adviser further confirmed that all necessary record-filing receipts, permits and licenses required under the PRC laws and regulations in connection with the Reorganisation have been obtained, and the Reorganisation has complied with all applicable laws and regulations of the PRC.

## **OVERVIEW**

We are a smart manufacturing solutions provider focusing on precision 3D testing solutions and precision machining solutions in China. According to Frost & Sullivan, in 2016, we were the second largest smart manufacturing solutions provider of industrial precision 3D testing and precision machining solutions, in terms of revenue, in China with a market share of 4.6%. For further details, please refer to the section headed “Industry Overview” in this prospectus. We provide smart manufacturing solutions to high-end equipment manufacturers in the aviation, aerospace, shipbuilding, ground transportation vehicles and electronics industries as our end customers, most of which are state-owned enterprises which require a high level of precision in the manufacture of their industrial products. Headquartered in Guangzhou, we have established a technical support team in Beijing and have sales and marketing presence in five different regions in China.

Our solutions are project based and are tailor made for each of our customers based on its specific technical requirements and commercial needs. Our solutions comprise and integrate various equipment and services, typically ranging from solution concept and design, procurement of machinery, auxiliary tools and software and system installation and debugging to provision of after-sales services such as technical support and training. Our two main types of solutions are precision 3D testing solutions and precision machining solutions:

- ***Precision 3D testing solutions*** are generally used for product development, reverse engineering, rapid prototyping and quality control. They make use of photogrammetry and grating measurement principle for data collection. They are generally classified into static 3D scanning solutions and dynamic 3D scanning solutions, which are used to collect data for different testing objects under various circumstances. Both static and dynamic 3D scanning solutions can provide precise measurement and generate analytical data of the testing object. During the Track Record Period, precision 3D testing solutions accounted for 56.0%, 59.3% and 100.0% of our revenue for the years ended 31 March 2016, 2017 and the six months ended 30 September 2017, respectively.
- ***Precision machining solutions*** generally comprise customised CNC machining systems that enable automatic, precise and consistent motion control in the manufacturing process through programmed commands. They are usually used for complex-shaped, high-precision single-piece processing or small and medium-sized multi-species production. During the Track Record Period, precision machining solutions accounted for 44.0%, 40.7% and none of our revenue for the years ended 31 March 2016, 2017 and the six months ended 30 September 2017, respectively.

Our precision 3D testing and precision machining solutions can be designed and offered as a stand-alone solution or as an integrated smart manufacturing solution that combines the application of both precision 3D testing and precision machining. For our integrated smart manufacturing solutions, data collected from the precision 3D testing unit is first exported to the computer workstation by the auxiliary software, which is linked up to the CNC machining centre and is then able to analyse the data and automatically generate varied commands to control the manufacturing

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process to produce the high-precision industrial products for our end customers. We seek to promote the offering of integrated smart manufacturing solutions as a one-stop solution to our customers to capitalise on their potential demand.

As our smart manufacturing solutions involve high-end technology, we place great emphasis on the areas of product research and development and quality control, which we believe are critical for differentiating our solutions provided from those provided by our competitors and maintaining a competitive market position. Our PRC subsidiary is in the process of applying to be recognised as a “High and New Technology Enterprise” in China and we expect such recognition will be granted by the end of March 2018. Upon successful grant of recognition, we will be able to enjoy a preferential tax rate of 15% for the specified years and potential government subsidies. We have implemented stringent quality control measures in every major stage of the project so as to maintain the quality of our smart manufacturing solutions at a consistently high level. We have been collaborating with professors and researchers from established tertiary institutions on research and development. As at the Latest Practicable Date, we had registered eight patents and had five pending patents registrations.

During the Track Record Period, we generated revenue in the amount of HK\$26.0 million, HK\$43.5 million and HK\$9.1 million for the years ended 31 March 2016, 2017 and the six months ended 30 September 2017, respectively. Our profit for the years ended 31 March 2016 and 2017 was HK\$3.6 million and HK\$17.3 million, respectively, and we record a loss of HK\$10.3 million for the six months ended 30 September 2017 due to the incurrence of listing expenses. Our revenue and profit for the year grew by 67.5% and 376.5% between the years ended 31 March 2016 and 2017, respectively, and our revenue also grew by 2.4% between the six months ended 30 September 2016 and 2017.

### COMPETITIVE STRENGTHS

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

#### **Ability to provide high quality smart manufacturing solutions**

We have the ability to provide high quality smart manufacturing solutions. We believe this constitutes our key competitive edge that enables us to attract prospective customers who increasingly seek to outsource smart manufacturing solutions to quality suppliers for their testing and machining needs.

We are capable of offering quality smart manufacturing solutions to our customers throughout our operational process. We have implemented a stringent quality control policy which ensures quality control on each major stage of a project, such as the research and development, procurement and installation processes.

We take up a key role at the early stage of a project by focusing on solution design and are committed to investigating and discussing the feasibility of the project with our potential customers. During the exploration and design process, our sales and marketing team and research and development team periodically visit our potential customers and conduct a feasibility study followed by numerous in-depth communications to fully understand their technical requirements

## BUSINESS

and commercial needs. We share smart manufacturing expertise we acquired from serving customers from one industry with valued customers from other industries to improve the quality of our solutions.

In terms of procurement, we generally procure the machinery from well-established overseas suppliers who are able to provide machinery with a higher level of precision and stability and longer life span compared to domestic brands. These suppliers provide a quality certificate and one-year warranty for the products supplied to us. In terms of after sales services, we provide after sales services including technical support and training to our customers after implementing the solutions. We generally provide one-year warranty for our solutions.

### **An established smart manufacturing solutions provider for high-end equipment manufacturers in strategically selected industries**

Since our establishment in 2008, we have been focusing on providing precision 3D testing solutions to corporations in the high-end equipment manufacturing industry. We expanded our business scope to commence offering precision machining solutions in 2010. According to Frost & Sullivan, in 2016, we were the second largest smart manufacturing solutions provider of major industrial precision 3D testing and precision machining solutions, in terms of revenue, in China with a market share of 4.6%. For further details, please refer to the section headed “Industry Overview” in this prospectus. Our end customers are mainly state-owned enterprises in the aviation, aerospace, shipbuilding, ground transportation vehicles and electronics industries which require a high level of precision in the manufacture of their industrial products. According to Frost & Sullivan, many of our end customers are leading companies in their related industry.

With almost ten years of experience, we have accumulated an extensive knowledge pool and have built our brand recognition among high-end equipment manufacturers in China. We believe these contribute to our continuing success in the smart manufacturing solutions market.

### **A strong and stable management team with extensive industry experience**

Our chairman, executive Director and chief executive officer, Mr. Wu, has more than 14 years of experience in the area of smart manufacturing, machining and industrial design. He is well versed in the technical know-how of the smart manufacturing solutions that we provide and possesses extensive knowledge relating to the smart manufacturing industry in China.

Led by Mr. Wu, the majority of our senior management have been with us for more than four years. Most of our senior management executives have more than seven years of experience in the smart manufacturing solutions and related industries and each of them has received a bachelor’s degree or above. In particular, our technical director, Prof. Yang, has more than 40 years of experience in research and development in the area of engineering and manufacturing and has been with us since July 2013. We believe our senior management has been successful in managing our operations and business growth.

**A strategically located sales team with extensive market reach**

Our end customers are scattered in different provinces in China. Apart from our offices in Guangzhou and Beijing, we have also established sales and marketing presence in Xi'an, Chongqing, Nanjing, Changsha and Changchun to cover five different regions in China. Our salesforces are strategically located in cities where potential customers in selected high-end equipment manufacturing industries, such as the aviation, aerospace, shipbuilding, ground transportation vehicles and electronics industries, are located. A dedicated local salesforce is present in each region to serve our existing and prospective customers. With our extensive market reach, we are able to reach our customers and provide services in a timely manner upon request. Our local presence brings us closer to our customers, allows us to gain first hand intelligence on customer requirements and market trends and enables us to respond quickly to customer needs.

We believe our effective sales and marketing team with extensive market reach facilitates the maintenance of our relationship with customers and positions us well in securing future contracts.

**Strong know-how in smart manufacturing applications coupled with effective collaboration with professors and researchers from established tertiary institutions**

Our technical director, Prof. Yang, has more than 40 years of experience in research and development in the area of engineering and manufacturing. He has received various awards in recognition of his achievements in research and invention projects and was a lecturer in South China University of Technology before joining our Group. Our research and development team has substantial technological expertise as all of the team members graduated with a bachelor's degree or above in an engineering speciality. We have accumulated strong know-how and are dedicated to inventing different smart manufacturing applications and solutions design to enhance the adaptability and quality of our solutions. As at the Latest Practicable Date, we had eight registered patents and had five pending invention patent registrations.

We initiate and lead product research and development projects through collaboration with professors and researchers from established tertiary institutions. During the Track Record Period, we had collaborated with South China University of Technology and Taiyuan Institute of Technology, as well as with a professor from a technological university in Singapore. Through collaboration, we are provided with resources from tertiary institutions including, but not limited to, on-campus technology machinery, designation of an advisory team providing guidance on technical issues and granting of access to resources and facilities such as research and testing facilities. During the Track Record Period, we had incurred outsourcing research and development expenses in the amounts of HK\$1.8 million, HK\$1.6 million and HK\$0.7 million for the years ended 31 March 2016, 2017 and the six months ended 30 September 2017, respectively, and our collaboration with South China University of Technology had led to the successful invention of three technology applications. With more resources from the tertiary institutions, we are able to tap into their technical know-how efficiently. We believe we can capitalise on the collaboration to further expand our capabilities, develop new technologies and keep informed of the latest technological developments.

## **BUSINESS STRATEGIES**

We aim to be a first class smart manufacturing solutions provider in the PRC. We seek to continue to increase our market share and recognition by implementing the following strategies:

### **Keep abreast of the latest technological changes relevant to our industry and maintain our technology advantages**

We intend to continue to build our knowledge base and further develop expertise of smart manufacturing solutions and the latest technologies to improve the quality and value of the smart manufacturing solutions that we may offer to our customers. We have been organising seminars periodically for our valued potential customers for information sharing. During the Track Record Period, we had organised eleven local and overseas product seminars for six potential customers in relation to precision testing systems such as non-contact 3D optical scanner systems and non-contact 3D deformation measurement and analysis systems. All of these potential customers who we had organised seminars for during the Track Record Period, had become our customers. We had also participated in one international exhibition as visitor in order to keep abreast of the latest technological changes and facilitate the information sharing. We intend to increase the information sharing with our potential customers by organising regular seminars and to keep abreast of the latest technological changes relevant to the industry, maintain our technology advantages and increase our market presence by participating in more relevant local and international exhibitions. We seek to continue to keep our solution offerings and technologies up-to-date and to maintain close communications with our customers, in order to develop and introduce new smart manufacturing solution designs based on a good understanding of our customers' needs.

### **Establish our own research and development facilities**

We believe having the ability to readily adapt to market and technology changes and respond to customers' needs is important to our business growth. We therefore intend to further invest in research and development in the areas of smart manufacturing applications. We have in the past conducted our research and development efforts mainly through collaboration with tertiary institutions or at our end customer's worksite and we have not built significant research and development facilities of our own. In order to enhance our research and development capabilities and efficiency of research and development activities, we plan to increase our investment in research and development by establishing our own research and development centres and purchasing equipment for precision 3D testing. Having our own research and development facilities are expected to facilitate our business development and lower our research and development cost in the long term. We intend to establish our research and development centres in Guangzhou and Beijing by 2019, which will be fully funded by our proceeds from the Share Offer. For details of our use of proceeds, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus.

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### **Expand our business operations by increasing our team size, enhancing our internal management ability and expanding our sales coverage**

We seek to strengthen our market position in China and increase our market share. We intend to conduct frequent customer visits to understand our customers' needs and thus improve their satisfaction. We have sales and marketing presence in five regions surrounding Xi'an, Chongqing, Nanjing, Changsha and Changchun and we intend to set up a sales office in each of these cities. We also plan to expand our presence to other provinces such as Inner Mongolia and Shanxi where potential customers are located. We intend to expand our sales and marketing team and research and development team by recruiting talent from different provinces in China. We seek to expand our salesforce so that we can reach more customers and provide them with timely services. We also intend to recruit more administrative and finance staff and provide trainings to enhance our internal management and operational efficiency. We plan to expand our offices in Beijing, Guangzhou and Hong Kong to accommodate our increasing team size.

### **Develop and promote integrated smart manufacturing solutions**

Our smart manufacturing solutions consist of precision 3D testing and precision machining solutions. Customers have in the past engaged us for either one of the solutions or both solutions separately. With the increasing need of effectiveness and efficiency, we plan to promote the use of integrated smart manufacturing solutions, which combine the technologies of precision 3D testing and precision machining in one integrated solution, to our customers. An integrated smart manufacturing solution is a further integration of the existing smart manufacturing solutions, combining the precision 3D optical scanner system and customised CNC machining centre with compatible software and auxiliary tools. Data collected by the precision 3D optical scanner system can be transmitted directly to the CNC machining centre for processing. It can therefore provide a one-stop solution for both of our customers' testing and machining needs by fully utilising the results of 3D testing in the manufacturing process. Integrated smart manufacturing solutions will be a key focus of our future business development.

## **OUR BUSINESS**

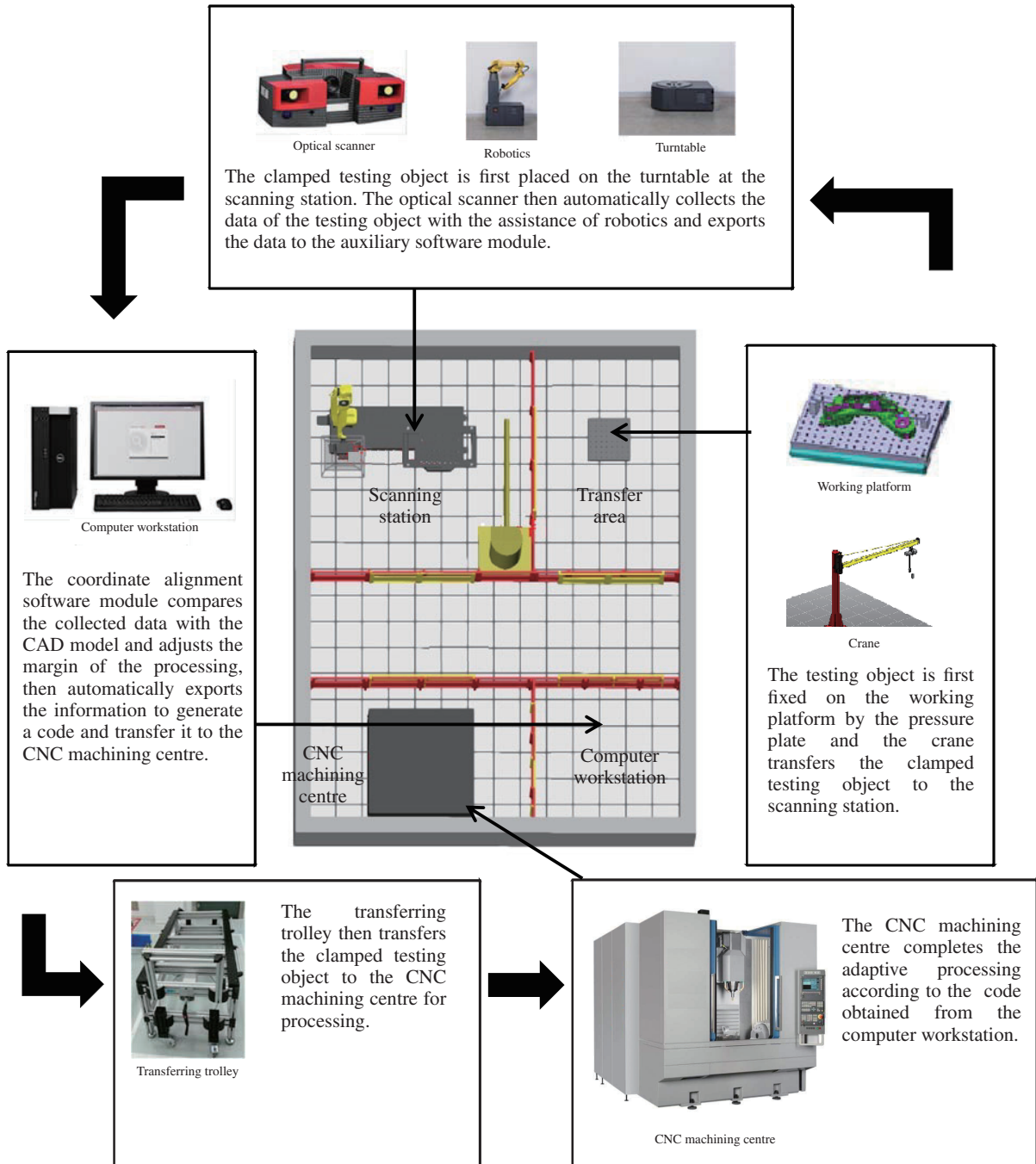
### **Our business model**

We provide value-adding solutions principally for testing or manufacturing industrial products that require a high level of precision in their production such as precision casting parts and metallic rapid prototyping parts. Our solutions are tailor made for each of our customers based on its specific technical requirements and commercial needs. Our solutions comprise and integrate various equipment and services, typically ranging from solution concept and design, procurement of machinery, auxiliary tools and software and system installation and debugging to provision of after-sales services such as technical support and training.



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Our smart manufacturing solutions are typically delivered with various machinery, auxiliary tools and software to cope with our customers' working environment and technical requirement and generally have a long life span with proper maintenance. Set out below is a flow chart showing the composition of our integrated smart manufacturing solutions:



### **Our value-added services**

We provide a series of value-added services as part of our smart manufacturing solutions as follows:

- **Conduct a feasibility study.** We take up an important role at the early stage of the projects by visiting our end customers and continuously communicate with them for a certain period of time in order to fully understand their business environment and technical needs and assist them to conduct a feasibility study. Through conducting a feasibility study, we (i) assist the end customers to identify the technical needs and difficulties encountered by them and the necessity of having a smart manufacturing system; (ii) provide a feasibility analysis and proposal to solve the technical needs and difficulties faced by them; and (iii) analyse the potential economic benefits to be brought by the smart manufacturing solutions.
- **Design a value-added solution.** Our smart manufacturing solutions are tailor made to meet our end customers' individualised technical needs and specific demands and requirements. We have the technical expertise to design value-added solutions which are efficient and reliable by incorporating a comprehensive range of auxiliary tools such as rotatable clamps, flexible vacuum hand and other robotics together with our technical applications. During our design process, our product research and development team may either apply our existing know-how or design and develop new auxiliary tools or technical applications based on our end customer's needs and demands. For details of our technical applications, please refer to the paragraph headed "Intellectual Property" in this section of the prospectus. Such tailor made, fully integrated and collaborative systems generally include various selected machinery, auxiliary tools and software and are able to enhance the precision in testing and machining and reduce our end customers' operating costs.
- **Procure machinery, auxiliary tools and software.** Although high-end equipment manufacturers may procure the machinery, auxiliary tools or software from the market, these products which are not tailor made for them, have diverse dimensions, models and functions, and the procurement of these products alone may not be able to fully solve their technical needs and difficulties. Therefore, we have to select the suitable machinery and integrate them with different auxiliary tools and software to form a collaborative system. As such, each of the machinery, auxiliary tools and software used in our tailor made smart manufacturing solutions may vary based on a number of factors including the model, functionality, technical specifications and country of manufacture, as different industry players require such system of different specifications for their specific needs.
- **Testing and debugging.** Before handing the solutions to our end customers, we will go through a series of testing and debugging procedures to ensure that the integrated systems implemented on our end customers' worksite have reached the technical standard set out in the technical agreements entered into with our end customers and are able to solve all of our end customers' technical needs and difficulties.

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- Implementation plan and after-sales services.** We will also provide our end customers with a detailed technical process plan of the testing or machining system together with an equipment configuration proposal which can guarantee the positional and accurate repeatability of the testing and machining. Upon receipt of the final acceptance certificate from our end customers, we will continue to provide maintenance services and on-site training as well as following up with the end customers for any changes or rises of technical needs or technical difficulties and provide them with technical advices from time to time during their daily usage.

Our smart manufacturing solutions provided vary among different customers since they are customised to address different specialised requirements from our end customers and are able to be utilised for a variety of industrial processes which require high precision. Each solution is unique from its concept to implementation and is not readily available in the market. The expected profit margin of our smart manufacturing solutions therefore varies greatly depending on the provision of the above value-added services, as well as the time needed for the project, complexity of the solutions and technical expertise required for the solutions formation and implementation, etc.

### Our business operating data

Our end customers are mainly state-owned enterprises and are high-end equipment manufacturers in selected industries in China. Set out below is our revenue by our end customers' industry during the Track Record Period:

	Year ended 31 March						Six months ended 30 September					
	2016			2017			2016			2017		
	Revenue <i>HK\$'000</i>	% of total revenue %	No. of end customers	Revenue <i>HK\$'000</i>	% of total revenue %	No. of end customers	Revenue <i>HK\$'000</i>	% of total revenue %	No. of end customers	Revenue <i>HK\$'000</i>	% of total revenue %	No. of end customers
	(Unaudited)											
Aviation	—	—	—	6,656	15.3	2	—	—	—	4,138	45.3	3
Aerospace	—	—	—	13,397	30.8	3	—	—	—	4,995	54.7	4
Shipbuilding	16,779	64.6	2	21,716	49.9	5	8,601	96.4	4	—	—	—
Ground transportation vehicles	7,906	30.5	1	1,399	3.2	1	—	—	—	—	—	—
Electronics	1,278	4.9	3	324	0.8	3	318	3.6	2	—	—	—
<b>Total</b>	<b>25,963</b>	<b>100.0</b>	<b>6</b>	<b>43,492</b>	<b>100.0</b>	<b>14</b>	<b>8,919</b>	<b>100.0</b>	<b>6</b>	<b>9,133</b>	<b>100.0</b>	<b>7</b>

## BUSINESS

Under our existing business model, we mainly provide two types of solutions, namely precision 3D testing solutions and precision machining solutions. We are able to provide these value-adding solutions as a stand-alone smart manufacturing solution or as an integrated smart manufacturing solution which include both static 3D scanning solutions and precision machining solutions. Set out below is our revenue by solution type and nature during the Track Record Period:

### Revenue by type of solution

	Year ended 31 March						Six months ended 30 September					
	2016			2017			2016			2017		
	% of total Revenue <i>HK\$'000</i>	Gross Profit revenue %	Margin %	% of total Revenue <i>HK\$'000</i>	Gross Profit revenue %	Margin %	% of total Revenue <i>HK\$'000</i>	Gross Profit revenue %	Margin %	% of total Revenue <i>HK\$'000</i>	Gross Profit revenue %	Margin %
	(Unaudited)											
<b>Precision 3D testing solutions:</b>												
Static 3D scanning	6,622	25.5	59.0	18,605	42.8	75.1	3,965	44.5	72.3	8,485	92.9	69.1
Dynamic 3D scanning	<u>7,906</u>	<u>30.5</u>	39.8	<u>7,201</u>	<u>16.5</u>	78.5	—	—	—	<u>648</u>	<u>7.1</u>	93.4
Overall precision 3D testing solutions	14,528	56.0	48.6	25,806	59.3	76.0	3,965	44.5	72.3	9,133	100.0	70.8
<b>Precision machining solutions</b>	<u>11,435</u>	<u>44.0</u>	23.1	<u>17,686</u>	<u>40.7</u>	34.5	<u>4,954</u>	<u>55.5</u>	10.7	—	<u>0.0</u>	0.0
<b>All solutions</b>	<u>25,963</u>	<u>100.0</u>	37.4	<u>43,492</u>	<u>100.0</u>	59.1	<u>8,919</u>	<u>100.0</u>	38.1	<u>9,133</u>	<u>100.0</u>	70.8

### Revenue by nature

	Year ended 31 March		Six months ended 30 September	
	2016	2017	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)			
<b>Precision 3D testing solutions:</b>				
Sales of equipment	13,287	23,300	3,224	6,894
Technical services	<u>1,241</u>	<u>2,506</u>	<u>741</u>	<u>2,239</u>
	<u>14,528</u>	<u>25,806</u>	<u>3,965</u>	<u>9,133</u>
<b>Precision machining solutions:</b>				
Sales of equipment	10,387	16,127	4,954	—
Technical services	<u>1,048</u>	<u>1,559</u>	—	—
	<u>11,435</u>	<u>17,686</u>	<u>4,954</u>	—
	<u>25,963</u>	<u>43,492</u>	<u>8,919</u>	<u>9,133</u>

### Precision 3D testing solutions

Precision 3D testing solutions is generally used for product development, reverse engineering, rapid prototyping and quality control. Precision testing can be used on both static and dynamic objects and can be done by three different systems, namely non-contact 3D optical scanner system, composite measurement and analysis system and non-contact 3D deformation measurement system.

#### *Static 3D scanning solutions*

##### *Non-contact 3D optical scanner system/solutions*

Non-contact 3D optical scanner system is an effective data collecting equipment that can extract an object's 3D data without contacting the object through photogrammetry and grating measurement principle. The scanner system with different lens collects data by using visible light which projects the specific grating stripes to the surface of the testing object and the high-resolution CCD digital camera takes pictures on the grating interference fringes.

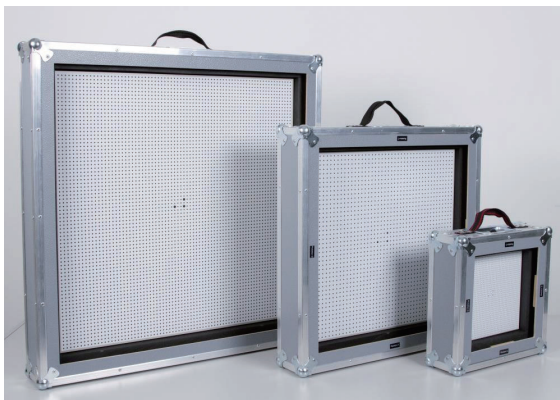


Data collecting module

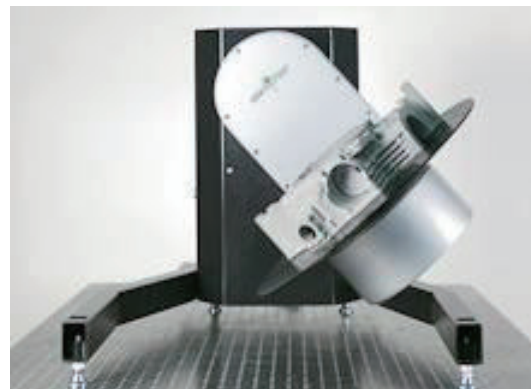


Controlling module

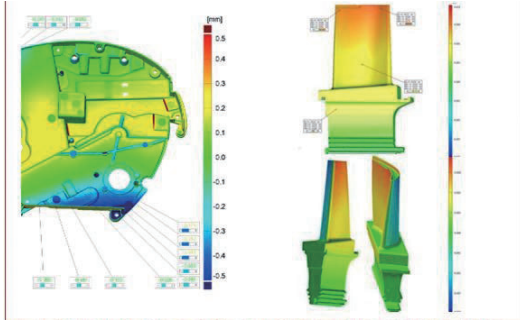
Our solutions integrate the scanner system with various auxiliary tools such as ceramic plates for calibration and turntables for all-rounded testing as well as image processing software for high-precision measurement. The integrated system can differentiate the discrepancies between scanned data and raw data and illustrate the difference in a coloured diagram. It is a high-end and precise solution for testing complicated and irregularly shaped static object. Comparing with traditional measuring system, it can collect a large amount of data within a very short period of time without disrupting the surface of the testing object. It is highly automated and flexible with different solutions' design.



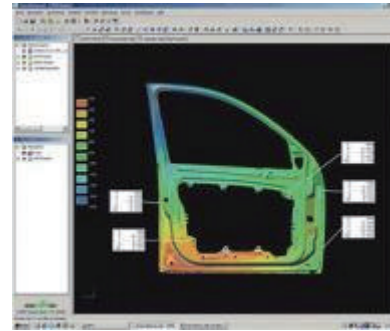
Ceramic Plate



Turntable



Coloured diagram

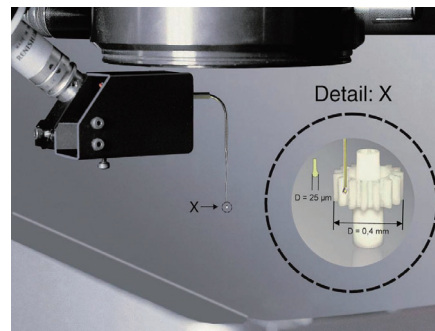


Coloured diagram

*Composite 3D measurement and analysis system/solutions*

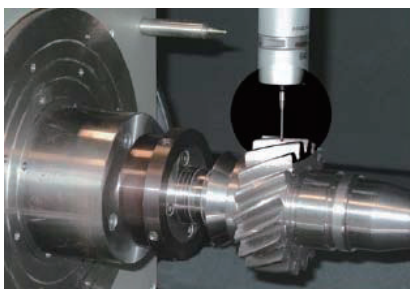


Composite 3D measurement and analysis system



Fibre optic sensor

The composite measurement and analysis system combines optical probes with mechanical probes which has all the functions of an optical projector, microscope and contact coordinate measuring machine. It is widely used in product quality control, first detection, tool inspection and more complex testing requirements in laboratory. It has a measuring range from tens of millimetres to several meters, measuring accuracy from a few microns to 100 nanometres level, measuring resolution up to 1 nanometre (0.001 microns) and more than 10 species of measuring sensor can be integrated into the system. This system can provide precision measurement for very small sized special fine parts.



Contact measurement system



Mechanical sensor system

## *Dynamic 3D scanning solutions*

### *Non-contact 3D deformation measurement and analysis system/solutions*

Non-contact 3D deformation measurement and analysis system is widely used in the field of product development and measurement. It is able to collect the testing object's 3D data under two dynamic circumstances, namely vibration and deformation, and provide data analysis. Without contacting the testing object, a large amount of data can be collected and the changes of the object under different circumstances can be analysed.

Comparing with traditional testing method, this system can precisely pinpoint a particular spot for further testing under moving situation which largely enhances efficiency. The system can also provide high precision measurement even under high temperature and high speed up to micrometres and its measuring area can range from a few millimetres to meters. It is usually applied on dynamic objects during product development testing such as impact test for automobile.

Comprehensive dynamic 3D scanning solutions are developed based on different customers' specific requirements and may vary by the measuring device model, types of auxiliary tools, environmental design such as mechanical platform and ambient light source, testing object's surface treatment process and various types of software modules for graphic measurement, control, post-processing, testing and modal analysis.

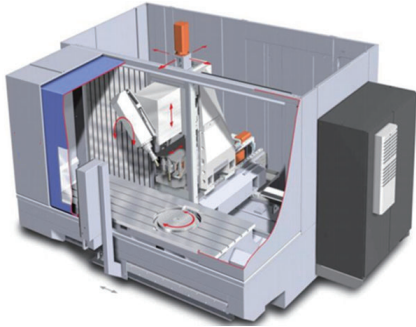


Non-contact 3D deformation measurement and analysis system

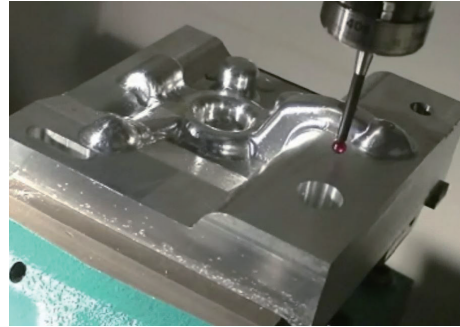
### *Precision machining solutions*

Precision machining solutions generally comprise customised CNC machining systems that enables our customers to have a consistent, accurate and predictable manufacturing process for their industrial products.

#### *Customised CNC machining centre/system*



Customised CNC machining centre



Auxiliary positioning module

Customised CNC machining system is a high precision automated CNC vertical and horizontal machining centre that offers automatic, precise and consistent motion control in the manufacturing process by enabling motions to be commanded through programmed commands interpreting mathematical or numerical data input. It mainly includes customised machining centre module, auxiliary positioning module and coordinate transformation module. Customers can easily transfer the data collected from the precision testing system to the CNC machining centre and different processing programs can be installed into the centre to deal with various types of processing materials. It provides accurate repeatability specifications through automation in the manufacturing process, improves production efficiency and time and enhances manufacturing flexibility. A customised CNC machining centre is capable of performing multiple machining operations in the same centre with a variety of tools which can provide different cutting rates and depth of cut. The system is more applicable to complex shaped, high precision single-piece processing or small and medium-sized multi-species production.



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### Our projects

Set out below are the details of (i) our completed projects and their revenue contribution in each year during the Track Record Period, and (ii) our on-going projects and their revenue contribution for the respective periods.

	Completed projects						On-going projects						Estimated outstanding contract sum as at ended 30 September 2017
	No. of completed projects for the			Revenue recognised for the			No. of on-going projects for the			Revenue recognised for the			
	Year ended 31 March	Six months ended 30 September	Year ended 31 March	Six months ended 30 September	Year ended 31 March	Six months ended 30 September	Year ended 31 March	Six months ended 30 September	Year ended 31 March	Six months ended 30 September			
	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017			
			HK\$'000	HK\$'000	HK\$'000				HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Precision 3D testing solutions	6	7	5	5,855	5,752	2,239	4	9	5	8,673	20,054	6,894	12,435
Precision machining solutions	2	5	0	6,839	17,686	0	2	0	0	4,596	0	0	0
<b>Total</b>	<b>8</b>	<b>12</b>	<b>5</b>	<b>12,694</b>	<b>23,438</b>	<b>2,239</b>	<b>6</b>	<b>9</b>	<b>5</b>	<b>13,269</b>	<b>20,054</b>	<b>6,894</b>	<b>12,435</b>

During the Track Record Period, we had been focusing on the provision of precision 3D testing solutions and precision machining solutions and had completed 25 projects, for which an aggregate amount of HK\$38.4 million was recognised as revenue for the two years ended 31 March 2017 and the six months ended 30 September 2017. Our projects generally have a long completing cycle which took six months on average from the signing of contract to shipment of the machinery and another five months on average for system installation, debugging and final acceptance by the customer during the Track Record Period and therefore a project may be carried forward to the following financial year. The following table summarises the total number of projects for which we had brought forward and obtained during the Track Record Period and total number of projects to be carried forward for the respective periods:

	For the year ended 31 March 2016			For the year ended 31 March 2017			For the six months ended 30 September 2017		
	Precision 3D testing solutions	Precision machining solutions	Total	Precision 3D testing solutions	Precision machining solutions	Total	Precision 3D testing solutions	Precision machining solutions	Total
No. of projects brought forward	3	3	6	4	2	6	9	0	9
Addition of projects obtained	7	1	8	12	3	15	1	0	1
<b>Total number of projects</b>	<b>10</b>	<b>4</b>	<b>14</b>	<b>16</b>	<b>5</b>	<b>21</b>	<b>10</b>	<b>0</b>	<b>10</b>
No. of projects to be carried forward	4	2	6	9	0	9	5	0	5

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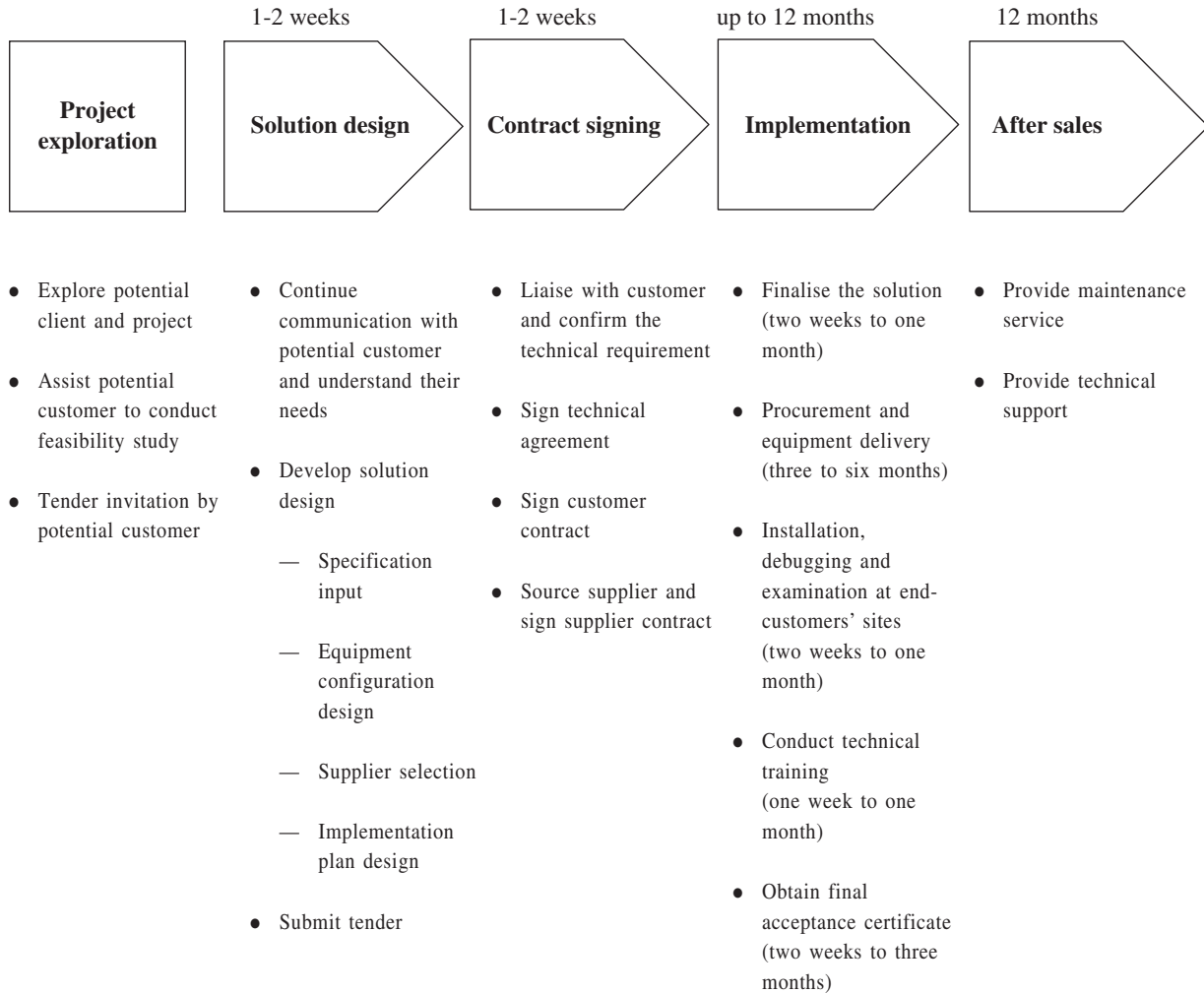
As at 30 September 2017, we did not have any on-going projects on precision machining solutions as we have been focusing on obtaining new projects on precision 3D testing solutions which generally have a higher profit margin. Nevertheless, we will continue to explore our customers' needs including precision machining and we have obtained one new precision machining solutions project as at the Latest Practicable Date. As at the Latest Practicable Date, we have 11 on-going smart manufacturing solutions projects with a total outstanding contract value of HK\$17.4 million. We expect to recognise HK\$12.9 million and HK\$4.5 million for the year ending 31 March 2018 and 2019, respectively, based on our total outstanding contract value as at the Latest Practicable Date. The following table sets out the details of our project backlogs by downstream industry as at the Latest Practicable Date.

	<b>No. of projects</b>	<b>Total outstanding contract value</b>	<b>Revenue to be recognised for the year ending 31 March 2018</b>	<b>Revenue to be recognised for the year ending 31 March 2019</b>	<b>Estimated completion date</b>
		<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	
Aviation	1	3,582	3,224	358	June 2018
Aerospace	4	5,648	4,542	1,106	One in March 2018; one in June 2018; and two in October 2018
Shipbuilding	—	—	—	—	—
Ground transportation vehicles	3	1,174	—	1,174	One in May 2018; one in July 2018; and one in September 2018
Electronics	3	6,971	5,136	1,835	One in July 2018 and two in September 2018
<b>Total</b>	<b>11</b>	<b>17,375</b>	<b>12,902</b>	<b>4,473</b>	

# BUSINESS

## OPERATIONAL PROCESS

Although each solution is unique and tailor made to cater the requirements of our customers, we have a systematic operational process to maintain the quality of the services we provide. The following chart illustrates the operation process of our smart manufacturing solutions:



### Operation process

A typical smart manufacturing solution project in China generally may take up to 12 months to complete upon tender being awarded, depending on the complexity of the solution and technical specifications required.

In preparing our solutions, we customise each solution design and integrate the machinery with our own technology applications for final implementation. Our operation process principally involves exploring potential customers and projects, receiving tender invitation, designing solutions and preparing tender submission documents, signing customers and suppliers contracts, finalising and implementing the solutions and providing training and maintenance services.

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The operation process of our smart manufacturing solutions consist of the following steps:

- **Exploring potential customers and projects.** We explore potential customers and projects from a variety of sources, such as organising product seminar periodically, through the efforts of our sales and marketing personnel and through referral from our existing clients. On one hand, our sales and marketing team gathers information regarding new potential customers and projects. On the other hand, clients to whom we have been providing services for will engage us for their new technical needs or refer new customers and projects to us from time to time. We will explore and determine feasible projects based on various factors including, without limitation, our competitive technical and pricing advantage, availability of personnel and technology, reputation of potential customer, project size, duration, and available budget. We often sign a cooperation memorandum with our potential customers when we first learn about their intention to either install a system for testing a component or set up an assembly production line or modify or enhance their existing production lines. The memorandum acts as a confirmation of our potential end customers' and our intention to cooperate whereas we agree to conduct a feasibility study for the potential end customers and provide technical support when required. It also sets out the services to be included in our solutions provided upon signing of contract and the confidentiality clause. Upon signing of the memorandum, our sales and marketing staff together with our research and development staff will continuously communicate with them for a certain period of time in order to fully understand their business environment and technical needs and assist them to conduct a feasibility study. This is one of our key marketing strategies which in turn enables us to provide a suitable solution design in line with that end customer's unique specifications and budget later during the tendering process. During the exploration stage and prior to actual commencement of work, our staff will give advice and make recommendations to the potential end customers on how our solutions can resolve the technical difficulties they are facing, and these will usually involve a number of meetings and feedback sessions.
- **Receiving tender invitation documents from potential customers.** While we may negotiate the contract terms directly with the potential end customer following our exploration and determination of the project, we generally obtain our customers contracts by going through a public tendering process as required by our end customers who are mainly state-owned enterprises. Our potential customers will publish their tender invitation documents through tender agency to the public and the tender invitation documents usually includes general and technical requirement of the solution, documents required and criteria for selection.
- **Designing solution and submitting a tender.** We will then study the tender document and have further and deeper communication with the potential customers to understand their actual needs. Based on their technical needs and requirements, our research and development team will start designing the solution and input relevant specifications into the solution. A typical smart manufacturing solution includes designing the entire testing or machining system, deciding configuration of the equipment required, formulating implementation plan as well as sourcing equipment and providing technical training. During this design stage, we do not involve any procurement of products or physical

testing. Our research and development staff will preliminarily design and simulate the solution on our computer based on their experience. In order to design a preliminary solution, we may make additional site visits to and meetings with the potential customers for better understanding of their technical requirements and working conditions. Our procurement team will also assess and compare the products, both software and hardware, available in the market and invite quotations from various suppliers. With a preliminary solution ready, we will then submit the tender and are generally required to provide information concerning our financial condition, business operation, prior track records and the availability of personnel and equipment to meet with the requirements listed in the tender submission.

- **Being awarded a tender and signing contracts.** The potential customer will evaluate all the submissions based on a variety of factors, including the bidding price, the bidder's financial and technical qualifications, equipment availability and fulfilment of the technical specification requirements. Once we win the tender, we will receive an award notice from the tender agency on behalf of the customer. Our customers may be different from our end customers who we have been liaising with due to relevant import and export license required. Most of them are affiliated group members of our end customers. Our customers may sign the contracts with us together with our end customers or alone, with or without specifying the identity of our end customers. Nevertheless, we will negotiate the technical requirement and relevant contract terms with the end customers. We will first sign a technical agreement with the end customers which contain all the material terms such as detailed technical requirement, inspection method, maintenance period and training details. Then we will sign a commercial agreement which contains the payment details and other business term with our customers generally within a month. The equipment to be purchased will be confirmed upon signage of the customer contract. We will then sign supplier contracts to confirm the price, delivery date, scope of supply and payment method with various suppliers.
- **Finalising and implementing the solution.** The implementation process includes devising a detailed smart manufacturing solution, procuring products from local or overseas suppliers, coordinating with end customers and suppliers, installing and examining the system, providing technical training to the end customers and taking charge in the overall management of these works.

Our solutions are tailor made to each of the end customers based on their working environment and their technical requirements. Therefore, we will continue to communicate and work closely with our end customer to modify the smart manufacturing solution's design upon signing of contract. The solution is required to be checked and approved for each major stage before moving on to the next stage. The final smart manufacturing solution usually contains a detailed process flow of using the system, an equipment configuration solution and a personnel management solution.

Our procurement team is responsible for sourcing all the relevant machinery, auxiliary tools and software from various suppliers and arrange for the delivery. We will follow up with the purchase order in regards of its production and logistics status. The machinery will be delivered to our end customer's worksite directly from the suppliers

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and our research and development staff will install, debug and inspect the equipment according to our end customer's specifications. This would also include integration of auxiliary tools and installation of software programs to form an integrated testing or machining system. We may involve our suppliers for the implementation process for precision machining solutions. After successful inspection and testing by us and our end customer, we will hand over the system to our end customer and a final acceptance certificate for the project will be issued by our end customer upon final inspection.

- **Providing training and maintenance.** After implementing the solution, we will provide a three to sixteen days onsite training course for our end customers' staff which includes the proper use of machinery and basic maintenance skills. Our suppliers may be involved in the provision of training and maintenance for precision machining solutions. We will generally provide a 12-month guarantee period to our end customers starting from the date of issuance of the final acceptance certificate for the project. During this guarantee period, we are liable in accordance with the terms of the contract for any defects in our work and will provide maintenance services and necessary change of machinery parts. We will also provide free technical and application support upon request. We endeavour to ensure that our end customer is well equipped to operate the new testing or machining system and as part of our after sales services, we keep close contact with our end customers to understand the ongoing operating conditions of the testing or machining system.

### PRODUCTION FACILITIES

During the Track Record Period, we did not own any production facilities as our business model was not in need of any production. All machinery as well as auxiliary tools and software required in the solutions are procured from our selected suppliers. We have engaged international suppliers for production of the machinery and local suppliers for the auxiliary tools. We place production orders with the selected suppliers based on our customers' orders and they provide the machinery or auxiliary tools in accordance with the specifications required by us.

### PROCUREMENT

Our procurement team is responsible for the procurement of machinery, auxiliary tools and software according to our business needs. We procure through our four subsidiaries incorporated in the PRC, Hong Kong and the BVI. Our PRC subsidiary is responsible for components procured from China and our Hong Kong and BVI subsidiaries are mainly responsible for components procured from overseas. Such arrangement streamlines and facilitates our operations in terms of international trade. Each of our four subsidiaries contracts directly with our customers for external sales of solutions and there is no intra-group sales among our four subsidiaries.

#### Major supplies

We mainly source our machinery from overseas manufacturers or through their agents in Hong Kong and China and mainly source our auxiliary tools from China. Our software is sourced from both international and local suppliers. Major machinery procured by us are non-contact 3D optical scanner system, composite measurement and analysis system and non-contact 3D deformation measurement system for precision testing and customised CNC machining centre for

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precision machining. For precision 3D testing, we will select the product that can fulfil our end customers' needs from various suppliers and integrate the selected product with different auxiliary tools and software to form a complete testing system. For precision machining, we will enter into technical agreements with our suppliers setting out the specific configuration of the machinery required and make sure that each CNC machining centre is tailor made for our customer and is able to meet their requirements.

Auxiliary tools may vary from project to project depending on the actual needs of the customer and may include different tooling fixtures, general purpose components, surface treatment supplies, etc. Software that are being used also vary from project to project. We procure different software such as programming software and reverse engineering software for post processing and data analysis.

Our customers have the right to set requirements for specifications or quality of the machinery that will be procured in the tender invitation documents, but they generally will not designate any suppliers for the project. We, as the smart manufacturing solutions provider, will select and recommend the suitable machinery to our customer and seek to optimise the function of the machinery by integrating different auxiliary tools and software into one tailor-made system. We will therefore procure different machinery, auxiliary tools and software for system integration in accordance to the technical agreement signed.

The following table sets out a breakdown of our cost of our components including machinery, auxiliary tools and software during the Track Record Period.

	Year ended 31 March				Six months ended 30 September	
	2016	2017			2017	
	<i>% of total cost of HKD'000</i>	<i>% of total cost of HKD'000</i>	<i>% of total cost of HKD'000</i>	<i>% of total cost of HKD'000</i>	<i>% of total cost of HKD'000</i>	<i>% of total cost of HKD'000</i>
	<i>components</i>	<i>components</i>	<i>components</i>	<i>components</i>	<i>components</i>	<i>components</i>
Machinery	14,760	94.1	16,065	95.5	2,048	100.0
Auxiliary tools	437	2.8	452	2.7	—	—
Software	488	3.1	309	1.8	—	—
<b>Total</b>	<b>15,685</b>	<b>100.0</b>	<b>16,826</b>	<b>100.0</b>	<b>2,048</b>	<b>100.0</b>

### Selection of suppliers

Our procurement team generally selects and maintains a list of qualified suppliers from which we source our machinery, auxiliary tools and software. This enables us to procure machinery, auxiliary tools or software from alternative supplier when an existing supplier sets prices above our acceptable level, or there is a shortage or delay in the supply, or in the event that a supplier fails to deliver machinery, auxiliary tools or software according to our procurement plan or fails to meet our quality standard. This also allows us to reduce our reliance on any single supplier.

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We have different selection process for different supplies. For components with smaller value, such as auxiliary tools and software, our procurement team will select and send inquiry to different suppliers for comparison, then our research and development team will assess the quality of the sample products provided by the suppliers and our sales and marketing team will sign supplier contract with qualified suppliers.

For components with a larger value, such as testing machinery and CNC machining centre, our procurement team will work together with our research and development team to conduct assessments on each potential supplier's reputation, product quality, management ability, supply capacity, price and after-sales service, amongst other criteria for selection.

### **Major term of supply contracts**

Our supply contracts are generally one-off transactions as we only procure components based on our customers' orders and different components are procured for each project in accordance with the customers' specifications. The supply contract typically provides for the agreed price and quantity. The supply contract for machinery also provides for various requirements on technical specifications, shipment time, packaging method, transportation, insurance, guarantee of quality and claims. Our machinery suppliers generally do not give any credit terms. We generally settle the amounts due in connection with our procurement of machinery by bank remittances or letters of credit. For payment by bank remittances, we typically have to pay 10% to 30% of the contract value in advance upon signing of the supplier contracts, and the remaining amount is to be paid pre-shipment or upon delivery. As most of our supply contracts are one-off transactions and we generally obtain price quotations from our suppliers before entering into sales contracts, we are generally able to pass on any increase in procurement costs to our customers.

### **Our suppliers**

Although we generally do not enter into long-term supply contracts with our suppliers, we believe that we have established good relationship with them. Since our procurement is project specific, we did not depend on any particular supplier for procurement during the Track Record Period. Our machinery is mainly sourced from overseas manufacturers or through their agents in Hong Kong and China. Auxiliary tools are mainly sourced from China and software is sourced from both international and local suppliers. During the Track Record Period, we did not encounter any shortage or delay in procurement.

During the Track Record Period, our five largest suppliers included international and local manufacturers and sales agents of machinery and auxiliary tools. Purchases from our five largest suppliers accounted for 93.6%, 94.2% and 76.8% of our cost of sales for the years ended 31 March 2016, 2017 and the six months ended 30 September 2017, respectively. Purchases from our largest supplier accounted for 46.9%, 58.8% and 76.8% of our cost of sales for the years ended 31 March 2016, 2017 and the six months ended 30 September 2017, respectively. All of our five largest suppliers during the Track Record Period are Independent Third Parties.



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Further information on our five largest suppliers for each of the period during the Track Record Period is set out as follows:

Name of Supplier	Head Office Location	Principal business	Year commencing relationship	Approximate percentage of cost of sales from our five largest suppliers for the year ended 31 March 2016
Supplier A	Germany	Manufacturing of Machine tools and machine part	2014	46.9% <sup>(1)</sup>
Supplier B	Hong Kong	Sales of high precision testing machinery and software	2015	18.6% <sup>(2)</sup>
Supplier C	Beijing	Manufacturing and sales of industrial high precision testing machinery and software	2014	15.5% <sup>(3)</sup>
Supplier D	Hong Kong	Sales of machine tool, high precision testing machinery and software	2013	9.6% <sup>(4)</sup>
Supplier E	Israel	Sales of processing software	2014	3.0% <sup>(5)</sup>

Name of Supplier	Head Office Location	Principal business	Year commencing relationship	Approximate percentage of cost of sales from our five largest suppliers for the year ended 31 March 2017
Supplier F	Shanghai	Manufacturing machine tools and machine parts	2015	58.8% <sup>(6)</sup>
Supplier G	Germany	Sales of professional and high precision machinery	2013	23.7% <sup>(7)</sup>
Supplier H	Shanghai	Sales of high precision testing machinery and software	2017	7.9% <sup>(8)</sup>
Supplier I	Chongqing	Sales of machine tool accessories and hardware	2016	2.5% <sup>(9)</sup>
Supplier J	Chongqing	Sales and development of computer software and hardware; providing computer technology consulting services	2016	1.3% <sup>(10)</sup>

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Name of Supplier	Head Office Location	Principal business	Year commencing relationship	Approximate percentage of cost of sales from our five largest suppliers for the six months ended 30 September 2017
Supplier G	Germany	Sales of professional and high precision machinery	2013	76.8% <sup>(7)</sup>

*Notes:*

- (1) Supplier A was not among our five largest suppliers for the year ended 31 March 2017 and six months ended 30 September 2017. We did not procure any raw materials from them for the relevant periods.
- (2) Supplier B was not among our five largest suppliers for the year ended 31 March 2017 and six months ended 30 September 2017. We did not procure any raw materials from them for the relevant periods.
- (3) Supplier C was not among our five largest suppliers for the year ended 31 March 2017 and six months ended 30 September 2017. We did not procure any raw materials from them for the relevant periods.
- (4) Supplier D was not among our five largest suppliers for the year ended 31 March 2017 and six months ended 30 September 2017. We did not procure any raw materials from them for the relevant periods.
- (5) Supplier E was not among our five largest suppliers for the year ended 31 March 2017 and six months ended 30 September 2017. We did not procure any raw materials from them for the relevant periods.
- (6) Supplier F was not among our five largest suppliers for the year ended 31 March 2016 and six months ended 30 September 2017. We did not procure any raw materials from them for the relevant periods.
- (7) Supplier G was not among our five largest suppliers for the year ended 31 March 2016. We did not procure any raw materials from them for the relevant year.
- (8) Supplier H was not among our five largest suppliers for the year ended 31 March 2016 and six months ended 30 September 2017. We did not procure any raw materials from them for the relevant periods.
- (9) Supplier I was not among our five largest suppliers for the year ended 31 March 2016 and six months ended 30 September 2017. We did not procure any raw materials from them for the relevant periods.
- (10) Supplier J was not among our five largest suppliers for the year ended 31 March 2016 and six months ended 30 September 2017. We did not procure any raw materials from them for the relevant periods.

During the Track Record Period, we have a concentration of suppliers as our business is project based and our procurement from suppliers is generally one-off transaction depending on the different specifications required by our customers. Since our procurement is project specific, we do not rely on any one of our suppliers.

None of our Directors, their associates or shareholders holding more than 5% of the issued share capital of our Company held any equity interests in any of our five largest suppliers during the Track Record Period.

## **INVENTORY CONTROL AND DELIVERY ARRANGEMENT**

### **Inventory control**

We have adopted the zero inventory policy. Since all our purchase orders are placed in accordance with our customers' orders, we generally procure machinery, auxiliary tools and software on a back to back basis upon signing of the customers' contract. The machinery and auxiliary tools procured will generally be delivered to the end customers' worksite directly for installation and therefore we do not have any inventory during the Track Record Period.

### **Delivery arrangement**

Our suppliers will usually provide delivery services for the goods we purchased by flight and we will bear the transportation cost. The purchased goods are directly delivered to our end customers in various provinces in China. Relevant shipping documents and other terms of delivery will be included in the suppliers' contracts. The suppliers will notify us regarding the contract number, name of goods, quantity, number of packages, total gross weight, total volume, flight number and the date of dispatch three days before the date of shipment. We are responsible for the risks associated with the delivery of finished goods and have to bear any losses or other liabilities should the goods be damaged during delivery. We have bought insurance policy for at least 110% of the shipped value for each machinery procured from our overseas suppliers and have not received any legal claims arising from delivery of finished goods.

## **SALES AND MARKETING**

### **Sales and marketing strategy**

Our targeted customers are mainly high-end equipment manufacturers in selected industries in PRC which undergo a rapid development and have growing demand for our services for the past years as they are in need of us to provide solutions to resolve the technical difficulties faced by them during their manufacturing process. We are therefore committed to implementing our sales and marketing strategy such as having an in-depth understanding of our end customers' business needs and maintaining good relationships with them. These are key components of our sales and marketing strategy. In order to maintain good relationships with our end customers, our sales and marketing team together with our research and development team visit our key end customers periodically and have in-depth communications with them. By visiting our end customers, we are able to fully understand their current technical needs, promote our solutions and to be kept informed of the latest developments in respect of their business as well as on-going needs.

We also carry out research and development activities on our end customers' worksite which may induce further business opportunities as well as enabling us, on one hand, to keep our end customers being informed of our latest product development activities and, on the other hand, to collect market data. We organise seminars for some of our major end customers from time to time to introduce our technology and enhance their technological knowledge.

Due to our business nature, our sales and marketing personnel require technical expertise of our solutions and they have to work closely with our research and development team in order to present our smart manufacturing solutions and provide after sales services to our end customers.

Headquartered in Guangzhou, we have a technical support team in Beijing and sales and marketing presence in five different regions of China, which enables us to reach our end customers and provide technical services in a timely manner. These five regions are Xi'an, Chongqing, Nanjing, Changsha and Changchun. We also plan to establish our sales and marketing presence in Baotou and Taiyuan. According to Frost & Sullivan, these cities are the capital or major cities of their provinces, and are also important centres of equipment manufacturing, industrial, transportation, etc, and their market outlook are as follows:

- Xi'an is the capital of Shaanxi Province, and is one of the major central cities of Western China. As part of the China Western Development policy, Xi'an became a major target for accelerated attention. Pillar industries include equipment manufacturing, tourism, and service outsourcing. Xi'an is part of the West Triangle Economic Zone, along with Chengdu and Chongqing. According to Xi'an Municipal Bureau of Statistics, the output value of equipment manufacturing of Xi'an has realised a CAGR of 13.6% from 2012 to 2016, and accounted for approximately 3.0% of national total output value of equipment manufacturing in 2016. In particular, the output value of high-end equipment manufacturing of Xi'an reached approximately RMB40.1 billion in 2016, and accounted for 2.2% of national total output value of high-end equipment manufacturing industry. Xi'an has promulgated a series of plans in equipment manufacturing, such as "Suggestions on the Implementation of Made in China 2025" (《西安市貫徹中國製造2025實施意見》) on September 2015, of which Xi'an is striving to raise its total output value of high-end equipment manufacturing industry up to RMB150 billion and RMB200 billion in 2020 and 2025, respectively. As at the Latest Practicable Date, we have 10 potential customers in Xi'an and have provided preliminary quotations based on discussions and communications with the potential customers, with an aggregate amount of HK\$25.0 million.
- Chongqing is a major city in Southwestern China, and one of four municipalities in China. As a major manufacturing centre and industrial centre, Chongqing began to promote the development of industrial robots and smart manufacturing several years ago, and currently has cultivated some leading companies in robots and smart manufacturing industry. According to Chongqing's Municipal Bureau of Statistics, the output value of equipment manufacturing of Chongqing has realised a CAGR of 11.9% from 2012 to 2016, and accounted for approximately 4.4% of national total output value of equipment manufacturing in 2016. On May 2017, Chongqing unveiled the "Action Plan of Smart Manufacturing in 2017" (《重慶市智能製造2017行動計劃》) with the purpose of promoting the development of smart manufacturing industry and industrial robots. According to the "Suggestions on Accelerating the Cultivation of Ten Strategic Emerging Industries" (《關於加快培育十大戰略新興產業集群的意見》) issued in 2015, the output value of the ten strategic emerging industries in Chongqing which include industrial robots, smart manufacturing industry and smart automobile industry is anticipated to reach RMB1 trillion in 2020. As at the Latest Practicable Date, we have seven potential customers in Chongqing and have provided preliminary quotations based on discussions and communications with the potential customers, with an aggregate amount of HK\$48.8 million.

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- Nanjing is the capital of Jiangsu Province and the second largest city in Eastern China. Smart equipment manufacturing industry has become one of the pillar industries in Nanjing. Nanjing is an industrial technology research and development hub, hosting many research and development centres and institutions, especially in areas of aerospace engineering, electronics technology, information technology, computer software, biotechnology and pharmaceutical technology, and new material technology. It became “an approved Pilot City for the Demonstration of “Made in China 2025” (《中國製造2025試點示範城市》) in 2016. According to Nanjing’s Municipal Bureau of Statistics, the output value of equipment manufacturing of Nanjing has realised a CAGR of 7.3% from 2012 to 2016, and accounted for approximately 8.5% of national total output value of equipment manufacturing in 2016. In particular, the output value of high-end equipment manufacturing of Nanjing reached approximately RMB146 billion in 2016, and accounted for 8.0% of national total output value of high-end equipment manufacturing industry. Nanjing has put forwarded the “Implementation on Building a Well-known Smart Manufacturing City” (《南京市建設中國智能製造名城實施方案》) on September 2016, aiming at establishing one or two national-level smart manufacturing center by 2020, cultivating the industrial clusters of smart manufacturing, raising the yearly sales volume of industrial robots up to 10 thousand and setting up more than 30 pilot smart manufacturing factories. As at the Latest Practicable Date, we have four potential customers in Nanjing and have provided preliminary quotations based on discussions and communications with the potential customers, with an aggregate amount of HK\$3.5 million.
- Changsha is the capital of Hunan Province, and also an important manufacturing, transportation and commercial centre in China. The major industries in the Changsha ETZ Development Zone include high-tech industry, biology project technology industry, and new material industry. It became an approved Pilot City for the Demonstration of “Made in China 2025” in 2016. According to Changsha Municipal Bureau of Statistics, the output value of equipment manufacturing of Changsha has realised a CAGR of 9.9% from 2012 to 2016, and accounted for approximately 5.7% of national total output value of equipment manufacturing in 2016. The CPC Changsha Municipal Committee and the government issued a “three-year plan of building a national center for intelligent manufacturing in Changsha (2018–2020)” (《建設國家智能製造中心三年行動計劃(2018–2020)》) in July 2017, which put forward the “three-step” strategy of constructing a national center for smart manufacturing, and plans to build 530 intelligent manufacturing demonstration enterprises (workshops) with significant results in key areas by 2020. The sales of intelligent manufacturing technology and equipment are expected to exceed an industrial scale of RMB100 billion. As at the Latest Practicable Date, we have seven potential customers in Changsha and have provided preliminary quotations based on discussions and communications with the potential customers, with an aggregate amount of HK\$21.3 million.
- Changchun is the capital and largest city of Jilin Province, and also an important industrial base with a particular focus on the automotive sector. It is the largest automobile manufacturing, research and development centre in China. Manufacturing of transportation facilities and machinery is also among Changchun’s main industries. It became an approved Pilot City for the Demonstration of “Made in China 2025” in 2016

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and has unveiled “the Implementation Outline for the Action Plan Made in China 2025” (《中國製造2025長春實施綱要》). According to Changchun Municipal Bureau of Statistics, the output value of equipment manufacturing of Changchun has realised a CAGR of 13.4% from 2012 to 2016, and accounted for approximately 0.9% of national total output value of equipment manufacturing in 2016. As at the Latest Practicable Date, we have three potential customers in Changchun and have provided preliminary quotations based on discussions and communications with the potential customers, with an aggregate amount of HK\$3.5 million.

- Baotou is the largest industrial city and the largest economy of the Inner Mongolia Autonomous Region of Northern China, and also the centre of industrial and manufacturing industry in the region. According to Baotou’s Municipal Bureau of Statistics, the output value of equipment manufacturing of Baotou has realised a CAGR of 12.9% from 2012 to 2016, and accounted for approximately 1.5% of national total output value of equipment manufacturing in 2016. By 2020, the output value of equipment manufacturing industry in Baotou is expected to reach RMB280 billion. Baotou has put forwarded the “Suggestions on the Implementation of Building ‘Made in China 2025’ Pilot Demonstration City” (關於包頭市創建“中國製造2025”試點示範城市的實施意見) on July 2017, aiming at improving the equipment manufacturing system integration services, accelerating the optimisation and upgrading of traditional equipment manufacturing industry, breaking through a number of key components production technology to accelerate the development of intelligent manufacturing equipment, rail transportation equipment, universal aviation and other high-end equipment manufacturing industry. As at the Latest Practicable Date, we have two potential customers in Baotou and have not provided any preliminary quotations yet.
- Taiyuan is the capital and largest city of Shanxi Province in Northern China. It is one of the main manufacturing bases of China, and also one of the transportation hubs in Northern China, with highways linking neighbouring provincial capitals, and airlines to most other major Chinese cities and some international cities. According to Taiyuan’s Municipal Bureau of Statistics, the output value of equipment manufacturing of Taiyuan has realized a CAGR of 14.7% from 2012 to 2016, and accounted for approximately 1.4% of national total output value of equipment manufacturing in 2016. By 2020, the output value of equipment manufacturing industry in Taiyuan is expected to reach RMB200 billion. Shanxi Province has published the “13th Five Year Plan of Equipment Manufacturing Industry” (山西省“十三五”裝備製造業發展規劃) in 2017, indicating that Taiyuan, as the core city of equipment manufacturing industry in Shanxi province, is expected to take efforts to build the rail transit equipment manufacturing base, heavy machinery manufacturing base, automobile manufacturing base, new energy automobile manufacturing base, etc. to enhance its industrial competitiveness. As at the Latest Practicable Date, we have three potential customers in Taiyuan and have provided preliminary quotations based on discussions and communications with the potential customers, with an aggregate amount of HK\$25.0 million.

Our sales and marketing team is headed by Mr. Xu Wenming in Beijing. Mr. Xu is also the deputy general manager and part of the research and development team and quality control team of our Group and has been with us for almost seven years.

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We believe our strategy enables us to form a strong and stable salesforce which can promptly respond to market developments and provides quality sales and after sales services to our end customers.

### Tenders for sales

Although we may negotiate directly with the potential customer following exploration of the project, we generally obtain our customers contracts by going through a tendering process as required by most of our end customers who are state-owned enterprises. We are required to submit tender documents according to the instructions listed in the tender invitation documents. Our potential customers then select suppliers based on a number of factors, including price, availability of technology, reputation and provision of services, in accordance with an integrated scoring system. During the Track Record Period, our tender success rate was 66.7%, 100.0% and 100.0% for the years ended 31 March 2016, 2017 and the six months ended 30 September 2017. We have a relatively high tender success rate during the Track Record Period as we have successfully implemented our sales and marketing strategy by visiting our potential customers and continuously communicate with them in order to fully understand their business environment and technical needs and assisting them to conduct a feasibility study before designing solutions and submitting tenders. Set out below is a summary of our tender success rate during the Track Record Period:

	<b>Year ended 31 March</b>		<b>Six months ended 30 September</b>
	<b>2016</b>	<b>2017</b>	<b>2017</b>
Number of tenders submitted	3	10	1
Number of tenders awarded	2	10	1
Tender success rate	66.7%	100.0%	100.0%

For the year ended 31 March 2016, we carried out 14 projects while six of them were carried forward from the year before and eight of them were newly obtained. We submitted three tenders for the year ended 31 March 2016, two of which were awarded to us. The percentage of revenue attributable to direct negotiation with potential customers and public tendering was 6.0% and 94.0%, respectively, for the year ended 31 March 2016.

For the year ended 31 March 2017, we carried out 21 projects while six of them were carried forward from the year before and 15 of them were newly obtained. We submitted 10 tenders for the year ended 31 March 2017 and all of them were being awarded. Other projects were obtained through competitive negotiation. The percentage of revenue attributable to direct negotiation with potential customers and public tendering was 20.3% and 79.7%, respectively, for the year ended 31 March 2017.

For the six months ended 30 September 2017, we carried out 10 projects while nine of them were carried forward from the year before and one of them was newly obtained. We submitted one tender for the six months ended 30 September 2017 and it was being awarded. All of our revenue was attributable to public tendering for the six months ended 30 September 2017.

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Our percentage of revenue attributable to direct negotiation with customers and public tendering fluctuate from time to time and is primarily driven by our customers' preference and requirements for project procurement since (i) we will first explore and determine feasible projects with all our target customers, by conducting feasibility study and considering various factors, prior to conducting any direct negotiation or participating in any public tender, and (ii) once a customer confirms the feasibility of a project, it would determine whether it would carry out any public tender depending on its internal procedure and requirements.

Once we win the tender, we will enter into a sales contract and technical agreement with our customer and end customer, respectively. The contract is generally an one-off transaction for a particular solution to be provided and therefore will not be renewed upon expiry.

Based on the information provided by the Company, our PRC Legal Adviser has confirmed that, during the Track Record Period, we did not violate the PRC Tender Law. In addition to the PRC Tender Law, we also follow certain internal procedures in the bidding process for our smart manufacturing solutions projects and have implemented a formal written policy regarding the bidding process.

### **Major terms of sales contracts**

We do not have long term contracts with our customers. Our sales contracts typically contain commercial terms specifying, among other terms, the type of machinery sold by us, the unit price, time of shipment, packaging and transportation details, insurance, payment, guarantee period and inspection details. The terms may vary among customers depending on our relationship with the customer and their track records.

Our customers typically settle the amounts due in connection with our sales by letters of credit. We generally require our customers to deliver a letter of credit to us prior to the date of shipment, pursuant to which we are entitled to receive payment of 85% to 90% of the contract value upon shipment. The remaining 10% to 15% of the contract value will be paid upon receipt of the final acceptance certificate.

We generally buy an insurance policy for at least 110% of the shipped value and transfer such insurance policy to our customers upon delivery. We also have a liquidated damage clause for late delivery or late installation which may not exceed 5% of the total contract value. We generally provide a guarantee period of 12 months for the machinery. For any claims lodged by our customers, we may either refund or replace the defective products to our customers during the guarantee period.

### **Pricing policy**

We take many factors into consideration when determining the contract prices. Costs such as research and development cost, transportation cost, installation cost, procurement cost and labour cost incurred will be included. The price in our sales contracts varies for different projects and were determined depending on the technological requirements listed in the tender invitations. There are also a basket of other considerations such as time needed for the project, complexity of the solutions, value added for the system and budget of our customers.



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Our finance team will provide a formal quotation after our research and development team has provided a smart manufacturing solution design and its relevant equipment required. Such formal quotation will then be reviewed and confirmed by our chief executive officer, procurement team and sales and marketing team.

Since our projects generally have a long completion cycle, we have also included this factor when considering the contract price and therefore we will not easily adjust the contract price unless the cost has increased dramatically.

### **Major customers**

Our end customers are mainly high-end equipment manufacturers and they cover different industries such as aviation, aerospace, shipbuilding, ground transportation vehicles and electronics. Most of our end customers are state-owned enterprises, which may engage us through their affiliated group member or other designated parties that is registered as a trading company or is permitted to engage in trading business in the PRC and has the relevant import and export license to contract with our Hong Kong or BVI subsidiaries. These affiliated group members or other designated parties contracting with us on behalf of our end customers are regarded as our direct customers. Some of our sales contracts are signed by both direct customers and end customers while some of our sales contracts are only signed by our direct customers with or without specifying the end customers. Nevertheless, we have been providing solutions and services to our end customers directly throughout the project, from the exploration stage to the after-sales stage and our technical agreement and final acceptance certificate are signed by our end customers. For the year ended 31 March 2016, we have six direct customers and six end customers. For the year ended 31 March 2017, we have 11 direct customers and 14 end customers. For the six months ended 30 September 2017, we have five direct customers and seven end customers. We provide smart manufacturing solutions to end customers in different provinces in China. The following map illustrates the locations of our end customers and our regional salesforce during the Track Record Period and up to the Latest Practicable Date.

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During the Track Record Period, we derived more than 90% of our total revenue from our five largest direct customers. All of our customers during the Track Record Period were Independent Third Parties. We do not have any long term contracts with any customers and we are not reliant on any one of our customers due to the project-based nature of our business and the durable nature of smart manufacturing solutions. Nevertheless, we maintain good relationship with our customers who may have repetitive or new business needs in the future or refer new customers to us. During the Track Record Period, all of our direct customers and end customers are based in China. For the years ended 31 March 2016, 2017 and the six months ended 30 September 2017, sales to our five largest direct customers, in aggregate, accounted for 99.8%, 91.6% and 100.0%, respectively, of our revenue and sales to our largest direct customer accounted for 63.5%, 26.0% and 38.3%, respectively, of our revenue. For the years ended 31 March 2016, 2017 and the six months ended 30 September 2017, sales to Chongqing Qianwei Technologies Group Co., Ltd (“**Chongqing Qianwei**”) accounted for 63.5%, 21.2% and nil, respectively, of our revenue. During the Track Record Period, Chongqing Qianwei had purchased six smart manufacturing solutions either directly from our PRC subsidiary or indirectly from our Hong Kong subsidiaries through its affiliated group member.

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Further information on our five largest direct customers and their associated end customers for each of the periods during the Track Record Period is set out as follows:

Name of direct customer	Name of end customer	Head office location of end customer	Industry application of end customer	Year commencing relationship with direct customer	Approximate percentage of sales from our five largest customers for the year ended 31 March 2016
Customer A <sup>(1)(4)</sup>	Chongqing Qianwei <sup>(3)</sup>	Chongqing	Shipbuilding	2014	63.5% <sup>(4)</sup>
	End Customer I <sup>(3)</sup>	Shanxi	Shipbuilding		
	End Customer II <sup>(3)</sup>	Wuhan	Shipbuilding		
Customer B <sup>(1)(5)</sup>	End Customer III <sup>(3)</sup>	Beijing	Ground transportation vehicles	2015	30.5% <sup>(5)</sup>
Customer C <sup>(6)</sup>	End Customer IV <sup>(3)</sup>	Chengdu	Electronics	2015	3.0% <sup>(6)</sup>
Customer D <sup>(7)</sup>	N/A	Guangzhou	Electronics	2015	1.8% <sup>(7)</sup>
Customer E <sup>(8)</sup>	N/A	Chengdu	Shipbuilding	2015	1.0% <sup>(8)</sup>
Name of direct customer	Name of end customer	Head office location of end customer	Industry application of end customer	Year commencing relationship with direct customer	Approximate percentage of sales from our five largest customers for the year ended 31 March 2017
Customer A <sup>(1)(4)</sup>	Chongqing Qianwei <sup>(3)</sup>	Chongqing	Shipbuilding	2014	26.0% <sup>(4)</sup>
	End Customer I <sup>(3)</sup>	Shanxi	Shipbuilding		
	End Customer II <sup>(3)</sup>	Wuhan	Shipbuilding		
Customer E <sup>(8)</sup>	N/A	Chengdu	Shipbuilding	2015	19.5% <sup>(8)</sup>
Customer F <sup>(1)(9)</sup>	End Customer V <sup>(3)</sup>	Beijing	Aerospace	2016	17.5% <sup>(9)</sup>
	End Customer VI <sup>(3)</sup>	Beijing	Aerospace		
Customer G <sup>(1)(10)</sup>	End Customer VII <sup>(3)</sup>	Nanchang	Aviation	2014	15.3% <sup>(10)</sup>
	End Customer VIII <sup>(3)</sup>	Luoyang	Aviation		
Customer H <sup>(1)(11)</sup>	End Customer VIV <sup>(3)</sup>	Beijing	Aviation	2017	13.3% <sup>(11)</sup>

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Name of direct customer	Name of end customer	Head office location of end customer	Industry application of end customer	Year commencing relationship with direct customer	Approximate percentage of sales from our five largest customers for the six months ended 30 September 2017
Customer I <sup>(2)(12)</sup>	End Customer X <sup>(3)</sup>	Jiangsu	Aerospace	2016	38.3% <sup>(12)</sup>
Customer J <sup>(1)(13)</sup>	End Customer XI <sup>(3)</sup>	Beijing	Aviation	2017	37.2% <sup>(13)</sup>
Customer F <sup>(1)(9)</sup>	End Customer V <sup>(3)</sup>	Beijing	Aerospace	2016	9.3% <sup>(9)</sup>
	End Customer VI <sup>(3)</sup>	Beijing	Aerospace		
Customer G <sup>(1)(10)</sup>	End Customer VII <sup>(3)</sup>	Nanchang	Aviation	2014	8.1% <sup>(10)</sup>
	End Customer VIII <sup>(3)</sup>	Luoyang	Aviation		
Customer H <sup>(1)(11)</sup>	End Customer VIV <sup>(3)</sup>	Beijing	Aviation	2017	7.1% <sup>(11)</sup>

*Notes:*

- (1) The direct customer is an affiliated company of the end customer.
- (2) The direct customer is not an affiliated company of the end customer and is a trading company.
- (3) The end customer is a state-owned enterprise.
- (4) Customer A was not among our five largest customers for the six months ended 30 September 2017. We did not generate any revenue from them for the relevant periods. Customer A's head office is located at Beijing and is a state-owned enterprise. Its principal businesses include contracting military related marine engineering projects and domestic and international bidding projects, providing engineering survey, design and related consulting services.
- (5) Customer B was not among our five largest customers for the year ended 31 March 2017 and the six months ended 30 September 2017. We generated 3.2% of our total sales from Customer B for the year ended 31 March 2017 and did not generate any revenue from them for the six months ended 30 September 2017. Customer B's head office is located at Beijing and is a state-owned enterprise under the weapons industry group. It mainly engaged in oil and mineral resources development, international engineering projects contracting, photoelectric, civil explosion chemical industry, vehicles, logistics and other services.
- (6) Customer C was not among our five largest customers for the year ended 31 March 2017 and the six months ended 30 September 2017. Its approximate percentage of sales for the year ended 31 March 2017 was 0.2% and we did not generate any revenue from them between April and September 2017. Customer C's head office is located at Chengdu and its principal businesses include import and export of goods, technology import and export, trade brokers and agents, business information consulting services and sales of medical equipment (type I and type II (items that no permission is needed)), auxiliary building materials, stationery, household appliances, electrical and mechanical equipment and research and development equipment.
- (7) Customer D was not among our five largest customers for the year ended 31 March 2017 and the six months ended 30 September 2017. We did not generate any revenue from them for the relevant periods. Customer D's head office is located at Guangzhou and is a recognised as a "High and New Technology Enterprise" in China. Its principal businesses include providing services on information systems integration, information technology consulting, data processing and storage, integrated circuit design; manufacturing of robot system,

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optoelectronic devices and other electronic devices, special railway measuring or testing equipment, components and devices for general and special equipment as well as software development and importing and exporting of goods (excluding the items subject to state franchise or control).

- (8) Customer E was not among our five largest customers for the six months ended 30 September 2017. We did not generate any revenue from them for the relevant periods. Customer E's head office is located at Chengdu and its principal businesses include conducting research and development on infrared detection equipment and automation control equipment, providing computer network technology development and technical advisory services, providing business information consulting and sales of infrared detection equipment, automatic control equipment and electronic products and components. To the best of our Directors' knowledge, our smart manufacturing solutions procured by Customer E during the Track Record Period were applied in the shipbuilding industry.
- (9) Customer F was not among our five largest customers for the year ended 31 March 2016. We did not generate any revenue from them in 2016. Customer F's head office is located at Beijing and is a comprehensive international trade platform. Its principal businesses include sales of food, machinery and equipment, electronic products, communications equipment, daily necessities, stationery, sporting goods, medical equipment, chemical products, mechanical and electrical equipment, electronic products, automobile and auto parts, construction and decoration materials, iron ore and steel.
- (10) Customer G was not among our five largest customers for the year ended 31 March 2016. We did not generate any revenue from them in 2016. Customer G's head office is located at Beijing and is a state-owned enterprise. Its principal businesses include acting as agent for importing and exporting transportation, machinery and equipment of its own system, undertaking business for sino-foreign joint ventures and cooperative production; undertaking material processing, sample processing and pieces assembly business, carrying out compensatory trade business; engaging in foreign consulting services, exhibitions and technology exchange, technology import and export as well as purchase and sale of mechanical and electrical equipment (except cars) and chemical products and leasing of aircraft, machinery and equipment.
- (11) Customer H was not among our five largest customers for the year ended 31 March 2016. We did not generate any revenue from them in 2016. Customer H's head office is located at Beijing and is a state-owned enterprise. Its principal businesses include cloud computing, information security maintenance, smart manufacturing technology development, providing technical services and consultancy, engineering exploration and design, general contracting for environmental protection, systems engineering, special production lines and special equipment projects as well as sales of machinery and equipment, electronic products and building materials.
- (12) Customer I was not among our five largest customers for the years ended 31 March 2016 and 2017. We did not generate any revenue from them for the relevant years. Customer I's head office is located at Jiangsu and is a state-owned enterprise. Its principal businesses include providing consulting services on international and domestic engineering projects, corporate mergers and acquisitions planning, business management and economic information as well as engaging in international and domestic bidding agency projects and importing and exporting of various types of goods and technology through self-operation or as an agent.
- (13) Customer J was not among our five largest customers for the years ended 31 March 2016 and 2017. We did not generate any revenue from them for the relevant years. Customer J's head office is located at Beijing and is a state-owned enterprise. Its principal businesses include importing and exporting of goods and technology, engaging in investment and investment management, property management as well as sales of building materials, auto parts, metal materials and contracting for foreign mechanical and electrical industry projects and international bidding projects in the PRC.

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We have been focusing on providing precision 3D testing solutions and precision machining solutions for high-end equipment manufacturers in selected industries in China. During the Track Record Period, we have a concentration of customers due to our project-based business model and some of our customers may not be our end customers but the contracting party for one to three end customers.

During the Track Record Period, none of our Directors, associates or any of our Shareholders holding more than 5% of the issued share capital of our Company held any equity interest in those top five customers.

According to the Measures on Administration of Examination and Certification for Confidentiality Qualification of Entity Engaging in Scientific Research and Production of Weapons and Armaments (《武器裝備科研究生產單位保密資格審查認證管理辦法》), an entity must go through the examination and certification for the relevant confidentiality qualification before it can engage in the scientific research and production of weapons and armaments which may involve state secret (the “**Confidentiality Qualification**”). Based on a review of our operations, tender documents and the sales contracts, our PRC Legal Adviser confirmed that our current business operations as a whole did not involve any state secret or require the Confidentiality Qualification, under the applicable PRC laws and regulations.

### **Seasonality**

Our Directors confirm that we do not have significant seasonal fluctuation of market demand. During the Track Record Period, we typically record higher sales in the second half of our financial year, particularly in the fourth quarter. This was primarily due to the annual budget cycle of our customers and their development plan.

### **Sales return policy**

We do not have an internal sales return policy. Our sales return strictly follow the terms listed in the sales contract and may vary from customers. Generally, in case of defective products, we may either (i) refund the value of the goods to the customer; (ii) devalue the goods according to the degree of inferiority, extent of damage and amount of losses suffered by the customer; (iii) pay a penalty not exceeding 10% of the contract value if the defects do not affect the life and use of the equipment and our customer agrees that the defective equipment needs not be replaced; or (iv) replace the defective goods with new parts, components or equipment which conform to the specifications, quality and performance as specified in the contract or repair the defective goods at our own expenses.

We generally provide a warranty for 12 months to our customers counting from the date of the final acceptance certificate being issued for each project. During the guarantee period, our research and development team will inspect and maintain the system upon our customers’ request and change the relevant components for any quality issues. Subject to the supplier contract, we may transfer the maintenance cost to our supplier for quality issues. During the Track Record Period, we have not received any sales return from our customers.

## **QUALITY CONTROL**

We believe that delivering quality solutions to our end customers is important to our reputation and to our customer relationships. Any defects in our solutions provided may lead to sales return or legal claims, which may result in financial loss and damage to our brand image and reputation.

We have implemented stringent quality control measures in every major stage of the project in order to provide high quality smart manufacturing solutions. Our Directors believe that our Group's success to date is attributable to our commitment of high quality standards and our ability in delivering quality products and services to our end customers.

During the Track Record Period, we did not have any material return to our suppliers or any material return from our customers. Quality control checks are in place at various stages of the operational process and our quality control team is in place in these stages to ensure and to maintain expected standards. The main quality control stages, where applicable, are as follows:

### **Product research and development process**

We adopted an early alarm system for our solutions' design. The solutions are required to be checked and approved for each important stage by the quality control team before moving on to the next stage. A formal report of the check result will be issued. Any issues or deficiency in the solutions can thus be discovered at the early stage and respective rectifying measures or advices can be provided. Such measures is to ensure that the solution design fulfils our end customers' technical requirements and can be successfully implemented onto their worksite on time. This serves as an initial and important step to achieve and maintain a high quality of our solutions.

### **Procurement process**

Our quality control team and project manager will inspect our suppliers' qualification prior to procurement. All machinery and auxiliary tools that are produced by our suppliers are being inspected by them prior to direct delivery to our end customers so as to ensure exact conformity with the specifications agreed. They are required to produce the requisite certificate of quality and quantity of the products. Upon delivery of the products, our procurement team will notify our quality control team to do the acceptance check at our customer's worksite. We will unpack the products and examine the quality of each of the components and their technical manual according to the packing list. We will only accept products that conform to our end customers' requirements. Should there be any damages, rust or deformation to the appearance of the products, our procurement team will liaise with the suppliers for the solutions of aforesaid problems.

### **Installation process**

We undertake to install the products onto our end customers' worksites and to carry out requisite testing to ensure conformity with the technical terms listed in the technical agreement and our end customers' requirements. Therefore testing of the products will be conducted to ensure that all hardware and software of the various modules are fully integrated into our customer's

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working system. Should there be any defects discovered during debugging, our quality control team will analyse the reason and liaise with the suppliers for possible solutions should the defects relate to machinery quality.

### **Final acceptance**

We will ensure that the precision testing system or the CNC machining centre is operating smoothly before handing over the completed solution for our customer's final acceptance. Before we pass the solution to our end customers, our quality control team will conduct a comprehensive quality testing to verify the main functional technical parameters according to the signed technical agreement. For key precision parameters, we will engage qualified examining institutions to inspect and issue a professional inspection report.

### **After-sales service and technical support**

Our quality control staff will visit our end customers every six months to supervise and record the quality of the system during and after the quality guarantee period. We are committed to responding to our end customers' needs and provide necessary technical support in a timely manner in order to maintain our service quality. We provide a range of after-sales services including but not limited to provision of technical advice, system training and maintenance. We have a technical support team to deal with any telephone, fax and email enquiries, and if necessary, a technical staff will be sent to our customer's site to address any issues that may arise.

We generally offer our customers with a 12-months quality guarantee period upon issuance of final acceptance certificate and may continue to provide technical support even after the warranty period. Our warranties provided to our customers are generally covered by similar warranties given to us under our contracts with the suppliers.

It is our Group's quality control policy to visit our end customers regularly to ensure our solutions are in good order and we may provide our end customers with the latest technical advices if required. This policy places us closer to our end customers and ensures on-going relationships for further services or solutions required in the future. Our Directors believe that our close relationships with our end customers and keeping lines of communication open at all material times is a large part of our Group's success to date.

During the Track Record Period and up to the Latest Practicable Date, we were not subject to any material claims under warranty against our Group.

### **PRODUCT RESEARCH AND DEVELOPMENT**

We are dedicated to being a pioneer in providing effective precision 3D testing solutions and precision machining solutions by developing advance solution design. We have undertaken research and development activities on technology applications and new auxiliary tools design and these technology applications and auxiliary tools are widely used in our customised solutions to enhance the functions, efficiency and precision of the system in order to solve the different technical difficulties faced by our customers during their manufacturing process. Our research and development efforts are mainly reflected in our solution design and system implementation, such as expanding the maximum measuring area of the testing object from 80 centimetres to five metres



and increasing the maximum measuring weight of a testing object from 150 kilograms to 2,000 kilograms by utilising our patent technology applications and auxiliary tools. For details of our patent technology applications and auxiliary tools, please refer to the paragraph headed “Intellectual Property” in this section of the prospectus. Advanced technology applications, auxiliary tools and technical know-how can also assist us to enhance the adaptability and quality of our solutions. Therefore, our research and development is essential to our design and provision of smart manufacturing solutions and directly affect our core competitiveness. We aim to enhance our core competitiveness by staying close with the market and our customers’ needs as well as being innovative and maintaining our quality standards throughout our product and research development process. We seek to introduce more advance technology and solution design through independent research and development and provide more optimised solutions to our customers.

### **Product research and development team**

We have built an effective product research and development team through our product research and development team in Guangzhou and a technical support team in Beijing. Our product research and development team in Guangzhou work closely with our technical support staff in Beijing and different regional salesforces as well as professionals from tertiary institutions for our research and development activities.

Our product research and development team is led by Prof. Yang, who has been dedicated to high-end technology product research and development. He has been engaged in the machinery and smart manufacturing related area for over 40 years and was awarded with various prizes relating to technology invention and development. Prof. Yang now acts as our technical director and has been involved in the majority of the development of our registered patents. Our technical support manager has more than four years of related experience in smart manufacturing solutions and our other product research and development staff are fresh graduates. Our product research and development team has substantial technological expertise as all of the team members graduated with a bachelor’s degree or above in engineering or related speciality. All of them are responsible for our product research and development activities as well as solutions design and development.

In addition, our experienced management team with in-depth knowledge of the precision testing and machining industry, including Mr. Wu and Mr. Xu Wenming, work closely together with our research and development team and would participate in our product research and development activities.

### **Product design and development process**

Our product design and development are performed by our product research and development team. We have placed a strong focus on, and have established extensive experience and expertise in, the areas of precision 3D testing and precision machining. Our product research and development activities are usually initiated by our customer based on their needs and demands. However, in order to become a pioneer in provision of precision 3D testing solutions and precision machining solutions and maintain our edges in high-end equipment manufacturing industries, we also initiate research and development activities with the tertiary institutions.

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We usually process our product design and development projects based on our strategic development plan, market information collected by our sales and marketing team and our customers' technical needs. A feasibility study will be conducted on the new product or technology before setting up of project. Upon that, a design and development team for the new product or technology will be formed, comprising of a project manager and technical staff from the research and development team. The new product design and development team will work on the new product or technology and prepare the relevant reports on technical design and testing plan. All new product or technology is required to be inspected and approved for each material stage before moving on to the next stage in order to ensure each of our product design and development project is properly and precisely executed. The final product will be co-examined and approved by our technical director, sales and marketing team and other relevant teams. We may also invite external expert for the examination in order to ensure the accuracy, consistency, feasibility, conformity, practicality of the product as well as fulfillment of technical needs and economic efficiency. The new product or technology will be further approved by general manager before implementation and debugging. The project manager will then conduct internal acceptance check and our research and development team will conduct testing until the new product or technology has reached the technical requirement. Final acceptance check of the new product or technology will be done by our research and development team, sales and marketing team or procurement team.

### **Collaboration with tertiary institutions**

Our research and development team from time to time works with professors and researchers from established tertiary institutions through collaboration. During the Track Record Period, we had collaboration with South China University of Technology and Taiyuan Institute of Technology, as well as with a professor from a technological university in Singapore. We collaborated with these institutions and Professor mainly on a project basis and, as at the Latest Practicable Date, we were engaged in ongoing research and development projects in collaboration with South China University of Technology and Taiyuan Institute of Technology, each of which was wholly led by our Group.

We have entered into a framework agreement with South China University of Technology since March 2009, pursuant to which South China University of Technology agreed to undertake research and development projects as requested by us and to provide technology information updates, technical services and training in accordance with the terms of the agreements to be executed in relation to the relevant research and development projects. We agreed to pay for the research and development expenses incurred by South China University of Technology in relation to its services provided. Any rights of ownership or intellectual property and benefits of all potential inventions from a research and development project are to be agreed by the parties for each project.

With respect to our collaboration with Taiyuan Institute of Technology, we have entered into project-specific agreements to provide for the general rights and obligations of the parties. Taiyuan Institute of Technology is responsible for providing the relevant research and development facilities, as well as relevant personnel for hardware development and software development and design. It is also responsible for providing trainings on research and development and the relevant technologies to our research and development team. We are entitled to the rights of ownership and

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intellectual property and benefits of all potential intentions resulting from the research and development project, while our payment obligations in connection with the research and development project are to be agreed upon determination of the specific costs.

With more resources from the tertiary institutions, our product research and development staff are able to tap into their technical know-how efficiently. By working closely with these professors and researchers, our research and development team is able to expand our capabilities, develop a wider range of technology applications and tools and keep informed of the latest technological developments. Our outsourcing research and development expenses incurred amounted to HK\$1.8 million, HK\$1.6 million and HK\$0.7 million for the years ended 31 March 2016, 2017 and the six months ended 30 September 2017, respectively.

During the Track Record Period, we successfully invented three technology applications in collaboration with South China University of Technology. All three registered patents have been transferred to us for a transfer fee in an aggregate amount of approximately RMB235,000.

### **Research and development facilities**

During the Track Record Period, we had not made significant investment in building our own research and development facilities and we have mainly conducted our research and development activities through collaboration with tertiary institutions or at our end customer's worksite.

Although collaboration with tertiary institutions had provided us with external resources and had successfully obtained certain technical achievements, we have to keep improving the breadth and depth of our own research and development capabilities in order to enlarge our scale of business operations and seek business opportunities in the growing market. The efficiency of conducting research and development activities through our own research and development centres is expected to be higher than collaborating with tertiary institutions as these tertiary institutions may not be working full time for our research and development projects and it may take a longer period of time for them to obtain technical achievements. During the Track Record Period, our collaboration with South China University of Technology took 27 months on average to complete a research and development project and invent a technology application. By establishing our own research and development centres, we expect to complete a research and development project with a shorter timeframe ranging from 17 months to 23 months. For further details, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus. In addition, technology applications achieved from external research and development projects were typically designed for general usage with high universality and were less customised in terms of design for a particular solution.

Outsourcing research and development activities are also more time-consuming than internal research and development activities as the professors and researchers in the tertiary institutions are not familiar with the true situation of our customers and a large amount of time is required from us to communicate and for them to understand the exact technical needs or difficulties faced by our customers. We also have to spend extra time and human resources to follow up with the research and development activities and examine the result. With our own research and development centres, we are able to have better control of the research and development activities

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conducted and make sure that they are being conducted in accordance with the actual needs of our customers. We may also invent, upgrade or further develop our technical applications to accommodate our customers' specialised requirement in a timely manner.

The following summarises our research and development activities through collaboration with tertiary institutions and our own research and development centres:

	<b>Collaboration with tertiary institutions</b>	<b>Own research and development centres</b>
Operation model	<ul style="list-style-type: none"> <li>● Collaborate with professors and researchers from tertiary institutions</li> <li>● Access to on-campus research and development machinery which is non-exclusive</li> <li>● Research and development activities are conducted on project basis</li> <li>● Rights of ownership or intellectual property and benefits of all potential inventions from research and development projects are to be agreed by the parties for each project</li> </ul>	<ul style="list-style-type: none"> <li>● Internal research and development efforts</li> <li>● More flexible in scalability by hiring more full time research and development staff</li> <li>● Invest in own research and development equipment</li> <li>● Able to invent, upgrade or further develop our technical applications to accommodate customers' specialised requirement in a timely manner</li> <li>● Own the rights of ownership or intellectual property and benefits of all potential inventions</li> </ul>
Research and development focus	<ul style="list-style-type: none"> <li>● Relatively academic and theoretical approach</li> <li>● Technology applications are typically designed for general usage</li> </ul>	<ul style="list-style-type: none"> <li>● More practical approach</li> <li>● Technology applications are more customised for specific clients</li> </ul>
Resources commitment	<ul style="list-style-type: none"> <li>● Research and development expenses incurred by the tertiary institution in relation to its services provided</li> <li>● Transfer fee for obtaining patents of technology applications</li> <li>● Staff cost of full time research and development staff to communicate with professors and researchers in tertiary institution</li> </ul>	<ul style="list-style-type: none"> <li>● Staff cost for full time research and development staff</li> <li>● Capital expenditure on research and development equipment</li> <li>● Rental and renovation cost</li> </ul>

With regard to the growing market demand and our strategic plan to enlarge our scale of business operations, our Directors consider that although we have not experienced any suspension or termination of collaboration with tertiary institutions, mere collaboration with them may not be sufficient for us to further enhance our research and development capabilities. We plan to establish our own research and development centres to complement the collaboration so as to satisfy the

need of high efficiency in research and development activities in order to cope with changing technical requirements from our customers and potential customers in a timely manner, as well as the need of developing more customised technical applications to satisfy our customers' specialised requirements. On the other hand, continual collaboration with tertiary institutions enable us to have continual access to on-campus resources and keep informed of the latest technological information and achievements as well as interchange of technical know-how with the professors and researchers from tertiary institutions. We will therefore continue to collaborate with tertiary institutions as well as establish our own research and development centre to strengthen our research and development capabilities.

#### **Research and development capabilities**

We have been carrying out various technology research and development projects which focus on enhancing the application of precision 3D testing and precision machining technology. As at the Latest Practicable Date, we had eight registered patents, including three invention patents and five utility patents, and five pending invention patent registrations. Our PRC subsidiary is in the process of applying to be recognised as a “High and New Technology Enterprise” in China and we expect such recognition will be granted by the end of March 2018. For details of our intellectual property rights, please refer to the paragraph headed “Intellectual Property” in this section of the prospectus and the paragraph headed “Statutory and General Information — Further information about the business of our Company — 9. Intellectual property rights of our Group” in Appendix IV to this prospectus.

#### **Research and development expenses**

We make investments in research and development, particularly in connection with auxiliary tools design and technology applications for precision 3D testing and precision machining. Our research and development expenses amounted to HK\$1.8 million, HK\$1.6 million and HK\$0.7 million for the two years ended 31 March 2016, 2017 and the six months ended 30 September 2017, respectively, representing 6.9%, 3.7% and 7.3% of our revenue and 18.3%, 6.2% and 10.4% of our gross profit, for the respective periods. During the Track Record Period, our research and development expenses are all outsourcing research and development expenses incurred by collaboration with external parties.

#### **INTELLECTUAL PROPERTY**

Our Group's intellectual property rights are important to our business and as at the Latest Practicable Date, we were the registered owner of eight patents, consisting three invention patents and five utility patents. Our registered patents include the following:

- A low-temperature self-crosslinking water-borne acrylate resin and its preparation method and application (一種低溫自交聯水性丙烯酸酯樹脂及其製備方法與應用), which is developed to apply on water-based ink, a type of raw material for 3D printing, with a view to overcoming the lack of applicability of water-based inks on plastic film.

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- A functionally graded coating with a gradient contact angle and a method for preparing the same (一種具有梯度接觸角功能塗層及其製備方法), which is developed to apply on raw materials of 3D printing, with a view to achieving the need for multiple changes in gradient on a gradient contact angle coating devices.
- A material for rapid prototyping of three-dimensional printing and a method for producing the same (一種用於三維打印快速成型的材料及其製備方法), which is developed to use in different model of 3D printer for rapid prototyping.
- A device for removing dust from the workpiece surface and recycling it (用於清除工件表面噴粉並回收利用的裝置), which is developed to quickly clear the dusting on the component's surface and recycle them to solve the possible environmental pollution problems.
- An auxiliary scanning device for 3D raster scanners (用於三維光柵掃描儀的輔助掃描裝置), which is developed to assist with the scanning for large workpiece and edit program for automated scanning.
- A rotatable clamp for a 3D raster scanner (用於三維光柵掃描儀的可旋轉夾具), which is developed to solve the technical problem of automatic splicing and scanning for small impeller, small gears and complex workpieces.
- An auxiliary device for the inverse measurement of 3D scanners (用於三維掃描儀逆向測量的輔助裝置), which is developed to assist with the completion of automatic splicing scan of a workpiece and obtain comprehensive data for inverse measurement of the testing object.
- A flexible vacuum hand for automatic discharge (用於自動卸料的柔性真空吸附手), which is developed to solve the inconvenience of direct loading and unloading flexible or complex workpiece by hand.

In addition, we had five pending invention patent registrations in the PRC as at the Latest Practicable Date.

We undertake a pro-active approach to protect our intellectual property interests. On one hand, we seek and maintain proper registration of our patents. On the another hand, we rely on trade secrets protection and contractual restrictions to safeguard our intellectual property rights. For instances, we enter into confidentiality agreements with all of our employees which set out the confidentiality clause during and after the employment and they are not permitted to reveal any of our confidential information including our trade secrets. In addition, pursuant to the contractual arrangements, all intellectual properties or technical achievement obtained by our employees during their employment and after a year upon their departure are solely owned by us. We also closely monitor and collect information on any instances of infringement on our intellectual property rights and we may take legal action where necessary in order to protect our intellectual property rights.

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During the Track Record Period, there had not been any pending or threatened claims made against us, nor had there been any claims made by us against third parties, with respect to the infringement of intellectual property rights owned by us or third parties. As at the Latest Practicable Date, we were not aware of any infringement by us of any intellectual property rights owned by any third parties or by any third party of any intellectual property rights owned by us.

For further details of our intellectual property rights, please refer to the paragraph headed “Statutory and General Information — Information about the business of our Company — 9. Intellectual property rights of our Group” in Appendix IV to this prospectus.

### PROPERTIES

As at the Latest Practicable Date, we leased four properties as our operating office in Guangzhou, Beijing and Hong Kong, respectively.

Our two leased properties in Guangzhou are adjacent to each other which have an aggregate gross floor area of approximately 172 sq.m. and are used as our Guangzhou representative office and principal place of business; another leased property in Beijing has an aggregate gross floor area of approximately 69 sq.m. and is used as our technical support and operating office for our Beijing branch; and a leased property in Hong Kong has an aggregate gross floor area of approximately 28 sq.m. which is used as our Hong Kong operating office. Our Guangzhou offices rented by Hong Kong Cheng Phong and Quick Tech are both expiring on 8 May 2018 with a monthly rental amounted to RMB4,849 and RMB7,473, respectively; and our Beijing branch has a lease term of one year and half month expiring on 5 November 2018 with a quarterly rental amounted to RMB38,007. Our Hong Kong office has a lease term of one year expiring on 24 May 2018 with a monthly rental amounted to HK\$5,200 and such lease can be extended for one year until 24 May 2019 with written notice by one party to another party not less than one month prior to the expiration date of the tenancy.

During the Track Record Period, we had not registered for the official housing leasing record with the relevant authority for our representative office rented by Hong Kong Cheng Phong in Guangzhou and our Beijing branch office. Our PRC Legal Adviser advised that such non-compliance will not affect the effectiveness of the relevant leasing contracts and we are entitled to legally occupy and use such properties.

We do not own any manufacturing facilities and our business operations do not require special design of the properties to be used. Our Directors consider that all the equipment and furniture used in our offices are not fixtures and can be easily relocated and therefore it would not be difficult for us to relocate to other comparable properties in the PRC or Hong Kong to carry on our business at comparable rental rates and we believe the cost of such relocation would not be material to our business.

As at the Latest Practicable Date, our Group had no single property with a carrying amount of 15% or more of our Group’s total assets, and on this basis, our Group is not required by Rule 8.01A of the GEM Listing Rules to include in this prospectus any valuation report. In addition, according to section 6(2) of Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the laws of Hong Kong), this prospectus is

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exempted from compliance with the requirements of section 342(1)(b) under paragraph 34(2) Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance, which require us to include a valuation report with respect to all of our Group's interests in land or buildings.

### COMPETITION

Our main competitors include both domestic and international companies providing precision testing solutions and precision machining solutions in the PRC. We compete with them primarily in research and development capabilities, technical level of the solutions, sales channel, experience and after sales-services.

International companies have a competitive edge over the level of technology while domestic companies are more familiar with the business model and technical requirements of the high-end equipment manufacturing industries in China. International companies typically provide users with smart manufacturing solutions with a higher level of precision, higher stability and longer lifespan compared to domestic companies. We seek to differentiate ourselves through integrating imported machinery into China's actual situation to enhance the adaptability of our solutions and providing timely and effective after-sales services through our strategically located salesforce. Our Directors believe that other core aspects that set us apart from our competitors and maintain our competitiveness are our regular communication with our customers and our strong technical know-how.

We believe we can compete effectively in the market due to our extensive market reach in China and strong know-how in smart manufacturing applications.

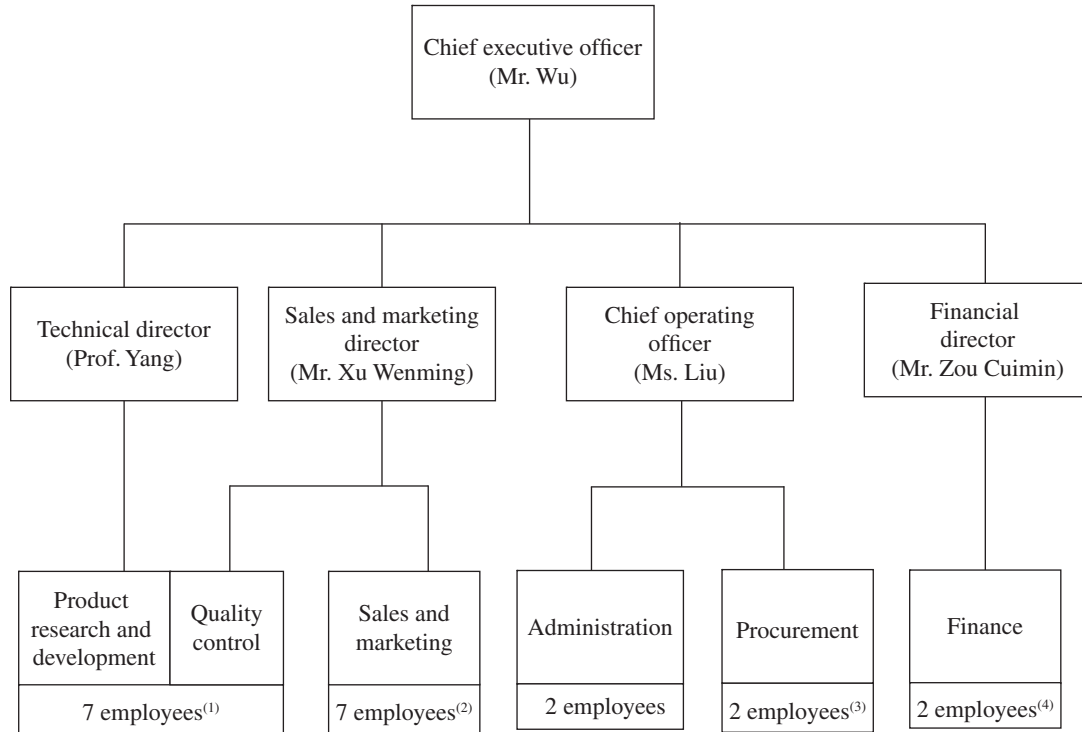
For further details of the competitive landscape of the industry and our competitive strengths, please refer to the section headed "Industry Overview" in this prospectus and the paragraph headed "Competitive strengths" in this section of the prospectus.



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## EMPLOYEES

As at the Latest Practicable Date, we had 20 employees. The following diagram sets out our organisation chart and the breakdown of our employees by function as at the Latest Practicable Date:



*Notes:*

- (1) Led by our technical director, Prof. Yang, our product research and development team comprised seven members (including Prof. Yang) as at the Latest Practicable Date. Some of these employees also worked for the quality control team led by our sales and marketing director, Mr. Xu Wenming.
- (2) Led by our sales and marketing director, Mr. Xu Wenming, our sales and marketing team comprised seven members (including Mr. Xu) as at the Latest Practicable Date.
- (3) Our procurement team comprised two members, our chief executive officer, Mr. Wu, and our chief operating officer, Ms. Liu, as at the Latest Practicable Date.
- (4) Led by our financial director, Mr. Zou Cuimin, our finance team comprised two members (including Mr. Zou Cuimin) as at the Latest Practicable Date.

The majority of our employees are based in the PRC and work as a cohesive team. In order to become a pioneer of the technology in precision 3D testing and precision machining, we provide induction training and on-going training to our employees in order to enhance their technical skills and product understanding. We generally assign an experienced employee to provide training for each of the new employees on different aspects, such as operational process, programming

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specification and company culture. In addition, our research and development team receives on-going technical training by collaborating with professors and researchers from the tertiary institutions on different research and development projects.

We seek to maintain close interactions with our end customers to ensure that high quality services are offered. In order to have in-depth communications with our end customers and better understanding of their business and needs, our sales and marketing staff are also equipped with the relevant technical knowledge through trainings. Since the functions of our research and development team and sales and marketing team are interdependent and in order to increase our operational efficiency, our research and development team works closely with our sales and marketing team to serve our end customers directly.

We rely on our employees to provide smart manufacturing solutions to our customers. During the Track Record Period, we have long term employment contracts with all of our senior management for four years or more as personnel especially management and skilled employees are one of our greatest assets and stability of such personnel are crucial to our business operations. We generally have a fixed term employment contract with our employees such as administrative and finance staff which is the general market practice as confirmed by Frost & Sullivan and we generally renew the employment contract with such employees on a yearly basis. During the Track Record Period, the turnover rate of our staff for a given period calculated by dividing the number of departure employees by the arithmetic mean of the opening and closing number of employees for such period was 0.0%, 23.1% and 0.0% for the years ended 31 March 2016 and 2017 and the six months ended 30 September 2017, respectively. For the year ended 31 March 2017, two of our sales and marketing staff and one research and development staff resigned for personal reasons and we have issued a notice of departure to each of them to address their continue responsibility of confidentiality and non-competition. We have also entered into a confidentiality and non-competition agreement with all of our employees which sets out the confidentiality clause and non-competition clause during and after the employment. Pursuant to the agreements, they are not permitted to reveal any of our confidential information, such as trade secrets or customer information, or induce our customers or suppliers for any business cooperation after leaving. In addition, all intellectual properties or technical achievement obtained during employment and after a year upon leaving are owned by us.

During the Track Record Period and as at the Latest Practicable Date, we maintained good relationships with our employees and we had not experienced any significant disputes with our employees nor had there been any material and adverse disruptions to our business operations as a result of strikes, claims, litigation or other labour disputes. We did not encounter any significant difficulties in recruiting employees.

### **Social Insurance and Housing Provident Fund Contribution**

Pursuant to applicable PRC laws and regulations, employers are required to make contributions to, and employees are required to participate in, a number of social security funds, including funds for basic pension insurance, basic medical insurance, unemployment insurance, work-related injury insurance and maternity insurance, and the housing provident fund. For details, please refer to the section headed “Regulatory Overview” in this prospectus.

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During the Track Record Period, we had not made full contributions for the social insurance and housing provident fund based on the actual wages of our employees. As at the Latest Practicable Date, our total unpaid contributions for the social insurance and housing provident fund amounted to RMB232,876 and RMB68,279, respectively, and the applicable late payment fee which we may be ordered by the relevant government authorities to pay amounted to RMB119,144. The non-compliance was mainly caused by the following reasons: (i) inability of our Group to make insurance and housing provident fund contributions for our newly hired employees as their account were still registered with their previous company by that time; and (ii) inconsistent implementation or interpretation of the relevant regulations by local authorities in connection with the applicable contribution base of social insurance and housing provident funds in the PRC.

In January 2017, we had made the necessary filings with the relevant government authorities to report the actual wages for all employees and had made full contributions in relation to the social insurance and housing provident fund since then. We have implemented enhanced internal control measures for the under provision of social insurance and housing provident fund in August 2017. We have implemented relevant internal controls to ensure that we have make full contributions in relation to the social insurance and housing provident fund, including reviewing the calculation result of contributions for social insurance and housing provident fund for all eligible employees and actively communicate with local human resources, social security bureau and housing fund management centre on a regular basis, to ensure we acquire the most updated information about the relevant laws and regulations.

During the Track Record Period and up to the Latest Practicable Date, we had not received any complaints from our permanent employees or employees under probation for insufficient contributions by us to any social insurance or housing provident fund nor had we received any order or notice from the relevant government authorities requesting contributions to any social insurance and housing provident funds. Our Directors confirmed that we would make contributions to the unpaid amounts in relation to the social insurance and housing provident fund upon receiving any order or notice from the relevant government authorities requesting such additional contributions.

Based on the interviews with and written confirmations from the relevant competent government authorities, we were not being imposed any administrative penalty by the relevant government authorities in connection with social insurance and housing provident fund contributions. Nevertheless, we have already made the relevant provision in relation to these unpaid contributions.

As stated in the paragraph headed “Insurance” in this section of the prospectus, besides basic insurance required by the applicable PRC laws and regulations, our Group also maintain commercial insurance coverage for major diseases for most of our employees and their direct family members. Our Directors are of the view that our insurance coverage is sufficient for our staff and is consistent with the norm in our industry in the PRC.

## **INTERNAL CONTROL**

Our Directors are responsible for establishing our internal control system and reviewing its effectiveness. In accordance with the applicable laws and regulations, we have established procedures for developing and maintaining our internal control system, covering areas such as corporate governance, operations, management, legal, finance and audit. We believe that our internal control system is sufficient in terms of comprehensiveness, practicability and effectiveness for our current business operation.

To strengthen our internal control and ensure future compliance with the applicable laws and regulations (including the GEM Listing Rules) after the Listing, we have adopted the following additional internal control measures:

- (1) our Directors will continuously monitor, evaluate and review our internal control system to ensure compliance with the applicable legal and regulatory requirements and will adjust, refine and enhance our internal control system as appropriate;
- (2) we will appoint RaffAello Capital Limited as our compliance adviser upon Listing to advise our Group on matters relating to compliance with the GEM Listing Rules;
- (3) we will provide training and updates on the legal and regulatory requirements applicable to our business operations to our Directors, members of senior management and relevant employees from time to time;
- (4) if necessary, we may consider appointing external PRC legal advisers to advise us on matters relating to compliance with the applicable PRC laws and regulations; and
- (5) if necessary, we may consider appointing external Hong Kong legal advisers to advise us on matters relating to compliance with the GEM Listing Rules and the applicable Hong Kong laws and regulations.

## **RISK MANAGEMENT**

Our Directors confirmed that during the ordinary course of our business, we are exposed to various types of risks, including (i) control risks relating to our overall monitoring system; (ii) regulatory risks in relation to our business; (iii) operational risk; and (iv) credit risks relating to assets. For further details, please refer to the section headed “Risk Factors” in this prospectus.

We have designed and implemented risk management policies to address these potential risks identified in relation to our business. Our risk management system sets out procedures to identify, analyse, assess, mitigate and monitor any potential risks. Our chief executive officer is responsible for overseeing our overall risk management system and each department carries out their own risk management identification exercise and proposes risk response plan according to our overall risk assessment program. Each department is required to set up appropriate risk management strategies based on the risk identified and their proposed risk response plan and is responsible for the implementation and supervision. For material deficiency or risks identified, the relevant department should report the situation to the Board for further investigation, internal control review and enhancement and supervision.

## **ENVIRONMENTAL PROTECTION**

As confirmed by our PRC Legal Adviser, we are not required to obtain approval or license from any environment protection bureau in respect of our principal operations under the applicable national and local environmental laws and regulations in the PRC.

Due to the nature of our business, our Group's operational activities do not directly generate industrial pollutants, and our Group did not incur any cost of compliance with applicable environmental protection rules and regulations directly during the Track Record Period. Our Directors do not expect our Group to incur significant costs for compliance with applicable environmental protection rules and regulations directly in the future. As at the Latest Practicable Date, our Group was not involved in any material non-compliance of any applicable laws and regulations on environmental protection.

## **OCCUPATIONAL SAFETY AND HEALTH MATTERS**

We are subject to the Product Quality Law, PRC Labour Law and other relevant laws, administrative regulations, national standards and industrial standards which stipulate the requirements to maintain safe working conditions and to protect the occupational health of our employees.

Pursuant to our internal safety policy, we require every employee to participate in safety training to familiarise themselves with the relevant system's safety rules and procedures and they have to pass the examination before using the relevant system. Operating permits are required for certain special post. We have implemented safety management regulations to all our employees to ensure compliance with applicable regulatory requirements and to minimise the risk of injury of our employees.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any severe accidents during our course of business. As advised by our PRC Legal Adviser, we have complied with all applicable laws, regulations in the PRC in relation to occupational safety and health matters in all material respects.

## **INSURANCE**

In addition to the government-mandated social insurance and housing provident fund schemes, we maintain a commercial insurance on major diseases for most of our employees which may also cover their direct family members. We also have bought insurance for 110% of the shipped value for each machinery procured from our overseas suppliers. Such insurance policy will be passed to our customers as one of the shipping documents upon delivery of products.

We do not carry product liability insurance for operations with respect to our Group and our PRC Legal Adviser confirms that it is not a mandatory requirement under the PRC laws and regulations for the maintenance of such insurance.

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During the Track Record Period, no material defects have been found in the products procured by our Group. For products provided to our customers, we provide warranties to them which are covered by similar warranties given to us under our contracts with the suppliers. In the event that a claim under warranty comes to light after we have sold the products on to our customers, we may recoup any losses incurred by us from the supplier pursuant to the supplier's warranties granted to us. The standard terms of these warranties are typically one year upon issuance of the final acceptance certificate.

We believe that our insurance coverage is adequate and is in line with industry practice. During the Track Record Period and up to the Latest Practicable Date, we had not had any material claims or liabilities arising from any accidents relating to our operations, nor had we experienced any material operation interruptions or product liability incidents.

During the Track Record Period and up to the Latest Practicable Date, we had not made, nor had we been the subject of, any insurance claims which are of a material nature to us.

### **LEGAL PROCEEDINGS**

We may from time to time be subject to various legal or administrative proceedings arising in the ordinary course of business, such as proceedings in respect of disputes with suppliers or customers and labour disputes. During the Track Record Period and up to the Latest Practicable Date, there had not been any material legal proceedings, regulatory inquiries or investigations made or pending or threatened against us.

### **REGULATORY COMPLIANCE**

As at the Latest Practicable Date, as advised by our PRC Legal Adviser, we had obtained the requisite governmental licences, permits and certifications and renewals which are necessary for our operations, and had complied, in all material aspects, with all applicable PRC laws and regulations.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any non-compliance incidents that had or would reasonably be expected to have a material financial or operational impact on our business or would negatively affect our Directors' or senior management's ability or tendency to operate in a compliant matter.

## **RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS**

### **OUR CONTROLLING SHAREHOLDERS**

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme), our Company will be owned as to 73.485% by IFG Swans. IFG Swans is an investment holding company which is wholly owned by Mr. Wu. Accordingly, IFG Swans and Mr. Wu will be our Controlling Shareholders immediately following completion of the Capitalisation Issue and the Share Offer. For more information relating to Mr. Wu, please see the section headed “Directors and Senior Management — Board of Directors” in this prospectus.

As at the Latest Practicable Date, none of our Controlling Shareholders, our Directors nor any of their respective close associates had any interest in any other company or business that competes with or is likely to compete with our business, whether directly or indirectly, or would otherwise require disclosure under Rule 11.04 of the GEM Listing Rules.

### **INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS**

Our Directors do not expect that there will be any significant transactions between our Group and our Controlling Shareholders upon or shortly after the Listing.

Our Directors believe that we are capable of carrying on our business independently from, and do not place undue reliance on, our Controlling Shareholders and their respective close associates taking into consideration of the following factors:

#### **(i) Management independence**

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

Our three independent non-executive Directors will not participate in our daily operations and will bring in independent judgment to the decision making process of our Board in order to address any situations of conflict of interest and to protect the interests of the independent Shareholders.

In addition, with an independent team of senior management having substantial experience and expertise in our business to implement our Group’s policies and strategies, our Directors are satisfied that our senior management team will be able to perform their roles in our Group independently.

## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Mr. Wu is a director of our Company as well as a director of IFG Swans, a corporate Controlling Shareholder. Since IFG Swans has no business other than holding its shareholding interests in our Company, our Directors do not consider that there is any issue in relation to management independence arising from the overlapping of directors between our Company and IFG Swans.

### **(ii) Operational independence**

Although our Controlling Shareholders will retain a controlling interest in our Company after the Listing, the Board of our Company has full rights to make all decisions on, and to carry out, its own business operations independently.

We have established our own organization structure comprising individual departments, each with specific areas of responsibilities. We have also established internal control procedures to facilitate the effective and efficient operation of our business. Each department takes a specific role in our operations. There are internal control procedures to ensure effective operation of our business. We have not shared our operational resources, such as suppliers, customers, marketing, sales and general administration resources with our Controlling Shareholders and/or their respective close associates.

Further, our Group has sufficient capital and employees to operate its business independently from our Controlling Shareholders.

Our Group has not entered into any connected transaction with any of our Controlling Shareholders that will continue after the Listing.

### **(iii) Financial independence**

Our Group has our own independent financial system and makes financial decisions according to our Group's own business needs. Our own accounting department is capable of discharging the treasury functions for cash receipts and payments, accounting, reporting and internal control independently of our Controlling Shareholders and their respective close associates.

As at 31 January 2018, our Group had a net amount of HK\$2.3 million due to Mr. Wu. For further details, please refer to the paragraph headed "Financial information — related party transactions and balances" in this prospectus. Such amount will be fully settled prior to the Listing. Save as the above, our Directors confirmed that, as at the Latest Practicable Date, none of our Controlling Shareholders or their respective close associates had provided any loans, guarantees or pledges to our Group. Our Directors also confirmed that, as at the Latest Practicable Date, our Group did not provide any loans, guarantees or pledges to our Controlling Shareholders or their respective close associates.

Our Directors believe that our Group will have sufficient capital for its financial needs without dependence on our Controlling Shareholders and their respective close associates.



## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Based on the above, our Directors believe that we are able to maintain financial independence from our Controlling Shareholders and their respective close associates upon the Listing.

### NON-COMPETITION UNDERTAKING

To ensure that competition will not exist in the future, our Controlling Shareholders as covenantors (each a “**Covenantor**”, collectively, the “**Covenantors**”) executed the Deed of Non-Competition in favour of our Company (for ourselves and as trustee for and on behalf of our subsidiaries).

In accordance with the Deed of Non-Competition, each Covenantor undertakes that, from the Listing Date and ending on the occurrence of the earlier of (i) the date on which the Shares cease to be listed on GEM; and (ii) the date on which the Covenantors, whether directly or indirectly, jointly or severally, cease to be our Controlling Shareholders:

#### (i) **Non-Competition**

He/it will not, and will use his/its best endeavours to procure any Covenantor, his/its close associates (collectively, the “**Controlled Persons**”) and any company directly or indirectly controlled by the Covenantor (the “**Controlled Company**”) not to, either on his/its own or in conjunction with any body corporate, partnership, joint venture or other contractual agreement, whether directly or indirectly, whether for profit or not, carry on, participate in, hold, engage in, acquire or operate, or provide any form of assistance to any person, firm or company (other than members of our Group) to conduct any business which, directly or indirectly, competes or is likely to compete with the business of our Company or any of our subsidiaries in Hong Kong, the PRC and such other places as our Company or any of our subsidiaries may conduct or carry on business from time to time, including but not limited to the smart manufacturing solutions business (the “**Restricted Business**”).

The Deed of Non-Competition does not apply if the Controlled Persons and the Controlled Companies in aggregate own any interest not exceeding five per cent of the issued shares in any company conducting any Restricted Business (the “**Relevant Company**”), and the Relevant Company is listed on any recognised exchange (as defined under the SFO), notwithstanding that the business conducted by the Relevant Company constitutes or might constitute competition with the business of our Company or any of our subsidiaries, provided that (i) the shareholding of any one holder (and his/her/its close associate, if applicable) in the Relevant Company is more than that of the Controlled Persons and the Controlled Companies in aggregate at any time; and (ii) the total number of the relevant Covenantors’ representatives on the board of directors of the Relevant Company is not significantly disproportionate with respect to his/her/its shareholding in the Relevant Company.

## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

### (ii) New business opportunity

If any Covenantor and/or any Controlled Company is offered or becomes aware of any business opportunity, directly or indirectly, to engage in or own a Restricted Business (the “**New Business Opportunity**”):

- (a) he/it shall within 10 days notify our Company of such New Business Opportunity in writing and refer the same to our Company for consideration, and shall provide the relevant information to our Company in order to enable us to make an informed assessment of such opportunity; and
- (b) he/it shall not, and shall procure that his/its Controlled Persons and Controlled Companies not to, invest or participate in any project and New Business Opportunity, unless such project and New Business Opportunity shall have been rejected by our Company and the principal terms of which the Covenantor or his/its Controlled Persons or Controlled Companies invest or participate in are no more favourable than those made available to our Company.

A Covenantor may only engage in the New Business Opportunity if (i) a notice is received by the Covenantor from our Company confirming that the New Business Opportunity is not accepted by our Company and/or does not constitute competition with the Restricted Business (the “**Non-acceptable Notice**”); or (ii) the Non-acceptance Notice is not received by the Covenantor within 30 days after the proposal of the New Business Opportunity is received by our Company.

Any Director who has an actual or potential material interest in the New Business Opportunity shall abstain from attending (unless their attendance is specifically requested by the remaining non-interested Directors) and voting at, and shall not be counted towards the quorum for, any meeting or part of a meeting convened to consider such New Business Opportunity.

Our Board (including our independent non-executive Directors) will be responsible for reviewing and considering whether or not to take up a New Business Opportunity referred by a Covenantor or Controlled Company or whether or not the New Business Opportunity constitutes competition with the Restricted Business and such decisions will be made by our Board (including our independent non-executive Directors). The factors that will be taken into consideration by our Board in making the decision include whether it is in line with the overall interests of our Shareholders.

The Deed of Non-Competition and the rights and obligations thereunder are conditional upon (i) the Stock Exchange granting the listing of, and the permission to deal in, the Shares, as described in this prospectus, and (ii) the Listing and dealings in the Shares on GEM taking place.

## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

### CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following enhanced corporate governance measures to avoid potential conflict of interests and safeguard the interests of our Shareholders as a whole:

- (i) our Directors will comply with our Articles, and shall abstain from attending the Board meetings (nor shall he/she be counted in the quorum) and voting on any resolution of the Board approving any contract or arrangement or other proposal in which he/she or any of his/her respective close associates is materially interested;
- (ii) our Director will ensure that any material conflict or potential conflict of interests involving the Controlling Shareholders, our Directors and their respective close associates will be reported to our independent non-executive Directors as soon as practicable when such conflict or potential conflict is discovered and a Board meeting will be held to review and evaluate the implications and risk exposure of such event and will monitor any material irregular business activities;
- (iii) in respect of the business opportunity involving any material potential conflict of interests with the Controlling Shareholders, our Directors or their respective close associates, our independent non-executive Directors will review all information and documents in respect of the same;
- (iv) our independent non-executive Directors will review, on an annual basis, matters relating to compliance with and enforcement of the Deed of Non-Competition in accordance with the GEM Listing Rules;
- (v) our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance with and enforcement of the Deed of Non-Competition in the annual reports of our Company or by way of announcement;
- (vi) the Controlling Shareholders will provide confirmation on compliance pursuant to their undertakings under the Deed of Non-Competition in our annual reports;
- (vii) all connected transactions (if any) between our Company and our connected persons will be subject to annual review by our independent non-executive Directors as well as the auditors of our Company;
- (viii) our Company has appointed a compliance advisor, which will provide advice and guidance to our Group in respect of compliance with the applicable laws and GEM Listing Rules including various requirements relating to Directors' duties and internal control; and
- (ix) our Directors, including the independent non-executive Directors, will be entitled to seek independent professional advice from external parties in appropriate circumstances relating to the non-competition undertaking or connected transaction(s) (if any) at the costs of our Company.

Having considered the above factors, our Directors are of the view that they are able to perform their roles in our Group and manage our business independently from our Controlling Shareholders after the Listing.

## DIRECTORS AND SENIOR MANAGEMENT

### BOARD OF DIRECTORS

Our Board consists of five Directors, including two executive Directors and three independent non-executive Directors. Our Directors are supported by our senior management in the day-to-day management of our business.

The table below sets out information regarding our Board.

Name	Age	Position	Year of joining our Group	Date of appointment as a Director	Principal responsibility	Relationship with other Directors and senior management
<i>Executive Directors</i>						
Mr. Wu Di (吳鎬)	40	Chairman, executive Director and chief executive officer	2008	23 June 2017	Overall management, corporate policy making and strategic planning of our Group's business operations	Son-in-law of Prof. Yang
Ms. Liu Zhining (劉智寧)	47	Executive Director and chief operating officer	2008	26 September 2017	Overall management and supervision of operations of our Group	N/A
<i>Independent non-executive Directors</i>						
Mr. Tang Yong (湯勇)	55	Independent non-executive Director	2018	26 March 2018	Attending meeting of our Board to perform director's duties, but not participating in the day-to-day management of our business operations	N/A
Mr. Xing Shaonan (邢少南)	62	Independent non-executive Director	2018	26 March 2018	Attending meeting of our Board to perform director's duties, but not participating in the day-to-day management of our business operations	N/A

## DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Year of joining our Group	Date of appointment as a Director	Principal responsibility	Relationship with other Directors and senior management
Mr. Tan Michael Zhen Shan (譚鎮山)	41	Independent non-executive Director	2018	26 March 2018	Attending meeting of our Board to perform director's duties, but not participating in the day-to-day management of our business operations	N/A

### Executive Directors

**Mr. Wu Di (吳鎬)**, aged 40, is the Chairman, an executive Director and chief executive officer of our Company. He was appointed as a Director on 23 June 2017 and as the Chairman and an executive Director with effect from 26 September 2017. Mr. Wu is primarily responsible for overall management, corporate policy making and strategic planning of our Group's business operations.

Mr. Wu is the founder of our Group and established our Group in 2008. Mr. Wu has more than 14 years of professional experience in the area of smart manufacturing, machining and industrial design. Prior to establishing our Group, from June 2003 to June 2006, he worked as the general manager of Prosperity Corporation Limited, a distributor for various electronic accessories such as integrated circuits, capacitors and sensors, responsible for strategic development and business planning in the North America and China market. He was also engaged in the supply chain management and the customer relationship management for the company. From June 2006 to April 2008, he worked as a project manager in Ignite USA LLC, a company engaged in the design and technical innovation of reusable, environmentally friendly thermal mugs and hydration bottles, responsible for inspecting new product development process, vendor management, cost and credit control and supply chain management.

Mr. Wu graduated from the Beijing University of Chemical Technology with a bachelor's degree in management engineering in July 2000 and obtained a master degree in business administration from Loyola University, Chicago in November 2005. Mr. Wu is the son-in-law of Prof. Yang, a member of our senior management.

**Ms. Liu Zhining (劉智寧)**, aged 47, is an executive Director and chief operating officer of our Group. Ms. Liu joined our Group in December 2008 and was appointed as an executive Director on 26 September 2017. Ms. Liu is primarily responsible for the overall management and supervision of operations of our Group. Ms. Liu is also a director of Quick Tech.

## DIRECTORS AND SENIOR MANAGEMENT

Ms. Liu has more than 15 years of sales and management experience. Prior to joining our Group, from November 1998 to October 2000, Ms. Liu worked as an assistant general manager at Guangzhou Xinli Technology Development Company Limited. From March 2003 to February 2004, she worked as the business manager at Guangzhou Dongya Company Limited responsible for the administration and business management. From March 2004 to April 2007, she was the assistant to the general manager at Guangdong Wanshunda Machinery Company Limited, responsible for the overall management of business operations and human resources.

Ms. Liu obtained a bachelor's degree in international commerce from Guangdong University of Foreign Studies (formerly known as Guangzhou Institute of Foreign Trade) in July 1993.

### Independent non-executive Directors

**Mr. Tang Yong (湯勇)**, aged 55, was appointed as an independent non-executive Director on 26 March 2018.

Mr. Tang has more than 10 years of experience in the area of machinery manufacturing. He joined the School of Machinery and Automotive Engineering at South China University of Technology as lecturer from September 1994 to September 1998 and as associate professor from October 1998 to September 2003. Since January 2013, he serves as the Deputy Dean of the School of Machinery and Vehicle Engineering of South China University of Technology. He was appointed as the supervisor of the Guangdong Provincial Energy-saving and New Energy Green Manufacturing Engineering Technology Research Centre in September 2015. Mr. Tang served as an independent director of Guangdong Jingyi Metal Company Limited (廣東精藝金屬股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002295) from January 2011 to January 2017.

Mr. Tang obtained a doctorate degree in machinery manufacturing from the South China University of Technology in July 1994.

**Mr. Xing Shaonan (邢少南)**, aged 62, was appointed as an independent non-executive Director on 26 March 2018.

Mr. Xing has more than 15 years of experience in the finance industry. In January 2018, he was appointed as a committee member of the Guangdong Provincial Committee of the Chinese People's Political Consultative Conference. Since 2001, Mr. Xing has been working at Offshore Capital Investment (Holdings) Limited (海外資本投資(控股)有限公司) as chief executive officer and executive director. From June 1999 to June 2002, Mr. Xing served as the secretary to the office of the chief executive officer of Asia Television Limited, one of the two wireless commercial television stations in Hong Kong at the relevant time.

Mr. Xing obtained a master degree of business administration from Murdoch University in Perth, Western Australia in March 1998.

**Mr. Tan Michael Zhen Shan (譚鎮山)**, aged 41 was appointed as an independent non-executive Director on 26 March 2018.

## DIRECTORS AND SENIOR MANAGEMENT

Mr. Tan has more than 10 years of experience in accounting and taxation. Since May 2004, Mr. Tan is the financial controller of Full Apex (Holdings) Limited, a company listed on Singapore Exchange Securities Trading Limited (stock code: BTY) and is responsible for overseeing financial and accounting matters. He worked as an accountant at the Guangzhou office of an accounting firm in Hong Kong and was responsible for auditing and financial due diligence review works from August 1998 to June 2001. From August 2001 to May 2003, Mr. Tan served as an accountant at an accounting firm in Australia and was responsible for taxation, financial accounting and auditing works.

Mr. Tan obtained a bachelor's degree in international accounting from Sun Yat-Sen University in 1998 and a master degree of commerce (accounting with commercial law) from University of Sydney in December 2001. He is a member of the Hong Kong Institute of Certified Public Accounts and a member of the Australian Society of Certified Practising Accountant.

### GENERAL

Save as disclosed in the section headed "Statutory and General Information" in Appendix IV to this prospectus and above, each of our Directors has no interests in the Shares within the meaning of Part XV of the SFO and is independent from and is not related to any of our Controlling Shareholders, substantial Shareholders or senior management. Save as disclosed above in the biography of each of our Directors, each of our Directors has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this prospectus, and has not been involved in any of the events described under Rules 17.50(2)(h) to 17.50(2)(v) of the GEM Listing Rules that requires disclosure in this prospectus. Save as disclosed above, there are no other matters concerning each of our Directors which need to be brought to the attention of our Shareholders and the Stock Exchange and there are no other matters in connection with each of our Directors' appointment which require disclosure pursuant to Rules 17.50(2) of the GEM Listing Rules.

### SENIOR MANAGEMENT

The table below sets out information regarding our senior management:

Name	Age	Position	Date of joining our Group	Principal responsibility	Relationship with other Directors and senior management
<i>Senior management</i>					
Prof. Yang Zhuoru (楊卓如)	71	Technical director	July 2013	Overall management of research and development activities of our Group	Mr. Wu's father-in-law
Mr. Xu Wenming(許文明)	34	Sales and marketing director	December 2010	Overall management of sales and marketing activities and technical support of our Group	N/A

## DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of joining our Group	Principal responsibility	Relationship with other Directors and senior management
Mr. Zou Cuimin (鄒維璿)	39	Financial director	July 2016	Overall management of financial and accounting affairs of our Group	N/A

Our senior management is responsible for the day-to-day management of our business and comprises each of the executives described below.

**Prof. Yang Zhuoru (楊卓如)**, aged 71, is the technical director of our Group. Prof. Yang joined our Group in July 2013. He is primarily responsible for leading the overall management of research and development activities of our Group.

Prof. Yang has approximately 40 years of experience in technology research and development in the area of engineering. Prior to joining our Group, Prof. Yang started his teaching and research career at the South China University of Technology in October 1976 and was appointed as professor in September 1997 until he retired in October 2012. Since 1976, he held various teaching and research positions and had a focus in chemical engineering. He had participated in various research and invention projects and had received awards granted by the State Scientific and Technological Commission of the PRC, Ministry of Chemical Industry of the PRC and the People's Government of Guangdong Province in recognition of his research achievements. He also obtained an award granted by the PRC State Council for his contribution to the higher education of PRC in March 1996. He was named as the "Guangdong Province Excellent Young and Middle-aged Expert" by the People's Government of Guangdong Province in June 1996.

Prof. Yang obtained a bachelor's degree in process and equipment of machinery manufacturing from the Huazhong University of Science and Technology (formerly known as Huazhong Engineering Institute) in September 1976. Prof. Yang is the father-in-law of Mr. Wu, an executive Director of our Group.

Although Prof. Yang has passed his normal retirement age, the Directors consider that his health and physical condition is still fit for his role as the technical director of our Group to lead our research and development team. Apart from Prof. Yang, our Group currently has a product and development team in Guangzhou and a technical support team in Beijing comprising seven members and all of them have tertiary education background and possess relevant technological expertise. In addition, as disclosed in the section headed "Future Plans and Use of Proceeds", we intend to expand our research and development team by hiring more research and development staff (including junior and senior staff). The Directors are therefore confident that any retirement plan of Prof. Yang would not cause any material impact to our Group.

**Mr. Xu Wenming (許文明)**, aged 34, is the sales and marketing director of our Group. Mr. Xu joined our Group in December 2010 and had been the head of sales and marketing from December 2010 to December 2014 and was appointed as the deputy general manager of Quick Tech in January 2015. He is primarily responsible for the overall management of sales and



## DIRECTORS AND SENIOR MANAGEMENT

marketing activities and technical support of our Group. Under his leadership, he extended the market reach of our Group and established five new sales and marketing presence in China since 2010.

Mr. Xu has approximately 10 years of sales and marketing experience. Prior to joining our Group, from April 2008 to March 2010, he started his own trading business and was engaged in the sales of lighting solutions.

Mr. Xu obtained a bachelor's degree majoring in automation from Jiamusi University in 2006.

**Mr. Zou Cuimin (鄒璀璨)**, aged 39, is the financial director of our Group. Mr. Zou joined our Group in July 2016. He is primarily responsible for the overall management of financial and accounting affairs of our Group. Mr. Zou has approximately 13 years of experience in accounting and related financial management. Prior to joining our Group, from September 2008 to September 2011, he worked as the regional financial manager at Guangzhou Barloworld Logistics Company Limited, a logistics company. From October 2011 to September 2015, he worked as the financial controller of Zhujiang College of South China Agricultural University. From September 2015 to May 2016, he was the financial controller at Guizhou Honghua Convenience Shopping Chain Company Limited, a company engaging in the operation of convenience stores in the PRC, responsible for overall financial management of the company.

Mr. Zou obtained a bachelor's degree in management in June 2001 and a master's degree in management in 2004 from the Sun Yat-sen University. Mr. Zou is a certified public accountant in the PRC and is a fellow member (non-practising) of the Guangdong Provincial Institute of Certified Public Accountants.

### COMPANY SECRETARY

**Ms. Wong Sau Ping (黃秀萍)**, aged 43, was appointed as the company secretary of our Group on 26 September 2017. Since May 2013, Ms. Wong works as a senior manager of the listing services department of TMF Hong Kong Limited (a fellow subsidiary of KCS Hong Kong Limited). Ms. Wong is supported by a team of corporate secretarial personnel led by her in carrying out her duties. She has over 15 years of professional experience in the company secretarial field and has acquired extensive knowledge and experience in corporate governance and compliance affairs of listed companies. Prior to her appointment as company secretary, from April 2000 to March 2011, she worked as a manager of the corporate services department. From March 2011 to March 2013, she worked as a manager in the tax department.

Ms. Wong obtained a bachelor's degree in Business Administration and a master's degree in Professional Accounting and Information Systems. Ms. Wong is an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in United Kingdom.

### COMPLIANCE OFFICER

Ms. Liu has been appointed as the compliance officer of our Company on 26 September 2017. For her biographical information, please refer to the paragraph headed "Executive Directors" above in this section.

## **DIRECTORS AND SENIOR MANAGEMENT**

### **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

We have adopted the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules (the “**Corporate Governance Code**”).

We consider that having Mr. Wu acting as both our chairman and our chief executive officer will provide a strong and consistent leadership to us and allow for more effective planning and management for our Group. Pursuant to A.2.1 of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. However, in view of Mr. Wu’s extensive experience in the industry, personal profile and critical role in our Group and its historical development, we consider that it is beneficial to the business prospects of our Group that Mr. Wu continues to act as both our Chairman and our chief executive officer after the Listing.

Save as disclosed above, our Directors consider that, as at the Latest Practicable Date, our Company has fully complied with the applicable GEM Listing Rules.

### **BOARD COMMITTEES**

#### **Audit committee**

We established an audit committee on 26 March 2018 in compliance with the GEM Listing Rules. Written terms of reference in compliance with Rule 5.28 and paragraph C3.3 of the Corporate Governance Code 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 recommendation to the Board on the appointment and removal of external auditor; monitor the integrity of the financial statements, annual reports and interim reports and review significant financial reporting judgments contained in them; and oversee financial reporting system, risk management and internal control procedures. At present, our audit committee consists of three members who are Xing Shaonan, Tang Yong and Tan Michael Zhen Shan. Xing Shaonan is the chairman of the audit committee.

#### **Remuneration committee**

We established a remuneration committee on 26 March 2018 in compliance with the GEM Listing Rules. Written terms of reference in compliance with paragraph B1.2 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules has been adopted. The primary duties of the remuneration committee are mainly to make recommendation to our Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group; review remuneration proposals of the management with reference to our Board’s corporate goals and objectives; and ensure none of our Directors or any of their associates determine their own remuneration. At present, our remuneration committee consists of three members who are Tang Yong, Xing Shaonan and Ms. Liu. Tang Yong is the chairman of the remuneration committee.

## **DIRECTORS AND SENIOR MANAGEMENT**

### **Nomination committee**

We established a nomination committee on 26 March 2018. Written terms of reference in compliance with and paragraph A5.2 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules has been adopted. The primary duties of the nomination committee is to review the structure, size, composition and diversity of our Board and make recommendations to our Board on the selection of individuals nominated for directorships, appointment or re-appointment of Directors and succession planning for Directors. At present, our nomination committee consists of three members who are Mr. Wu, Tang Yong and Tan Michael Zhen Shan. Mr. Wu is the chairman of the nomination committee.

### **REMUNERATION POLICY**

Our Directors and senior management receive compensation in the form of salaries, benefits in kind and discretionary bonuses related to the performance of us. We also reimburse them for expenses which are necessarily and reasonably incurred for providing services to us or executing their functions in relation to our operations. We regularly review and determine the remuneration and compensation package of our Directors and senior management, by reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities of our Directors and our performance.

### **DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION DURING THE TRACK RECORD PERIOD**

For the years ended 31 March 2016, 2017 and the six months ended 30 September 2017, the aggregate remuneration paid and benefits in kind granted to our Directors by us and our subsidiaries was approximately HK\$0.3 million, HK\$0.4 million and HK\$0.2 million, respectively.

Save as disclosed in the above, no other emoluments have been paid, or are payable, by us to our Directors in respect of the years ended 31 March 2016, 2017 and the six months ended 30 September 2017.

Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and benefits in kind receivable by, our Directors for the year ending 31 March 2018 will be approximately HK\$0.3 million.

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

For additional information on Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, please refer to the Accountant's Report set out in Appendix I to this prospectus.

## DIRECTORS AND SENIOR MANAGEMENT

### SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. For details of the Share Option Scheme, please refer to the section headed “Statutory and General Information — Other Information — 13. Share Option Scheme” in Appendix IV to this prospectus.

### COMPLIANCE ADVISER

We have appointed RaffAello 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, the compliance adviser will advise us in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- (c) where we propose to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- (d) where the Stock Exchange makes any inquiry of us regarding unusual movements in the price or trading volume of the Shares.

The term of the appointment shall commence on the Listing Date and end on the date on which we distribute our annual report 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.

## SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, as at the Latest Practicable Date and immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme), the following persons will have an interest or short position in our Shares or the underlying Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

Name of Shareholder	Capacity/nature of interest	As at the Latest Practicable Date		Immediately following completion of the Capitalisation Issue and the Share Offer	
		Number of Shares or securities held <sup>(1)</sup>	Approximate percentage of shareholding	Number of Shares or securities held <sup>(1)</sup>	Approximate percentage of shareholding
IFG Swans	Beneficial owner	97,981	97.98%	293,940,000	73.485%
Mr. Wu <sup>(2)</sup>	Interest in a controlled corporation	97,981	97.98%	293,940,000	73.485%

*Notes:*

- (1) All interests stated are long positions.
- (2) Mr. Wu is the sole shareholder of IFG Swans which will hold 293,940,000 Shares immediately following completion of the Capitalisation Issue and the Share Offer. Under the SFO, Mr. Wu is deemed to be interested in the Shares held by IFG Swans. Ms. Yang Ying is the spouse of Mr. Wu and is deemed to be interested in the Shares indirectly held by Mr. Wu through IFG Swans.

Save as disclosed above, the Directors are not aware of any person who will, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme), have an interest or a short position in our Shares or the underlying Shares which will be required to be disclosed to our Company and the Stock Exchange 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 our Company or any other member of our Group.

Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

## SHARE CAPITAL

The table below sets out the information with respect to the share capital of our Company immediately following completion of the Capitalisation Issue and the Share Offer.

US\$

### Authorised share capital:

5,000,000,000	Shares of US\$0.0001 each	<u>500,000</u>
		<u>500,000</u>

Without taking into account any Shares that may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme, our issued share capital immediately following completion of the Capitalisation Issue and the Share Offer will be as follows:

US\$

### Shares issued and to be issued, fully paid or credited as fully paid:

100,000	Shares in issue as at the Latest Practicable Date	10
299,900,000	Shares to be issued pursuant to the Capitalisation Issue	29,990
<u>100,000,000</u>	Shares to be issued pursuant to the Share Offer	<u>10,000</u>
<u>400,000,000</u>		<u>40,000</u>

## ASSUMPTIONS

The above tables take no account of (a) any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme; or (b) any Shares which may be issued or repurchased by our Company pursuant to the general mandate given to our Directors to issue or repurchase Shares as described below.

## MINIMUM PUBLIC FLOAT

According 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 our Company's issued share capital in the hands of the public.

## RANKING

The Offer Shares will rank pari passu in all respects with all other existing Shares in issue as described in this prospectus, and in particular, will be entitled to all dividends and other distributions which may be declared, paid or made on the Shares in respect of a record date which falls after the date of this prospectus save for the entitlements under the Capitalisation Issue.

## SHARE CAPITAL

### SHARE OPTION SCHEME

We conditionally adopted the Share Option Scheme on 26 March 2018. Under the Share Option Scheme, the eligible participants of the scheme, including, among others, directors, full-time employees of our Company or our subsidiaries, may be granted options which entitle them to subscribe for our Shares, when aggregated with options which may be granted under any other scheme, representing initially not more than 10% of the number of our Shares in issue on the Listing Date. Further details of the terms of the Share Option Scheme are summarised in the paragraph headed “Statutory and General Information — Other Information — 13. Share Option Scheme” in Appendix IV to this prospectus.

### GENERAL MANDATE

Subject to, among other things, the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with (otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any dividend in accordance with the Articles, or pursuant to the exercise of any options which may be granted under the Share Option Scheme, or under the Capitalisation Issue or the Share Offer) an aggregate number of Shares not exceeding the sum of (a) 20% of the aggregate number of issued Shares immediately following completion of the Capitalisation Issue and the Share Offer (but excluding any Shares which may be allotted and issued upon exercise of any options which may be granted under the Share Option Scheme); and (b) the aggregate number of Shares which may be repurchased by our Company under the repurchase mandate referred in the paragraph headed “Repurchase Mandate” in this section of the prospectus.

This general mandate will expire:

- (i) at the conclusion of our Company’s next annual general meeting; or
- (ii) the date by which the next annual general meeting of our Company is required by the Articles, the Companies Law or any applicable law(s) to be held; or
- (iii) the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors;

whichever is the earliest.

For further details of the general mandate, please see the paragraph headed “Statutory and General Information — Information about our Company — 3. Resolutions passed in a meeting of the Shareholders held on 26 March 2018” in Appendix IV to this prospectus.

## SHARE CAPITAL

### REPURCHASE MANDATE

Subject to, among other things, the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all powers of our Company to repurchase Shares in the number not more than 10% of the aggregate number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer (but excluding any Shares which may be allotted and issued upon exercise of any options which may be granted under the Share Option Scheme).

This repurchase mandate relates only to repurchases made on the Stock Exchange or on any other stock exchange on which our Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and the requirements of the GEM Listing Rules. Further information required by the Stock Exchange to be included in this prospectus regarding the repurchase of Shares is set out in the paragraph headed “Statutory and General Information — Information about our Company — 7. Securities repurchase mandate” in Appendix IV to this prospectus.

This Repurchase Mandate will expire:

- (i) at the conclusion of our Company’s next annual general meeting; or
- (ii) the date by which the next annual general meeting of our Company is required by the Articles, the Companies Law or any applicable law(s) to be held; or
- (iii) the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors;

whichever is the earliest.

For further information about this repurchase mandate, please see the paragraph headed “Statutory and General Information — Information about our Company — 3. Resolutions passed in a meeting of the Shareholders held on 26 March 2018” in Appendix IV to this prospectus.

### CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company has only one class of shares, namely ordinary shares, each of which ranks pari passu with the other shares.

Pursuant to the Companies Law and the terms of the Memorandum and the Articles, our Company may from time to time by ordinary resolution of Shareholders (i) increase its authorised share capital; (ii) consolidate and divide its authorised share capital into shares of larger amount; (iii) divide its shares into several classes; (iv) sub-divide its shares into shares of smaller amount; and (v) cancel any shares which have not been taken. In addition, our Company may, subject to the provisions of the Companies Law, reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution. For further details, please refer to



## SHARE CAPITAL

the paragraph headed “Summary of the Constitution of the Company and Cayman Islands Company Law — 2. Articles of Association — (a) Shares — (iii) Alteration of capital” in Appendix III to this prospectus.

Pursuant to the Companies Law and the terms of the Memorandum and the Articles, if at any time the share capital of our Company is divided into different classes of shares, all or any of the special rights attached to our Shares or any class of our 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 meeting of the holders of the Shares of that class. For further details, please refer to the paragraph headed “Summary of the Constitution of the Company and 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.

## FINANCIAL INFORMATION

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our financial information for each of the two years ended 31 March 2016, 2017 and the six months ended 30 September 2017, including the notes thereto, as set out in the Accountant's Report in Appendix I to this prospectus. Our financial information has been prepared in accordance with HKFRS.*

*The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis 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, our actual results may differ significantly from those projected in the forward-looking statements. Factors that may cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed elsewhere in this prospectus, particularly in the sections headed "Risk Factors" and "Forward-looking Statements".*

### OVERVIEW

We are a smart manufacturing solutions provider focusing on precision 3D testing solutions and precision machining solutions in China. According to Frost & Sullivan, in 2016, we were the second largest smart manufacturing solutions provider of industrial precision 3D testing and precision machining solutions, in terms of revenue, in China with a market share of 4.6%. For further details, please refer to the section headed "Industry Overview" in this prospectus. We provide these solutions to serve the needs of high-end equipment manufacturers, most of which are state-owned enterprises which require a high level of precision in the manufacture of their industrial products in the aviation, aerospace, shipbuilding, ground transportation vehicles and electronics industries. We established our business in 2008 and operate our business principally through four operating subsidiaries, namely Hong Kong Cheng Phong, Bow Chak, MGW Swans and Quick Tech.

### BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on 23 June 2017. We underwent the Reorganisation, pursuant to which our Company became the holding company of the companies now comprising our Group. Immediately prior to and after the Reorganisation, our business is mainly conducted through our PRC, Hong Kong and BVI Subsidiaries which were controlled by Mr. Wu. Our Company has not been involved in any other business prior to the Reorganisation and the Reorganisation involves no change in management or the ultimate owner of our business. Accordingly, the financial information of the companies now comprising our Group has been prepared and presented as a continuation of our business, with the assets and liabilities of our Group recognised and measured at the carrying amounts of our business for all years and periods presented.

## FINANCIAL INFORMATION

### KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our financial condition and results of operations are affected by a number of factors, including those set out below:

#### **Demand of customers in target industries**

Our business is affected by the general market demand for smart manufacturing solutions, in particular demand from high-end equipment manufacturers in the aviation, aerospace, shipbuilding, ground transportation vehicles and electronics industries. Since our end customers are mainly state-owned enterprises in China, their development plan and budget are largely affected by changes in relevant PRC government policies. For the years ended 31 March 2016, 2017 and the six months ended 30 September 2017, our revenue amounted to HK\$26.0 million, HK\$43.5 million and HK\$9.1 million, respectively, representing an increase of 67.5% and 2.4% for the respective periods. Such growth was attributable to the increasing customer demand for our smart manufacturing solutions, which we believe has been driven in part by the relevant PRC government policies such as the “Smart Manufacturing Development Plan” and “Made in China 2025”. We believe our customers’ development and procurement plans have been, and may likely continue to be, driven by PRC government policies governing the smart manufacturing industry and the high-end equipment manufacturing industry. Our results of operations will be affected by our ability to seize opportunities from, and respond competitively to, potential changes in government policies.

#### **Mix of solutions**

We principally provide precision 3D testing and precision machining solutions to high-end equipment manufacturers in China. During the Track Record Period, the gross profit margin for precision 3D testing solutions was 48.6%, 76.0% and 70.8% for the years ended 31 March 2016, 2017 and the six months ended 30 September 2017, respectively, and the gross profit margin for precision machining solutions was 23.1%, 34.5% and nil for the respective periods. Precision 3D testing solutions generally have a higher gross profit margin than precision machining solutions as the technology involved in precision 3D testing is more advanced than precision machining and therefore the market price and profit return for precision 3D testing are higher. The majority of our revenue was derived from the precision 3D testing during the Track Record Period and we expect our revenue generated from precision 3D testing solutions will grow at a faster pace than precision machining solutions in the foreseeable future. Our profitability and financial performance may fluctuate from time to time depending on changes in our solutions mix.

#### **Competitiveness in product design and technologies**

We design, develop and provide smart manufacturing solutions to our customers. We believe our capability to maintain quality solution design and know-how on relevant technologies is key to the success of our business. We have accumulated strong know-how and are dedicated to developing different smart manufacturing applications and solution design to enhance the adaptability and quality of our solutions. However, as existing competitors may introduce new technologies or provide more competitive offerings and more companies may enter the market to compete with us, competition may intensify in the future and may have an influence on our

## FINANCIAL INFORMATION

competitiveness and market share. As a result, our ability to offer competitive solution design and up-to-date technologies and compete effectively with our existing and new competitors will have a significant impact on our results of operations.

### **Pricing and cost of machinery, auxiliary tools and software**

Our results of operations are affected by our ability to price our solutions at desired levels and by fluctuation in our costs of machinery, auxiliary tools and software. Our pricing and bargaining power can be affected by market factors such as competition from other solutions providers, as well as changes in demand for our smart manufacturing solutions. In addition, changes in the market prices of our machinery, auxiliary tools and software, which constitute a substantial part of our cost of sales, may also affect our profitability if we cannot or do not pass on all of the difference in cost to our customers.

### **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. The preparation of our consolidated financial statements also requires management to make judgments, estimates and assumptions based on historical experience and various other factors that management believes to be reasonable under the circumstances. Our significant accounting policies and critical accounting estimates and judgments, which are important for an understanding of our financial condition and results of operations, are set out in further details in notes 2 and 4 to the Accountant's Report included in Appendix I to this prospectus. We set out below those accounting policies that we believe are of critical importance to us or involve the most significant estimates and judgments used in the preparation of our financial statements:

#### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and is stated net of discounts, returns and sales related taxes. We recognize revenue from (i) sales of equipment (such as machinery, auxiliary tools and software) and (ii) technical services, in accordance with HKFRS. Revenue is recognized from sales of equipment in addition to technical services, because we mainly procure equipment for our customers and we are the principal in the customer contracts. More specifically, we have taken into account the following considerations:

- we are independently responsible for the selection of the supplier and the certain type of equipment that is suitable for the solution to be provided to the customer;
- we are the primary obligor in the customer contract and are responsible for providing the equipment rather than the supplier;
- we have latitude in negotiating and establishing the price of the equipment with the customer;
- we bear the inventory risk since the shipment arrangement is instructed and controlled by us, even though the equipment is normally delivered directly to the end customer; and

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- we bear the credit risk if the customer fails to settle its bills.

We recognise revenue when (i) the amount of revenue can be reliably measured; (ii) it is probable that future economic benefits will flow to the entity; and (iii) specific criteria have been met for each of our activities, as described below:

- revenue from sales of equipment (as a part of a solution) is recognised when we have transferred the significant risks and rewards of ownership of the goods to the customer and the collectability of the related receivables is reasonably assured; and
- revenue from service fee on providing technical services (as a part of a solution) is recognised as revenue when the services are rendered.

### **Impairment of financial assets**

We assess at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in our consolidated statement of comprehensive income. We may measure impairment on the basis of an instrument's fair value using an observable market price. If, in a subsequent period, the amount of the impairment loss decreases because of an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

### **Taxes**

Tax expense for a period comprises current and deferred tax.

Current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where our subsidiaries operate and generate taxable income. We periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. We establish provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates and laws that

## FINANCIAL INFORMATION

have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Significant judgment is required in determining the provision for income taxes. There are many transactions during the ordinary course of business for which the tax determination and calculations are uncertain and the final tax outcome may differ from the amounts initially recorded. Any such difference will impact the income tax and deferred tax provision in the year in which such determination is made.

### DESCRIPTION OF SELECTED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME LINE ITEMS

#### Revenue

Revenue represents our income derived from the provision of smart manufacturing solutions. During the Track Record Period, we derived revenue from the following types of solutions: (i) precision 3D testing solutions, which comprised static 3D scanning and dynamic 3D scanning, and (ii) precision machining solutions. Typically, we recognise 85% to 90% of the contract value for a project as revenue upon shipment of the machinery. It then generally takes five months for system installation, debugging and final acceptance by the customer before we recognise the remaining 10% to 15% of the contract value.

During the Track Record Period, we derived the majority of our revenue from precision 3D testing solutions. The following table sets out the breakdown of our revenue by solution type in terms of absolute amount and as a percentage of total revenue and the gross profit margin for each solution type for the periods indicated:

	Year ended 31 March						Six months ended 30 September					
	2016			2017			2016			2017		
	% of total Revenue	Gross Profit Margin	Revenue	% of total Revenue	Gross Profit Margin	Revenue	% of total Revenue	Gross Profit Margin	Revenue	% of total Revenue	Gross Profit Margin	
HK\$'000	%	HK\$'000	%	%	HK\$'000	%	%	HK\$'000	%	%		
	(Unaudited)											
<b>Precision 3D testing solutions:</b>												
Static 3D scanning	6,622	25.5	59.0	18,605	42.8	75.1	3,965	44.5	72.3	8,485	92.9	69.1
Dynamic 3D scanning	<u>7,906</u>	<u>30.5</u>	39.8	<u>7,201</u>	<u>16.5</u>	78.5	—	—	—	<u>648</u>	<u>7.1</u>	93.4
Overall precision 3D testing solutions	14,528	56.0	48.6	25,806	59.3	76.0	3,965	44.5	72.3	9,133	100.0	70.8
<b>Precision machining solutions</b>	<u>11,435</u>	<u>44.0</u>	23.1	<u>17,686</u>	<u>40.7</u>	34.5	<u>4,954</u>	<u>55.5</u>	10.7	—	—	—
<b>All solutions</b>	<u>25,963</u>	<u>100.0</u>	37.4	<u>43,492</u>	<u>100.0</u>	59.1	<u>8,919</u>	<u>100.0</u>	38.1	<u>9,133</u>	<u>100.0</u>	70.8

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The following table sets out the breakdown of our revenue by nature for the periods indicated:

	Year ended 31 March		Six months ended 30 September	
	2016	2017	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(Unaudited)	
<b>Precision 3D testing solutions:</b>				
Sales of equipment	13,287	23,300	3,224	6,894
Technical services	1,241	2,506	741	2,239
	14,528	25,806	3,965	9,133
<b>Precision machining solutions:</b>				
Sales of equipment	10,387	16,127	4,954	—
Technical services	1,048	1,559	—	—
	11,435	17,686	4,954	—
	25,963	43,492	8,919	9,133

According to the unaudited management accounts of our Group for the three years ended 31 March 2015, we had recorded significant increase in revenue. Our revenue continued to grow during the Track Record Period as driven by a combination of favourable factors below:

**(i) Continual research and development effort of the Group**

We aim to enhance our core competitiveness by staying close with the market and our customer's needs and therefore have undertaken many research and development activities on technology applications and new auxiliary tools design throughout the years. We have been focusing on the research and development of smart manufacturing solutions since 2010. During this ramp-up period, we had made significant investment in research and development by collaborating with tertiary institutions and their professionals which had successfully led to the enhancement of our research and development capabilities.

We started to cooperate with a professor from a technological university in Singapore since 2014 on different projects to enhance our technical capability. We also have a technical cooperation relationship with South China University of Technology in China in 2009 and have successfully invented three intellectual properties with them which became our registered patents in 2016 and largely enhanced our technical capability. As at the Latest Practicable Date, we had eight registered patents and five pending invention patent registrations. These intellectual properties were widely applied on our solutions which have enhanced our competitiveness.

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### *(ii) Expansion of regional salesforce*

Since potential customers are scattered in different provinces in China, an extensive market reach is critical for our business. We initially focused on the markets in Guangzhou and Beijing and have over the years expanded our sales and marketing presence to Xi'an, Chongqing, Changsha, Nanjing and Changchun. With our increasing regional salesforce and sales and marketing efforts, we have successfully enhanced our sales volume and expanded our business.

### *(iii) Increased customer recognition*

We have been focusing on providing high quality smart manufacturing solutions to high-end equipment manufacturers in selected industries. With almost ten years of experience, we have gradually accumulated an extensive knowledge pool and have built our brand recognition among high-end equipment manufacturers in China. The increased customer recognition facilitates our exploration of new customers and we are able to obtain more orders through customers' referral. For the year ended 31 March 2017 and the six months ended 30 September 2017, we have obtained nine and two new end customers which brought revenue in the total amount of HK\$23.9 million and HK\$6.9 million, respectively, to us.

### *(iv) Expansion in downstream industries*

We have successfully entered into the aerospace industry in 2013 and aviation industry in 2014, and further expanded our business in these industries by obtaining six new end customers for the year ended 31 March 2017. Since aviation and aerospace industries are one of the key industries under the PRC government policies for smart manufacturing, our entry and expansion into these downstream industries expanded our customer base and we expect to explore more potential customers in these industries.

### *(v) Rapid growth of selected industries*

With the national strategy such as "the 13th Five-year plan for national scientific and technological innovation" in upgrading the overall equipment manufacturing industry, high-end equipment manufacturing industries such as aviation and aerospace have boosted up in a rapid rate. According to Frost & Sullivan, China's industrial precision 3D testing and precision machining solution market has flourished in the past five years due to growing demand in downstream industries. Revenue for the aviation manufacturing industry and aerospace manufacturing industry has grown at CAGRs of 26.3% and 33.2%, respectively, from 2012 to 2016, and is expected to grow at CAGRs of 25.1% and 30.6%, respectively, from 2016 to 2021. We have been focusing on providing smart manufacturing solutions to these key industries such as aviation, aerospace, shipbuilding, ground transportation vehicles and electronics industries and our business is therefore favoured by these government policies and rapid growth of these industries.



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### Cost of sales

Cost of sales represents costs and expenses directly attributable to the provision of our solutions and consist of (i) costs of machinery, auxiliary tools and software, (ii) staff costs, (iii) transportation insurance and (iv) others. The following table sets out the breakdown of cost of sales in terms of absolute amount and as a percentage of total cost of sales for the periods indicated:

	Year ended 31 March				Six months ended 30 September			
	2016		2017		2016		2017	
	<i>% of</i>	<i>% of</i>	<i>% of</i>	<i>% of</i>	<i>% of</i>	<i>% of</i>	<i>% of</i>	<i>% of</i>
	<i>total cost</i>	<i>total cost</i>	<i>total cost</i>	<i>total cost</i>	<i>total cost</i>	<i>total cost</i>	<i>total cost</i>	<i>total cost</i>
	<i>of sales</i>	<i>of sales</i>	<i>of sales</i>	<i>of sales</i>	<i>of sales</i>	<i>of sales</i>	<i>of sales</i>	<i>of sales</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					(Unaudited)			
Cost of components:								
Machinery	14,760	90.7	16,065	90.4	4,792	86.8	2,048	76.8
Auxiliary tools	437	2.7	452	2.5	300	5.4	—	—
Software	488	3.0	309	1.7	—	—	—	—
Staff costs	386	2.4	633	3.6	256	4.7	273	10.2
Transportation insurance	26	0.2	35	0.2	33	0.6	72	2.7
Others	168	1.0	283	1.6	140	2.5	274	10.3
	<u>16,265</u>	<u>100.0</u>	<u>17,777</u>	<u>100.0</u>	<u>5,521</u>	<u>100.0</u>	<u>2,667</u>	<u>100.0</u>

For the years ended 31 March 2016, 2017 and the six months ended 30 September 2017, the cost of machinery constituted 90.7%, 90.4% and 76.8% of our total cost of sales, respectively. The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the cost of machinery on our gross profit and gross profit margin during the Track Record Period. Fluctuations are assumed to be 10%, 15% and 20% for the years indicated, which correspond to the range of historical fluctuations in the price of our machinery procured during the Track Record Period and the average market price of international brands of machinery that we generally procured for the past five years.

	Year ended 31 March		Six months ended
	2016	2017	30 September 2017
	%	%	%
<b>Percentage change in gross profit:</b>			
10% increase in machinery price	-15.2	-6.2	-3.2
15% increase in machinery price	-22.8	-9.4	-4.8
20% increase in machinery price	-30.4	-12.5	-6.3
<b>Gross profit margin:</b>			
Actual	37.4	59.1	70.8
10% increase in machinery price	31.7	55.4	68.6
15% increase in machinery price	28.8	53.6	67.4
20% increase in machinery price	26.0	51.7	66.3

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The following table sets out the breakdown of cost of sales by solution type in terms of absolute amount and as a percentage of total cost of sales for each solution type for the periods indicated:

	Year ended 31 March				Six months ended 30 September			
	2016		2017		2016		2017	
	<i>% of total cost of sales</i>	<i>% of total cost of sales</i>	<i>% of total cost of sales</i>	<i>% of total cost of sales</i>	<i>% of total cost of sales</i>	<i>% of total cost of sales</i>	<i>% of total cost of sales</i>	<i>% of total cost of sales</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Precision 3D testing solutions:</b>								
Static 3D scanning	2,717	16.7	4,638	26.1	1,098	19.9	2,624	98.4
Dynamic 3D scanning	4,757	29.2	1,550	8.7	—	—	43	1.6
Overall for precision 3D testing solutions	7,474	45.9	6,188	34.8	1,098	19.9	2,667	100.0
<b>Precision machining solutions</b>	8,791	54.1	11,589	65.2	4,423	80.1	—	—
<b>All solutions</b>	16,265	100.0	17,777	100.0	5,521	100.0	2,667	100.0

### Gross profit and gross profit margin

The following table sets out the gross profit and gross profit margin by solution type and nature for the periods indicated:

	Year ended 31 March				Six months ended 30 September			
	2016		2017		2016		2017	
	<b>Gross Profit Margin</b>	<b>Gross Profit Margin</b>	<b>Gross Profit Margin</b>	<b>Gross Profit Margin</b>	<b>Gross Profit Margin</b>	<b>Gross Profit Margin</b>	<b>Gross Profit Margin</b>	<b>Gross Profit Margin</b>
	<i>HK'000</i>	<i>%</i>	<i>HK' 000</i>	<i>%</i>	<i>HK'000</i>	<i>%</i>	<i>HK'000</i>	<i>%</i>
<b>Precision 3D testing solutions:</b>								
Sales of equipment	6,149	46.3	17,691	75.9	2,336	72.5	4,846	70.3
Technical services	905	72.9	1,927	76.9	532	71.8	1,620	72.3
	7,054	48.6	19,618	76.0	2,868	72.3	6,466	70.8
<b>Precision machining solutions:</b>								
Sales of equipment	1,840	17.7	4,910	30.4	530	10.7	—	—
Technical services	804	76.7	1,187	76.1	—	—	—	—
	2,644	23.1	6,097	34.5	530	10.7	—	—
	9,698	37.4	25,715	59.1	3,398	38.1	6,466	70.8

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During the Track Record Period, we continued to record increases in gross profit due to the combined effect of decreased market prices in machinery and better cost control as we benefited from a decrease in our cost of machinery procured from one major supplier. According to Frost & Sullivan, the market price of machinery decreased in 2016 as driven down by technology innovation and reduced reliance on import. In addition, we have a long and stable relationship with our major supplier, supplier G, and we believe our bargaining power has increased which resulted in the lower cost of machinery at which we procured from this supplier since 2016. Since machinery is our major cost of sales, our total cost of sales has therefore been significantly lowered.

### Selling and marketing expenses

Selling and marketing expenses include (i) costs of our sales and marketing staff, (ii) advertising and promotion fees, (iii) travelling expenses relating to sales and marketing activities, (iv) entertainment expenses and (v) office utilities relating to our sales and marketing operations. The following table sets out the breakdown of selling and marketing expenses for the periods indicated:

	Year ended 31 March		Six months ended 30 September	
	2016	2017	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(Unaudited)	
Staff costs	591	696	309	281
Advertising and promotion fees	—	—	—	240
Travelling expenses	129	346	196	184
Entertainment expenses	73	143	57	104
Office utilities	9	70	44	39
	802	1,255	606	848

### Administrative expenses

Administrative expenses include (i) listing expenses, (ii) professional fees, (iii) travelling expenses, (iv) outsourcing research and development expenses, (v) staff costs of our management, product research and development, administrative and finance staff, (vi) operating lease payments, (vii) entertainment expenses, (viii) office utilities and (ix) other miscellaneous administrative expenses, such as depreciation, amortisation, business tax and surcharges. During the Track Record

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Period, none of our research and development expenditures were capitalised. The following table sets out the breakdown of administrative expenses for the periods indicated:

	Year ended 31 March		Six months ended 30 September	
	2016	2017	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(Unaudited)	
Listing expenses	—	—	—	11,811
Professional fees	67	486	15	1,628
Travelling expenses	823	642	187	692
Outsourcing research and development expenses	1,779	1,593	820	671
Staff costs (including directors' emoluments)	398	837	276	502
Operating lease payments	256	356	205	245
Entertainment expenses	67	157	93	195
Office utilities	74	325	195	149
Other expenses	469	558	280	421
	3,933	4,954	2,071	16,314

### Income tax expense

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law and is exempted from the Cayman Islands income tax.

We operate our business principally through four operating subsidiaries, namely (i) Hong Kong Cheng Phong, which was incorporated in Hong Kong, (ii) Bow Chak, which was incorporated in Hong Kong, (iii) MGW Swans, which was incorporated in the BVI, and (iv) Quick Tech, which was established in the PRC.

Pursuant to the CIT Law and its implementation rules, Quick Tech was subject to the PRC corporate income tax at a standard rate of 25% on its estimated assessable profits during the Track Record Period. Quick Tech is in the process of applying to be recognised as a “High and New Technology Enterprise” in China and, upon successful recognition, will be able to enjoy a preferential tax rate of 15% for the specified years. However, we cannot assure you that we will certainly be granted such recognition. With respect to our non-PRC operating subsidiaries, each of Hong Kong Cheng Phong, Bow Chak and MGW Swans was deemed as a “non-resident enterprise” by the PRC tax authority for the PRC tax purposes in light of its principal business location in China. Each of these non-PRC operating subsidiaries was therefore subject to the PRC income tax at 25% on its profit sourced from the PRC, which was calculated on a deemed profit basis as 15% of revenue for the year. Based on the interviews conducted with the relevant competent PRC tax authority, our PRC Legal Adviser confirmed that the adoption of a “deemed profit basis” for our non-PRC operating subsidiaries by the PRC tax authority is a general practice for non-resident

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enterprises with difficulties in obtaining invoices in line with the applicable PRC laws and regulations in terms of format, and is mainly due to the difficulties in reconciling and accurately calculating the taxable income.

Hong Kong Cheng Phong and Bow Chak were deemed as “non-resident enterprise” by the PRC tax authority for the PRC tax purposes in August 2017 and have filed their PRC income tax filling to the PRC tax authority accordingly. However, as Hong Kong registered companies, Hong Kong Cheng Phong and Bow Chak have also filed the Hong Kong profits tax, and as at the Latest Practicable Date, Hong Kong Cheng Phong has made a total income tax payment amounted to HK\$1.9 million to the Hong Kong tax bureau, which may not be refundable. Considering that all of their revenue were derived out of Hong Kong and these income are subject to the PRC income tax, our Directors consider that neither Hong Kong Cheng Phong nor Bow Chak have any assessable profit in Hong Kong and will apply “offshore income” of Hong Kong profits tax filing in the coming year. As such, no provision for Hong Kong profits tax was provided, except to the extent of tax payment made by Hong Kong Cheng Phong to the Hong Kong tax bureau.

MGW Swans was incorporated in the BVI under the International Business Companies Act of the BVI and is exempted from the BVI income tax.

The following table sets out the breakdown of income tax expense for the periods indicated:

	<b>Year ended 31 March</b>		<b>Six months ended 30 September</b>	
	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(Unaudited)	
Current income tax:				
PRC corporate income tax	932	1,250	139	342
Others	487	1,020	—	—
Deferred income tax	(57)	(83)	56	(694)
	1,362	2,187	195	(352)

### **Profit for the year/period**

During the Track Record Period, we recorded net profit for each of the years ended 31 March 2016 and 2017 and net loss for the six months ended 30 September 2017. Our profit for the year was HK\$3.6 million and HK\$17.3 million for the years ended 31 March 2016 and 2017, respectively, and our loss for the period was HK\$10.3 million for the six months ended 30 September 2017. Prior to the Track Record Period, according to the unaudited management accounts of the Group, we recorded net profit for the year ended 31 March 2013 and net loss for each of the years ended 31 March 2014 and 2015. We had accumulated losses prior to and as at the beginning of the Track Record Period as, notwithstanding continued increases in revenue and gross profit prior to the Track Record Period, we had been in the ramp-up period and a significant amount of expenses had been spent on business development and research and development.

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### RESULTS OF OPERATIONS

The following table sets out our selected consolidated statement of comprehensive income data for the periods indicated:

	Year ended 31 March				Six months ended 30 September			
	2016		2017		2016		2017	
	<i>% of</i>	<i>% of</i>	<i>% of</i>	<i>% of</i>	<i>% of</i>	<i>% of</i>	<i>% of</i>	
	<i>total</i>	<i>total</i>	<i>total</i>	<i>total</i>	<i>total</i>	<i>total</i>	<i>total</i>	
	<i>HK\$'000</i>	<i>revenue</i>	<i>HK\$'000</i>	<i>revenue</i>	<i>HK\$'000</i>	<i>revenue</i>	<i>HK\$'000</i>	<i>revenue</i>
	(Unaudited)							
<b>Revenue</b>	25,963	100.0	43,492	100.0	8,919	100.0	9,133	100.0
Cost of sales	(16,265)	(62.6)	(17,777)	(40.9)	(5,521)	(61.9)	(2,667)	(29.2)
<b>Gross profit</b>	<u>9,698</u>	<u>37.4</u>	<u>25,715</u>	<u>59.1</u>	<u>3,398</u>	<u>38.1</u>	<u>6,466</u>	<u>70.8</u>
Selling and marketing expenses	(802)	(3.1)	(1,255)	(2.9)	(606)	(6.8)	(848)	(9.3)
Administrative expenses	(3,933)	(15.2)	(4,954)	(11.4)	(2,071)	(23.2)	(16,314)	(178.6)
Other gains/(losses) — net	<u>20</u>	<u>0.1</u>	<u>(62)</u>	<u>(0.1)</u>	<u>53</u>	<u>0.6</u>	<u>24</u>	<u>0.2</u>
<b>Operating profit/(loss)</b>	4,983	19.2	19,444	44.7	774	8.7	(10,672)	(116.9)
Finance income	<u>1</u>	<u>0.0</u>	<u>2</u>	<u>0.0</u>	<u>1</u>	<u>0.0</u>	<u>1</u>	<u>0.0</u>
<b>Profit/(Loss) before income tax</b>	4,984	19.2	19,446	44.7	775	8.7	(10,671)	(116.9)
Income tax (expense)/credit	(1,362)	(5.2)	(2,187)	(5.0)	(195)	(2.2)	352	3.9
<b>Profit/(loss) for the year/period</b>	<u><u>3,622</u></u>	<u><u>14.0</u></u>	<u><u>17,259</u></u>	<u><u>39.7</u></u>	<u><u>580</u></u>	<u><u>6.5</u></u>	<u><u>(10,319)</u></u>	<u><u>(113.0)</u></u>

### PERIOD TO PERIOD COMPARISON

#### Six months ended 30 September 2017 compared to six months ended 30 September 2016

##### Revenue

Revenue increased by 2.4% to HK\$ 9.1 million for the six months ended 30 September 2017 from HK\$8.9 million for the six months ended 30 September 2016. This increase was mainly attributable to an increase of HK\$5.2 million in sales of precision 3D testing solutions, partially offset by a decrease of HK\$5.0 million in sales of precision machining solutions.

*Precision 3D testing solutions.* Revenue from precision 3D testing solutions increased by 130.3% to HK\$9.1 million for the six months ended 30 September 2017 from HK\$4.0 million for the six months ended 30 September 2016. This increase was mainly attributable to an increase in the number and contract value of precision 3D testing solutions projects undertaken by us. For the six months ended 30 September 2016, we have carried out five projects while two of them were

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projects with lower contract prices as less services has been required. For the six months ended 30 September 2017, we have carried out seven projects and all of them were provision of precision 3D testing solutions of which the contract prices were higher.

*Precision machining solutions.* Revenue from precision machining solutions decreased by 100.0% to nil for the six months ended 30 September 2017 from HK\$5.0 million for the six months ended 30 September 2016 since we have been focusing on providing precision 3D testing solution and did not carry out any precision machining solutions projects for the six months ended 30 September 2017. During the six months ended 30 September 2017, we have been undergoing the process of optimising and modifying our precision machining solutions to enhance its level of precision and efficiency and therefore did not actively explore new customers for this solution. We have no intention to scale down our business on precision machining solutions and as at the Latest Practicable Date, we had already signed three memorandums of cooperation for precision machining solutions with different potential customers, which are expected to be carried out in 2018 and 2019.

### *Cost of sales*

Cost of sales decreased by 51.7% to HK\$2.7 million for the six months ended 30 September 2017 from HK\$5.5 million for the six months ended 30 September 2016. This decrease was mainly attributable to a decrease in cost of purchasing machinery as non-contact 3D optical scanner generally has a lower cost compared to customised CNC machining centre. For the six months ended 30 September 2016, we procured one non-contact 3D optical scanner and one customised CNC machining centre while for the six months ended 30 September 2017, we only procured two non-contact 3D optical scanners and therefore there was a decrease in cost of sales.

### *Gross profit and gross profit margin*

As a result of the foregoing, gross profit increased by 90.3% to HK\$6.5 million for the six months ended 30 September 2017 from HK\$3.4 million for the six months ended 30 September 2016. Our gross profit margin increased to 70.8% for the six months ended 30 September 2017 from 38.1% for the six months ended 30 September 2016, was primarily due to (i) a relatively low gross profit margin of precision machining solutions for the six months ended 30 September 2016 as we only provided one precision machining solution during the six months ended 30 September 2016 and it was provided with a discounted price mainly due to our efforts to gain market share by getting into the market using domestic machinery and (ii) an increase in the number of precision 3D testing solutions projects which has a higher gross profit margin than precision machining solution, coupled with a decrease in cost of machinery. The slight decrease in our overall gross profit margin of precision 3D testing solutions for the six months ended 30 September 2017 was mainly attributable to different technological requirements of the customers which lead to different contract prices of precision 3D testing solutions being carried out.

### *Selling and marketing expenses*

Selling and marketing expenses increased by 39.9% to HK\$0.8 million for the six months ended 30 September 2017 from HK\$0.6 million for the six months ended 30 September 2016. This increase was mainly attributable to (i) an increase of HK\$0.2 million in advertising and promotion fees as we have enhanced our marketing efforts.

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### *Administrative expenses*

Administrative expenses increased by 687.7% to HK\$16.3 million for the six months ended 30 September 2017 from HK\$2.1 million for the six months ended 30 September 2016. This increase was mainly attributable to (i) an increase of HK\$11.8 million in listing expenses; and (ii) an increase of HK\$1.6 million in professional fees mainly due to incurrence of some administrative fees for our Reorganisation.

### *Income tax expense*

We had an income tax credit for the period of HK\$0.4 million for the six months ended 30 September 2017 compared to an income tax expense for the period of HK\$0.2 million. This is primarily due to a loss recorded by our PRC subsidiary for the six months ended 30 September 2017. Our effective tax rate was calculated by dividing income tax expense by profit before income tax for the period and was 25.2% for the six months ended 30 September 2016.

### *Profit/Loss for the period*

As a result of the foregoing, we recorded a loss of HK\$10.3 million for the six months ended 30 September 2017 compared to a profit of HK\$0.6 million for the six months ended 30 September 2016. Our net profit margin decreased from 6.5% for the six months ended 30 September 2016 to a net loss margin of 113.0% for the six months ended 30 September 2017. However, excluding the one-off expenses in connection with the Listing (taking into account the relevant tax impact) of HK\$11.8 million, we would have recorded a profit of HK\$1.5 million and our net profit margin would have been 16.3% for the six months ended 30 September 2017.

## **Year ended 31 March 2017 compared to year ended 31 March 2016**

### *Revenue*

Revenue increased by 67.5% to HK\$43.5 million for the year ended 31 March 2017 from HK\$26.0 million for the year ended 31 March 2016. This increase was attributable to an increase of HK\$11.3 million in sales of precision 3D testing solutions, coupled with an increase of HK\$6.3 million in sales of precision machining solutions.

*Precision 3D testing solutions.* Revenue from precision 3D testing solutions increased by 77.6% to HK\$25.8 million for the year ended 31 March 2017 from HK\$14.5 million for the year ended 31 March 2016. This increase was mainly attributable to an increase in the number of precision 3D testing solutions projects undertaken by us, since we increased our sales and marketing efforts on precision 3D testing and the market demand for precision 3D testing increased generally during 2016 and 2017 as driven by China's policy of "Smart Manufacturing Development Plan (2016–2020)" and "Made in China 2025".

*Precision machining solutions.* Revenue from precision machining solutions increased by 54.7% to HK\$17.7 million for the year ended 31 March 2017 from HK\$11.4 million for the year ended 31 March 2016. This increase was primarily due to an increase in the number of completed precision machining solutions projects from two projects for the year ended 31 March 2016 to five projects for the year ended 31 March 2017.



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### *Cost of sales*

Cost of sales increased by 9.3 % to HK\$17.8 million for the year ended 31 March 2017 from HK\$16.3 million for the year ended 31 March 2016. This increase was mainly attributable to an increase in the number of projects performed which resulted in an increase in total cost of machinery as well as an increase in staff costs. However, our cost of sales for precision 3D testing solutions decreased by 17.2% from HK\$7.5 million for the year ended 31 March 2016 to HK\$6.2 million for the year ended 31 March 2017 primarily due to the lower cost of machinery procured for such solutions as we procured more machinery from a major supplier that sold the relevant machinery at lower prices as compared with other suppliers and the market price of precision testing machinery also decreased generally in 2016 due to technology innovation and domestic development in research and development which reduced reliance on import.

### *Gross profit and gross profit margin*

As a result of the foregoing, gross profit increased by 165.2% to HK\$25.7 million for the year ended 31 March 2017 from HK\$9.7 million for the year ended 31 March 2016. Our gross profit margin increased to 59.1% for the year ended 31 March 2017 from 37.4% for the year ended 31 March 2016, which was primarily due to a general increase in our contract prices coupled with a decrease in cost of machinery. Our contract prices increased as we had spent more efforts in research and development in order to provide quality solutions, while our average cost of sales decreased as we had enhanced our procurement cost control and lowered our cost of machinery for the year ended 31 March 2017. Our overall gross profit margin for precision 3D testing solutions increased to 76.0% for the year ended 31 March 2017 from 48.6% for the year ended 31 March 2016 primarily due to the lowered cost of sales. Our overall gross profit margin for precision machining solutions increased to 34.5% for the year ended 31 March 2017 from 23.1% for the year ended 31 March 2016 as (i) we had successfully entered the market using domestic machinery and managed to provide precision machining solutions using domestic machinery without discounting the price and (ii) we had also provided other precision machining solutions and services with a higher profit margin.

### *Selling and marketing expenses*

Selling and marketing expenses increased by 56.5% to HK\$1.3 million for the year ended 31 March 2017 from HK\$0.8 million for the year ended 31 March 2016. This increase was mainly attributable to (i) an increase in travelling expenses as we had more sales and marketing activities and (ii) an increase in our staff costs as we hired more sales and marketing staff.

### *Administrative expenses*

Administrative expenses increased by 26.0% to HK\$5.0 million for the year ended 31 March 2017 from HK\$3.9 million for the year ended 31 March 2016. This increase was mainly attributable to (i) an increase of HK\$0.4 million in staff costs primarily because we hired more management, administrative and finance staff to manage and support our business growth; (ii) an increase of HK\$0.4 million in professional fees as we incurred more service fee in connection with our increased participation in tender bidding and engaged more external technical consultancy services; and (iii) an increase of HK\$0.3 million in office utilities as we moved to a new office.

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### *Income tax expense*

Income tax expense increased by 60.6% to HK\$2.2 million for the year ended 31 March 2017 from HK\$1.4 million for the year ended 31 March 2016. This increase was primarily due to an increase in current income tax charge mainly as a result of the higher tax payment made to the Hong Kong tax authority that was attributable to the year ended 31 March 2017. Our effective tax rate was calculated by dividing income tax expense by profit before income tax for the year and was 27.3% and 11.2% for the years ended 31 March 2016 and 2017, respectively. The decrease in our effective income tax rate was mainly due to our improved profitability while most of our income were subject to the PRC income tax on a “deem profit basis” at a fixed profit rate of 15% during the Track Record Period.

For the years ended 31 March 2016 and 2017, our tax payables were higher than our income tax expenses as we claimed our PRC income tax expenses for Hong Kong Cheng Phong, Bow Chak and MGW Swans, since their establishment, of which approximately HK\$1.4 million were income tax expenses attributable for periods before 1 April 2015 and therefore recorded as tax payables and retained earnings in the statement of financial position. We have settled such income tax payables in September 2017.

### *Profit for the year*

As a result of the foregoing, profit increased by 376.5% to HK\$17.3 million for the year ended 31 March 2017 from HK\$3.6 million for the year ended 31 March 2016. Net profit margin increased to 39.7% for the year ended 31 March 2017 from 14.0% for the year ended 31 March 2016, primarily as a result of the increase in gross profit margin notwithstanding the increases in administrative expenses and selling and marketing expenses for the year ended 31 March 2017.

## **LIQUIDITY AND CAPITAL RESOURCES**

Our principal cash requirements during the Track Record Period were to pay for working capital needs. We met these cash requirements by relying on our cash at banks and on hand such as the initial investment and advances from our Controlling Shareholders and net cash inflows from operating activities as our principal sources of funding. We generally rely on our cash at banks and on hand to pay the advances to our suppliers upon signing of supplier contracts which generally constitute 10% to 30% of the contract value and our remaining payment obligations are generally supported by cash inflow from our customers through letters of credit. We are able to support our working capital requirement during the Track Record Period by (i) managing the timing of the projects especially the shipment timeframe and (ii) managing our progress payments without violating the contract terms through negotiation with suppliers. Following the completion of the Share Offer, we expect our principal cash requirements will continue to be for working capital needs, as well as capital expenditures on equipment and intangible assets such as patents and computer software, and we intend to fund our cash requirements mainly through a combination of net cash flows from operating activities and net proceeds from the Share Offer.

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The following table sets out our selected consolidated cash flow data for the periods indicated.

	Year ended 31 March		Six months ended 30 September	
	2016	2017	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(Unaudited)	
Cash generated from/(used in) operations before changes in working capital	4,996	19,529	781	(10,695)
Changes in working capital	2,475	(19,838)	(3,197)	17,962
Income tax paid	—	(1,927)	—	(3,911)
Net cash generated from/(used in) operating activities	7,471	(2,236)	(2,416)	3,356
Net cash used in investing activities	(6)	(263)	(222)	(33)
Net cash (used in)/generated from financing activities	(7,549)	2,119	405	(4,633)
Net decrease in cash and cash equivalents	(84)	(380)	(2,233)	(1,310)
Cash and cash equivalents at beginning of the year/period	2,845	2,750	2,750	2,311
Exchange losses/gains on cash and cash equivalents	(11)	(59)	(15)	64
Cash and cash equivalents at the end of the year/period	<u>2,750</u>	<u>2,311</u>	<u>502</u>	<u>1,065</u>

### Cash flows from operating activities

Cash flows from operating activities consist of profit before income tax adjusted for (i) certain non-cash or non-operating activities related items, which includes other losses or gains, amortisation and depreciation of equipment; (ii) the effect of changes in working capital; and (iii) income tax payment.

Net cash generated from operating activities for the six months ended 30 September 2017 was HK\$3.4 million which primarily reflected our loss before income tax of HK\$10.7 million as mainly positively adjusted for changes in working capital in the amount of HK\$18.0 million and negatively adjusted for tax payments of HK\$3.9 million. Such changes in working capital mainly consisted of (i) an decrease of HK\$14.8 million in trade receivables as all of our trade receivables resulting from shipment completion of the five projects in March 2017 had been settled in April 2017 and (ii) an increase of HK\$5.0 million in advance receipt and other payables due to unpaid listing expenses, partially offset by a decrease of HK\$0.9 million in trade payables as we have settled some of our trade payables as at 31 March 2017.

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Net cash used in operating activities for the year ended 31 March 2017 was HK\$2.2 million, which primarily reflected our profit before income tax of HK\$19.4 million as mainly negatively adjusted for changes in working capital in the amount of HK\$19.8 million and tax payments of HK\$1.9 million. Such changes in working capital mainly consisted of an increase of HK\$21.3 million in trade receivables as we completed shipment and recognised revenue for five projects in March 2017, partially offset by a decrease of HK\$3.8 million in prepayments as they were used to settle our payables with our collaboration partners and machinery suppliers upon completion of the projects.

Net cash generated from operating activities for the year ended 31 March 2016 was HK\$7.5 million, which primarily reflected our profit before income tax of HK\$5.0 million as positively adjusted for changes in working capital in the amount of HK\$2.5 million. Such changes in working capital mainly consisted of an increase of HK\$4.1 million in advance receipts and other payables primarily due to the advance payments received from a customer for certain new projects, partially offset by (i) an increase of HK\$1.3 million in trade receivables related to various projects delivered and (ii) an increase of HK\$1.3 million in prepayments mainly related to prepayments made to a machinery supplier for a project.

### **Cash flows from investing activities**

Net cash used in investing activities for the six months ended 30 September 2017 was approximately HK\$33,000. This was attributable to payment of equipment purchase such as laptops for our staff to support our business operations.

Net cash used in investing activities for the year ended 31 March 2017 was HK\$0.3 million. This was attributable to (i) payment of HK\$0.2 million for purchases of intangible assets such as patents from the South China University of Technology and (ii) payment of HK\$0.1 million for purchases of equipment such as office utilities and computers.

Net cash used in investing activities for the year ended 31 March 2016 was approximately HK\$6,000. This was attributable to payment for equipment purchase such as computers to support our business operations.

### **Cash flows from financing activities**

Net cash used in financing activities for the six months ended 30 September 2017 amounted to HK\$4.6 million, which was mainly attributable to net payment to a related party of HK\$4.1 million as our Company further settled some of the amounts due to Mr. Wu and made payment for listing expenses amounted to HK\$1.8 million, partially offset by proceeds of HK\$1.3 million from issuance of new shares.

Net cash generated from financing activities for the year ended 31 March 2017 amounted to HK\$2.1 million, which was attributable to of an increase of HK\$17.2 million in amounts due to a related party as there was an increase in cash advances made by Mr. Wu on behalf of our Company for our business operations, partially offset by a decrease of HK\$15.1 million in amounts due to a related party as our Company settled some of the amounts due to Mr. Wu.

## FINANCIAL INFORMATION

Net cash used in financing activities for the year ended 31 March 2016 amounted to HK\$7.5 million, which was attributable to a decrease in amounts due to a related party as we settled some of the amounts due to Mr. Wu, partially offset by an increase of HK\$16.6 million in amounts due to a related party cash advances made by Mr. Wu on behalf of our company for our business operation.

### DESCRIPTION OF SELECTED CONSOLIDATED STATEMENT OF FINANCIAL POSITION ITEMS

#### Net current assets

The following table sets out our current assets, current liabilities and net current liabilities or assets as at the dates indicated:

	<u>As at 31 March</u>		<u>As at 30 September 2017</u>	<u>As at 31 January 2018</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> (unaudited)
<b>Current assets</b>				
Trade receivables	2,246	23,511	8,737	3,729
Amounts due from a related party	2,118	—	—	9,620
Other receivables	119	1,144	1,057	1,994
Prepayments	4,955	1,107	5,522	6,179
Restricted cash	—	469	915	942
Cash and cash equivalents	<u>2,750</u>	<u>2,311</u>	<u>1,065</u>	<u>797</u>
	<u>12,188</u>	<u>28,542</u>	<u>17,296</u>	<u>23,261</u>
<b>Current liabilities</b>				
Trade payables	533	2,182	1,287	1,310
Amounts due to a related party	4,643	4,644	590	11,491
Other payables	1,912	2,110	9,562	5,130
Advances from customers	4,039	1,405	1,464	1,545
Current income tax liabilities	<u>3,268</u>	<u>3,610</u>	<u>41</u>	<u>376</u>
	<u>14,395</u>	<u>13,951</u>	<u>12,944</u>	<u>19,852</u>
<b>Net current (liabilities)/assets</b>	<u>(2,207)</u>	<u>14,591</u>	<u>4,352</u>	<u>3,409</u>

## FINANCIAL INFORMATION

We had net current liabilities as at 31 March 2016 and net current assets as at 31 March 2017, 30 September 2017 and 31 January 2018. Our net current assets position as at 31 March 2017, 30 September 2017 and 31 January 2018 was mainly attributable to our trade receivables, prepayments, other receivables and cash and cash equivalents, partially offset by our other payables, amounts due to a related party, advances from customers, trade payables and current income tax liabilities. Our net current assets decreased to HK\$3.4 million as at 31 January 2018 from HK\$4.4 million as at 30 September 2017, which was mainly attributable to the decrease in cash and cash equivalents due to payment of listing expenses. Our net current assets decreased to HK\$4.4 million as at 30 September 2017 from HK\$14.6 million as at 31 March 2017 primarily because of an increase in other payables as we had incurred but not yet paid certain listing expenses subsequent to 31 March 2017. Our net current assets amounted to HK\$14.6 million as at 31 March 2017, compared to net current liabilities of HK\$2.2 million as at 31 March 2016. This change was mainly attributable to an increase in our trade receivables due to completion of shipment and recognition of revenue for five projects in March 2017. Our net current liabilities position as at 31 March 2016 was mainly attributable to our current income tax liabilities of HK\$3.3 million, which were mainly provided for our Hong Kong and BVI operating subsidiaries as they were deemed as non-resident enterprises for PRC tax purposes in August 2017 and were therefore subject to PRC income tax for the prior years. All outstanding PRC income tax due for our Hong Kong and BVI operating subsidiaries was fully paid in September 2017.

### Trade receivables

Trade receivables represent the amounts receivable from customers in connection with our sales of solutions to customers. Our customers typically settle the amounts due by letters of credit. We generally require our customers to deliver a letter of credit to us prior to the date of shipment, pursuant to which we are entitled to receive payment of 85% to 90% of the contract value upon shipment of machinery. The remaining 10 % to 15% of the contract value will be paid upon receipt of the final acceptance certificate. The following table sets out our trade receivables as at the dates indicated:

	<b>As at 31 March</b>		<b>As at 30 September</b>
	<b>2016</b>	<b>2017</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	2,246	23,511	8,737

The increase in trade receivables from HK\$2.2 million as at 31 March 2016 to HK\$23.5 million as at 31 March 2017 was primarily due to our completion of shipment and recognition of revenue for five projects in March 2017. Trade receivables attributable to these five projects amounted to HK\$19.4 million, or 82.6% of our total trade receivables as at 31 March 2017. As at 30 April 2017, HK\$19.4 million, or 100% of these trade receivables as at 31 March 2017 had been settled. Our total trade receivables decreased to HK\$8.7 million as at 30 September 2017 as most of the trade receivables as at 31 March 2017 were settled in April 2017.

## FINANCIAL INFORMATION

We seek to maintain strict control over our outstanding trade receivables. Overdue balances are reviewed regularly by senior management. The following table sets out an aging analysis of our trade receivables, based on the invoice date, as at the dates indicated and our average trade receivables turnover days for the periods indicated:

	<u>As at 31 March</u>		<b>As at</b> <b>30 September</b>
	<b>2016</b>	<b>2017</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	768	21,398	3,395
1 to 3 months	—	645	—
3 to 6 months	955	1,468	1,813
6 months to 1 year	<u>523</u>	<u>—</u>	<u>3,529</u>
	<u>2,246</u>	<u>23,511</u>	<u>8,737</u>
			<b>Six months</b> <b>ended</b>
	<u>Year ended 31 March</u>		<b>30 September</b>
	<b>2016</b>	<b>2017</b>	<b>2017</b>
Average trade receivables turnover days <sup>(1)</sup>	22.6	108.1	323.1

*Note:*

- (1) Average trade receivables turnover days for a given period is calculated by dividing the arithmetic mean of the opening and closing balances of trade receivables by revenue for such period and then multiplied by the number of days in such period.

Our trade receivables as at 30 September 2017 amounted to HK\$8.7 million, of which 38.9% was not yet due. As at 31 January 2018, HK\$5.0 million, or 57.5%, of our trade receivables as at 30 September 2017 had been settled.

As at 31 March 2016, 2017 and 30 September 2017, our trade receivables that were past due but not impaired amounted to HK\$1.5 million, HK\$2.1 million and HK\$5.3 million, respectively. These were related to a number of independent customers for whom we considered there was no significant financial difficulty and, based on our past experience, the overdue amount could be recovered. Please refer to Note 15 to the Accountant's Report in Appendix I to this prospectus for an aging analysis of these amounts.

Average trade receivables turnover days indicates the average time required for us to collect cash payments from sales. The increase in average trade receivables turnover days between the two years ended 31 March 2016 and 2017 was primarily due to the large amount of trade receivables recorded in March 2017 as we completed shipment and recognised revenue for five of our projects in that month.

## FINANCIAL INFORMATION

The significant increase in average trade receivables turnover days for the six months ended 30 September 2017 was primarily due to the revenue for the six months ended 30 September 2017 was relatively low since we typically record higher sales in the second half of our financial year and it has resulted in a higher trade receivables turnover days calculation.

### Trade and other payables

Trade payables represent the amounts due to our suppliers. Other payables represent accrued expenses, payroll payables and other tax liabilities. The following table sets out our trade payables and other payables as at the dates indicated:

	As at 31 March		As at
	2016	2017	30 September
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	533	2,182	1,287
Other payables:			
Accrued listing expenses	—	—	8,087
Accrued expenses	1,199	1,578	527
Payables to the owner of a group company	—	—	389
Payroll payables	671	361	384
Other tax liabilities	42	171	175
	1,912	2,110	9,562

The increase in trade payables from HK\$0.5 million as at 31 March 2016 to HK\$2.2 million as at 31 March 2017 was primarily due to an increase in payables in connection with our procurement of machinery, auxiliary tools and software as we had obtained more projects during the year ended 31 March 2017. Our trade payables decreased from HK\$2.2 million as at 31 March 2017 to HK\$1.3 million as at 30 September 2017 since we have settled most of the trade payables as at 31 March 2017 and we have only procured two machinery for the six months ended 30 September 2017. Our other payables increased from HK\$1.9 million as at 31 March 2016 to HK\$2.1 million as at 31 March 2017 primarily due to an increase in accrued expenses in connection with the transfer of three registered patents from South China University of Technology to us. Our other payables increased from HK\$2.1 million as at 31 March 2017 to HK\$9.6 million as at 30 September 2017 primarily due to the incurrence of listing expenses.



## FINANCIAL INFORMATION

Our machinery suppliers generally do not grant any credit term. We generally settle the amounts due by bank remittances or letters of credit. For payment by bank remittances, we typically have to pay 10% to 30% of the contract value in advance upon signing of a supplier contract, and the remaining amount is to be paid prior to shipment or upon delivery of the machinery. The following table sets out an aging analysis of our trade payables, based on the invoice date, as at the dates indicated and our average trade payables turnover days for the periods indicated:

	<b>As at 31 March</b>		<b>As at</b>
	<b>2016</b>	<b>2017</b>	<b>30 September</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<b>2017</b>
			<i>HK\$'000</i>
Within 30 days	—	1,649	277
1 to 3 months	533	—	—
3 to 6 months	—	—	333
6 to 12 months	—	—	144
1 to 2 years	—	533	533
	<u>533</u>	<u>2,182</u>	<u>1,287</u>
			<b>Six months</b>
			<b>ended</b>
	<b>Year ended 31 March</b>	<b>Year ended 31 March</b>	<b>30 September</b>
	<b>2016</b>	<b>2017</b>	<b>2017</b>
Average trade payables turnover days <sup>(1)</sup>	9.0	27.9	119.0

*Note:*

- (1) Average trade payables turnover days for a given period is calculated by dividing the arithmetic mean of the opening and closing balances of trade payables by cost of sales for such period and then multiplied by the number of days in such period.

Our trade payables as at 30 September 2017 amounted to HK\$1.3 million, of which 21.5% was aged within 30 days. As at 31 January 2018, HK\$0.3 million, or 21.5%, of our trade payables as at 30 September 2017 had been settled. We have trade payables of HK\$0.5 million aged over one year as at 31 March 2017, of which HK\$77,000 was payable to one supplier for a dynamic 3D scanning system and HK\$456,000 was payable to another supplier for another dynamic 3D scanning system. Such trade payables remained unsettled as at 30 September 2017 and 20 March 2018 since (i) the supplier has not sent us the invoices for payment of the HK\$77,000 and (ii) the trade payables of HK\$456,000 was warranty for the procured machinery which should only be settled two years upon final acceptance by the customers pursuant to the supply contract and such acceptance was happened in March 2017.

## FINANCIAL INFORMATION

Average trade payables turnover days indicates the average time required for us to make payments to suppliers. The increase in average trade payables turnover days between the two years ended 31 March 2016 and 2017 was primarily due to the large amount of trade payables recorded in early 2017 as we increased our procurement in early 2017 in preparation for the completion of shipment for five projects in March 2017. The increase in average trade payables turnover days for the six months ended 30 September 2017 was primarily due to the relatively low cost of sales for the six months ended 30 September 2017 since we procure the machinery by customer orders and we typically receive more orders in the second half of our financial year which resulted in a higher trade payables turnover days calculation.

### NO INDEBTEDNESS

Save as disclosed in the paragraph headed “Related party transactions and balances” in this section of the prospectus, we did not have any outstanding indebtedness as at 31 March 2016, 31 March 2017, 30 September 2017 and 31 January 2018. As at the Latest Practicable Date, we did not have any banking facilities, any unutilised banking facilities or any outstanding or authorised but unissued debt securities, term loans, other borrowings or indebtedness in the nature of borrowing, acceptance credits, hire purchase commitments, mortgages and charges, contingent liabilities or guarantees outstanding.

Our Directors confirmed that there is no material change in our indebtedness position since 30 September 2017 and up to the date of this prospectus.

### CAPITAL EXPENDITURES

We incur capital expenditures mainly for procuring or obtaining (i) intangible assets, including patents and computer software and (ii) equipment, including furniture and office equipment. The following table sets out our capital expenditures for the years indicated:

	<b>As at 31 March</b>		<b>As at</b>
	<b>2016</b>	<b>2017</b>	<b>30 September</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2017</i>
			<i>HK\$'000</i>
Additions of intangible assets	—	184	—
Additions of equipment	6	79	33
	6	263	33

For more information on the uses of capital expenditures on purchases of items of intangible assets and equipment during the Track Record Period, see the paragraph headed “Liquidity and capital resources — Cash flows from investing activities” in this section of the prospectus.

We currently expect our capital expenditures for the year ending 31 March 2018 to be HK\$0.5 million, which will be used mainly for procurement of certain equipment in connection with our research and development on automatic tooling fixture.

## FINANCIAL INFORMATION

### CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The following table sets out our contractual obligations and their payment schedule as at 30 September 2017:

	Payment schedule		Total
	No later than 1 year	Later than 1 year and no later than 5 years	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Minimum lease payments under non-cancellable operating leases	284	—	284

As at 30 September 2017, we leased from Independent Third Parties our office premises under certain operating lease arrangements. The lease term for these premises ranges from eight months to one year. The minimum lease payments which we had contracted for under non-cancellable operating leases as at 30 September 2017 were HK\$0.3 million.

### RELATED PARTY TRANSACTIONS AND BALANCES

During the Track Record Period, we had certain related party transactions in our normal course of business, including (i) compensation to key management; (ii) making advances to and receiving advances from Mr. Wu; and (iii) consideration payable to Mr. Wu in relation to the acquisition of his equity interest in Quick Tech by Hong Kong Zhi Phong. As at 31 March 2016, 31 March 2017, 30 September 2017 and 31 January 2018, the compensation paid to key management amounted to HK\$0.7 million, HK\$1.0 million, HK\$0.4 million and HK\$0.8 million, respectively. As at 31 March 2016, 31 March 2017, 30 September 2017 and 31 January 2018, the amounts due to Mr. Wu were HK\$4.6 million, HK\$4.6 million, HK\$0.6 million and HK\$11.5 million, respectively. The amounts due to Mr. Wu increased to HK\$11.5 million as at 31 January 2018 was mainly due to the cash advances from Mr. Wu for the listing expenses paid on behalf of our Group. As at 31 March 2016, 31 March 2017, 30 September 2017 and 31 January 2018, the amounts due from Mr. Wu were HK\$2.1 million, nil, nil and HK\$9.6 million, respectively. The amounts due from Mr. Wu increased to HK\$9.6 million as at 31 January 2018 was mainly due to certain cash advances provided to Mr. Wu. As at 31 March 2016, 31 March 2017, 30 September 2017 and 31 January 2018, the amounts due to Mr. Wu as the consideration payable in relation to the acquisition of his equity interest in Quick Tech by Hong Kong Zhi Phong were nil, nil, HK\$0.4 million and HK\$0.4 million, respectively. For more information, please refer to Note 27(c) to the Accountant's Report included in Appendix I to this prospectus.

Our Directors have confirmed that all related party transactions during the Track Record Period were conducted on normal commercial terms that are reasonable and in the interest of our Group as a whole. Our Directors have further confirmed that these related party transactions would not distort our results of operations for the Track Record Period or make our historical results not reflective of our future performance and all of the related party balances are non-trade in nature. All of the outstanding related party balances will be settled prior to the Listing.

## FINANCIAL INFORMATION

### CONTINGENT LIABILITIES

As at the Latest Practicable Date, we did not have any significant contingent liabilities or outstanding guarantees in respect of payment obligations of any third parties.

### OFF BALANCE SHEET ARRANGEMENTS

During the Track Record Period and as at the Latest Practicable Date, we had not entered into any off balance sheet arrangements.

Save as disclosed herein, we did not have any outstanding mortgages, charges, debentures, loan capital issued or agreed to be issued, bank overdrafts, loans and advances, debt securities borrowing or other similar indebtedness, finance lease commitments, hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees outstanding as at the Latest Practicable Date.

### SUFFICIENT WORKING CAPITAL

We had net current assets as at 31 January 2018. Our Directors have confirmed that we have sufficient working capital for our requirements for at least the next 12 months from the date of this prospectus, taking into account our cash flows from operating activities and the estimated net proceeds from the Share Offer.

### KEY FINANCIAL RATIOS

The following table sets out certain financial ratios relating to our Group as at the dates or for the periods indicated. No gearing ratio is presented as we had no net borrowings as at 31 March 2016 and 2017 and 30 September 2017<sup>(5)</sup>.

	<u>As at/year ended 31 March</u>		<b>As at/ six months ended</b>
	<u>2016</u>	<u>2017</u>	<u>30 September 2017</u>
Current ratio <sup>(1)</sup>	0.8	2.0	1.3
Quick ratio <sup>(2)</sup>	0.8	2.0	1.3
Return on assets (%) <sup>(3)</sup>	29.6	59.4	N/A
Return on equity (%) <sup>(4)</sup>	N/A	114.1	N/A

*Notes:*

- (1) Current ratio is calculated by dividing total current assets by total current liabilities as at the date indicated.
- (2) Quick ratio is calculated by dividing total current assets less inventories by total current liabilities as at the date indicated.
- (3) Return on assets is calculated by dividing net profit for the year by total assets as at the closing of the year and multiplied by 100%.

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- (4) Return on equity is calculated by dividing net profit for the year by total equity as at the closing of the year and multiplied by 100%.
- (5) Gearing ratio is calculated by dividing net borrowings (defined as borrowings less cash and cash equivalents) by total equity as at the date indicated and multiplied by 100%.

### Current and quick ratios

Our current ratio as at 31 March 2016, 2017 and 30 September 2017 was 0.8, 2.0 and 1.3, respectively, and our quick ratio as at those dates was 0.8, 2.0 and 1.3, respectively. Our quick ratio was the same as our current ratio as we had no inventories as at those dates. The increases in current and quick ratios for the two years ended 31 March 2016 and 2017 were primarily due to an increase in current assets primarily as a result of an increase in trade receivables from HK\$2.2 million as at 31 March 2016 to HK\$23.5 million as at 31 March 2017. The current and quick ratios decreased from 2.0 as at 31 March 2017 to 1.3 as at 30 September 2017 primarily due to a decrease in current assets as our trade receivables has decreased from HK\$23.5 million as at 31 March 2017 to HK\$8.7 million as at 30 September 2017, reflecting a large amount of trade receivables being settled in April.

### Return on assets

Our return on assets for the years ended 31 March 2016 and 2017 was 29.6% and 59.4%, respectively. The increase in return on assets was primarily attributable to a larger percentage increase in net profit than the percentage increase in total assets, which was primarily due to (i) the increase in revenue as the market demand for our solutions increased and (ii) an increase in gross profit due to our effort of cost control. This calculation is not applicable for the six months ended 30 September 2017 as (i) a calculation using profit for the period is not comparable to using profit for the year ; and (ii) the profit for the period cannot be meaningfully annualized due to the annual budget cycle of our customers and the incurrence of one-off listing expenses during the six months ended 30 September 2017.

### Return on equity

We had negative total equity as at 31 March 2016, which was mainly attributable to our accumulated losses of HK\$6.4 million as at 1 April 2015 since we had made significant investment in business development and research and development in the prior years when our business was still in the early development stage. Our return on equity for the year ended 31 March 2017 was 114.1% as we had net profit of HK\$17.3 million for the year ended 31 March 2017 and total equity of HK\$15.1 million as at 31 March 2017. Such positive total equity was mainly attributable to an increase of HK\$17.3 million in retained earnings for the year ended 31 March 2017. This calculation is not applicable for the six months ended 30 September 2017 as (i) a calculation using profit for the period is not comparable to using profit for the year and (ii) the profit for the period cannot be meaningfully annualized due to the annual budget cycle of our customers and the incurrence of one-off listing expenses during the six months ended 30 September 2017.

## QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

In the normal course of business, we are exposed to various types of market risk, credit risk and liquidity risk. Our Directors review and agree policies for managing each of these risks.

## FINANCIAL INFORMATION

### Market risk

Our market risk includes foreign exchange risk and cash flow interest rate risk.

*Foreign exchange risk.* Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. Our PRC subsidiary operates in the PRC with most of the transactions denominated and settled in Renminbi, which is the functional currencies of our PRC subsidiary. Therefore, our PRC subsidiary is not exposed to material foreign exchange risk. For our Hong Kong and BVI operating subsidiaries, their functional currencies are US dollars. As certain of their trade and other receivables, bank balances and trade and other payables are denominated in HK dollars or Euro, such currencies may cause those subsidiaries to be exposed to foreign exchange risk. Our Directors consider that there is no significant foreign exchange risk with respect to HK dollars, which are pegged to US dollars, and the foreign exchange risk mainly arises from the monetary assets and liabilities denominated in Euro. As at 30 September 2017, our monetary assets denominated in Euro amounted to HK\$0.6 million and our monetary liabilities denominated in Euro amounted to HK\$0.6 million. As at 30 September 2017, if Euro had weakened or strengthened by 8% against US dollars with all other variables held constant, our profit for the year would have been approximately HK\$4,000 higher or lower, respectively.

*Cash flow interest rate risk.* Our interest-bearing assets are mainly cash and cash equivalents. Our Directors consider the interest rate risk with respect to cash and cash equivalents to be insignificant to our Group.

### Credit risk

Credit risk mainly arises from cash and cash equivalents, restricted cash, trade receivables and other receivables. The carrying amount of these balances in our consolidated statement of financial position represents our maximum exposure to credit risk in relation to our financial assets. We have a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis.

The majority of our bank balances are placed in banks incorporated in the PRC which are reputable listed commercial banks or state-owned bank and listed banks incorporated in Hong Kong. We do not expect any losses from non-performance by these banks and financial institutions as they have no default history in the past.

In respect of trade receivables and other receivables, individual credit evaluations are performed on significant customers. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. We generally require customers to settle progress billings in accordance with contracted terms and other debts in accordance with agreements. Normally, we do not obtain collateral from customers.

Further quantitative disclosures in respect of trade receivables and other receivables are set out in Note 15 and 16 to the Accountant's Report included in Appendix I to this prospectus.

## FINANCIAL INFORMATION

### Liquidity risk

To manage liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance our operations and mitigate the effects of fluctuations in cash flows. For more analysis of the maturity profile of our non-derivative financial liabilities, please see Note 3.1.3 in the Accountant's Report included in Appendix I to this prospectus.

### DIVIDENDS

No dividend has been paid or declared by our Company since its establishment.

Declaration of dividends is subject to the discretion of our Directors, depending on our results of operations, working capital and cash position, future business and earnings, capital requirements, contractual restrictions, if any, as well as any other factors which our Directors may consider relevant. In addition, any declaration and payment as well as the amount of the dividends will be subject to the provisions of (i) our Articles, which require any final dividends to be declared by our Shareholders at a general meeting, and (ii) the Companies Law, which provides that dividends may be paid out of the profits of a company or out of sums standing to the credit of its share premium account. Our dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Company in the future. Any future declarations and payments of dividends will be at the discretion of our Directors and may require the approval of our Shareholders. Under applicable PRC law, our subsidiary in the PRC may only distribute after-tax profits after it has made allocations or allowances for recovery of accumulated losses and allocations to the statutory reserves.

### DISTRIBUTABLE RESERVES

As at 30 September 2017, our Company had reserves in the amount of HK\$8.6 million available for distribution to our Shareholders.

### LISTING EXPENSES

During the Track Record Period, we had incurred listing expenses of HK\$15.7 million, of which HK\$11.8 million was charged to our consolidated statement of comprehensive income and the remaining amount of HK\$3.9 million was recorded as prepayments which is to be net off with share premium after the Listing. We expect to further incur listing expenses (including underwriting commissions) of approximately HK\$15.8 million (based on the mid-point of our indicative price range for the Share Offer and without taking into account any discretionary incentive fees, if applicable) by the completion of the Share Offer, of which an estimated amount of approximately HK\$10.7 million will be charged to our consolidated statement of comprehensive income for the year ending 31 March 2018 and an estimated amount of approximately HK\$5.1 million will be capitalised.

## FINANCIAL INFORMATION

### UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement relating to our adjusted net tangible assets prepared in accordance with Rule 7.31 of the GEM Listing Rules is for illustrative purposes only and is set out below to illustrate the effect of the Share Offer on our net tangible assets attributable to the owners of our Company as at 30 September 2017 as if the Share Offer had taken place on that date. Because of its hypothetical nature, the following unaudited pro forma statement may not give a true picture of our net tangible assets attributable to the owners of our Company as at 30 September 2017 or as at any subsequent date.

	<b>Audited consolidated net tangible assets attributable to owners of the Company as at 30 September 2017<sup>(1)</sup> HK\$'000</b>	<b>Estimated net proceeds from the Share Offer<sup>(2)</sup> HK\$'000</b>	<b>Unaudited pro forma adjusted net tangible assets attributable to owners of the Company<sup>(3)</sup> HK\$'000</b>	<b>Unaudited pro forma adjusted net tangible assets per Share HK\$</b>
Based on an Offer Price of HK\$0.55 per Offer Share	5,300	35,840	41,140	0.10
Based on an Offer Price of HK\$0.85 per Offer Share	5,300	64,790	70,090	0.18

*Notes:*

1. The audited consolidated net tangible assets attributable to owners of the Company as at 30 September 2017 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to owners of the Company as at 30 September 2017 of HK\$5,609,000 with an adjustment for intangible assets as at 31 March 2017 of HK\$309,000.
2. The estimated net proceeds from the Share Offer are based on 100,000,000 Offer Shares and the indicative Offer Price of HK\$0.55 and HK\$0.85 per Offer Share, being low and high end of the indicative Offer Price range, respectively, after deduction of the underwriting commissions and other estimated expenses (excluding listing expenses of approximately HK\$11.8 million which have been accounted for in the consolidated statements of comprehensive income during the Track Record Period).
3. The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 400,000,000 Shares were in issue assuming that the Share Offer and Capitalisation Issue had been completed on 30 September 2017 but takes no account of any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme or any Shares which may be granted and issued or repurchased by the Company pursuant to the General Mandate to issue shares or General Mandate to repurchase shares as described in the section headed "Share Capital" in this prospectus.
4. No adjustment has been made to the unaudited pro forma adjusted net tangible assets per Share to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2017.



## FINANCIAL INFORMATION

### RECENT DEVELOPMENTS AND MATERIAL ADVERSE CHANGE

Subsequent to 30 September 2017 (being the date of our latest audited consolidated balance sheet as set out in the Accountant's Report in Appendix I to this prospectus) and as at 31 January 2018, our business continued to record relatively strong performance. In terms of operations, we had expanded our team size by hiring six employees in total for our sales and marketing team, administration team and research and development team subsequent to 31 March 2017. With the expansion of our team size, we seek to further grow our business operations and enhance our research and development capabilities.

As at 20 March 2018, we had 10 on-going projects on precision 3D testing solutions with a total outstanding contract value of HK\$16.4 million, of which HK\$12.9 million and HK\$3.5 million are expected to be recognised for the year ending 31 March 2018 and 2019, respectively, and we have one on-going project on precision machining with a total outstanding contract value of HK\$1.0 million which is expected to be recognised for the year ending 31 March 2019. We expect our revenue of the precision machining solutions will decline for the year ending 31 March 2018 as we have placed more focuses on providing precision 3D testing solution for the six months ended 30 September 2017 mainly due to its higher profit margin and we have been undergoing the process of optimizing and modifying our precision machining solutions to enhance its level of precision and efficiency and therefore did not actively explore new customers for this solution. We have no intention to scale down our business on precision machining solutions and did not turn down any precision machining solution project or quotation invitation during the six months ended 30 September 2017. As at the Latest Practicable Date, we had already signed three memorandums of cooperation for precision machining solutions with different potential customers, which are expected to be carried out in 2018 and 2019. Nevertheless, such memorandums of cooperation were not legal binding and may not be materialised. According to Frost & Sullivan, the market demand for both precision 3D testing solutions and precision machining solutions are increasing and the total revenue is expected to grow at a CAGR of 18.6% from 2016 to 2021 which our Directors believe will have a positive impact on our business growth.

Our Directors confirmed that there has been no material adverse change in our business or financial condition since 30 September 2017 and up to the date of this prospectus.

Notwithstanding that there has been no material adverse change in our business, we expect to record a net loss for the year ending 31 March 2018, primarily due to the listing expenses to be charged to our consolidated statement of comprehensive income, as well as the expected decrease in revenue from precision machining solutions as compared to the year ended 31 March 2017. We estimate total payments of listing expenses of approximately HK\$31.5 million to be made for the year ending 31 March 2018, the majority of which will constitute cash outflows from operating activities and will consequently have a negative impact on our cash flows from operating activities for the year ending 31 March 2018. We expect a significant decrease in net profit for the year ending 31 March 2019 as compared to the year ending 31 March 2018 (excluding the Listing expenses) primarily due to an expected increase in expenses for (i) professional fees such as audit services and compliance services for our Group upon Listing, (ii) selling and marketing expenses in relation to organisation of seminars, participation in exhibitions and engagement of professional

## **FINANCIAL INFORMATION**

brand operating company and (iii) administrative expenses in relation to our establishment of research and development centres and recruitment of more administrative staff as well as appointment of Independent non-executive Directors.

### **NO MATERIAL ADVERSE CHANGE**

Our Directors have confirmed that, since 30 September 2017 and up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects and no event has occurred that would materially and adversely affect the information shown in our consolidated financial statements set out in the Accountant's Report included in Appendix I to this prospectus.

### **NO ADDITIONAL DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES**

Our Directors have confirmed that, as at the Latest Practicable Date, there were no circumstances which would have given rise to any disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules had the Shares been listed on the Hong Kong Stock Exchange on that date.

## FUTURE PLANS AND USE OF PROCEEDS

### BUSINESS OBJECTIVE AND STRATEGIES

Our principal business objective is to be a first class smart manufacturing solutions provider in the PRC. Please refer to the section headed “Business — Business Strategies” in this prospectus for our business objective and strategies.

### Market Outlook

As disclosed in the section headed “Industry Overview” in this prospectus, the revenue of the smart manufacturing industry has been growing for the past years and is expected to continue to grow from 2016 to 2021 at a CAGR of 18.6%.

As confirmed by Frost & Sullivan, precision 3D testing and precision machining solutions market has a promising future and it is anticipated that the revenue of smart manufacturing solutions is likely to grow from 2017 to 2020 in China due to the following:

- **Favourable governmental policies:** the State Council has promulgated a series of policies that favour the development of the industrial precision 3D testing and precision machining solutions market, such as the “Smart Manufacturing Development Plan (2016 — 2020)” and “Made in China 2025”. Those governmental policies set a mid to long-term goal for the smart manufacturing industry and help create a favourable environment to all related industries. For details, please refer to the section headed “Industry Overview — Overview of the industrial precision 3D testing and precision machining solutions market in China — Governmental policies and regulations” in this prospectus. The favourable governmental policies on industrial precision 3D testing and precision machining solutions have benefited our growth in revenue during the Track Record Period and are expected to continue to benefit our business growth since there will be a large increase in the demand of smart manufacturing solutions from downstream industries, such as aviation, aerospace, shipbuilding, ground transportation vehicles and electronics industries, as confirmed by Frost & Sullivan. These policies facilitate the development of smart equipment and key common technologies, such as smart manufacturing supporting software, CAX (Computer Aided X) software and 3D design and modelling software, and promote smart transformation in small and medium-sized companies. As a result, smart manufacturing solutions are expected to be widely applied in more sectors in traditional manufacturing industry and more companies ranging from large to small and medium-sized ones. We, as a smart manufacturing solutions provider, are expected to be benefited from such increase in market demand and further development of smart equipment and key common technologies.
- **Growing unmet demand from downstream industries:** the performance of the solutions market largely depends on the demand of its downstream industries. The unmet demand from the downstream industries such as aviation and aerospace is one major market driver that leads to the fast growth of the industrial precision 3D testing and precision machining solutions market in recent years.

## FUTURE PLANS AND USE OF PROCEEDS

- **Increasing urbanisation:** The increasing urbanisation knocks out the outdated labour-intensive manufacturing and promotes industrial upgrading. Consequently, advanced technology such as precision 3D testing will penetrate into high-end equipment manufacturing industry following the trend of industrial upgrading, which drives the future growth of the industrial precision 3D testing and precision machining solutions market.
- **Growing national expenditure on research and development of high-end equipment manufacturing:** The PRC government has realised the shortage of production capacity and the manufacturing technology, especially in the field of high-end equipment manufacturing. Consequently, the PRC government has significantly increased national expenditures on research and development in various fields, such as the aviation and aerospace manufacturing industries, in order to achieve the goal of enhancing comprehensive national strength.
- **Private capital investment in related industries:** many high-end equipment manufacturers affiliated with state-owned giant manufacturers went public in the past decades to raise private capital. Capital investment promotes the development of those companies and the whole high-end equipment manufacturing industry as well.

Based on the confirmation from Frost & Sullivan, our Directors believe that there is an optimistic future growth of the market and by continuing our strength through implementing our business strategies and future plans, our business will continue to grow.

### IMPLEMENTATION PLANS

In pursuance of the business objective and strategies set out above, our implementation plans are set out below from the Listing Date to 30 September 2018 and for each of the six-month periods until 31 March 2020. Investors should note that the following implementation plans are formulated on the bases and assumptions referred to in the paragraph headed “Bases and assumptions” below. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors set out in the section headed “Risk Factors” in this prospectus. There is no assurance that our business objectives will be achieved or our business plans will be implemented according to the estimated time frame or at all.

## FUTURE PLANS AND USE OF PROCEEDS

### For the period from the Listing Date to 30 September 2018

<b>Business Strategies</b>	<b>Implementation activities</b>	<b>Source of funding</b>
<p>Keep abreast of the latest technological changes relevant to our industry, maintain our technology advantages and promote our integrated smart manufacturing solutions</p>	<ul style="list-style-type: none"> <li>— Organise a total of four seminars for our major end customers in our second and third quarter of 2018, to share our latest technical know-how and industrial experience, obtaining latest market information as well as promoting our integrated smart manufacturing solutions. Two seminars will be for 8–12 people and two seminar will be for 15–20 people. Each seminar shall last for three to five days.</li>   <li>— Engage professional brand operating company to assist with our brand promotion and marketing activities</li>   <li>— Participate in international exhibition to keep abreast of the latest technological changes and promote our integrated smart manufacturing solutions</li> </ul>	<p>To be funded by net proceeds from the Share Offer of approximately HK\$1.2 million</p>
<p>Establish our own research and development facilities</p>	<ul style="list-style-type: none"> <li>— Conduct research and development on automatic tooling fixture, automated robotics 3D scanning system and automatic machining and testing system for smart manufacturing. Automatic tooling fixture can automatically position, move, clamp and remove the workpiece and achieve automatic clamping of scanning object. It is mainly applied on precision testing solution for static 3D scanning. Automated robotics 3D scanning system is an integrated system that combines the benefits of 3D optical scanning and industrial robotics which can make 2D or 3D comparison between the physical model and theoretical model of the components and produce a testing report as well as designing automatic testing procedure. It is mainly applied on 3D scanning and automated testing of complex and irregular parts. Automatic machining and testing system for smart manufacturing is a software that can automatically form a scanning path for the testing objects as well as preventing the interference of robotics motions and can also adjust the scanning path manually. It is mainly applied on automated precision testing.</li> </ul>	<p>To be funded by net proceeds from the Share Offer of approximately HK\$5.0 million</p>

## FUTURE PLANS AND USE OF PROCEEDS

### Business Strategies

### Implementation activities

### Source of funding

- Establish our research and development centres in Beijing and Guangzhou and purchase equipment. Our Beijing research and development centre will focus on research and development in technical support, as well as implementation and maintenance of solutions and our Guangzhou research and development centre will focus on research and development in solution design and technology applications. Our Beijing and Guangzhou research and development centres with different focuses are expected to be complementary to each other. The total capital expenditures for each of the Beijing and Guangzhou research and development centres are expected to be HK\$1.5 million and HK\$2.1 million, respectively.
- Renovate the newly established research and development centre
- Recruit two intermediate and two senior research and development staff to expand our research and development team and enhance our research and development capabilities. Intermediate research and development staff should acquire Master's degree or above with one to two years of related working experience in mechanical, software or electronics industry and should be responsible for both research and development activities and designing solutions for customers. Senior research and development staff should acquire Doctor's degree or above with two years of related working experience in mechanical, software or electronics industry and should be responsible for both research and development activities and designing solutions for customers. The annual staff cost for the additional research and development staff is expected to be approximately HK\$0.9 million.
- Provide internal and external training to our existing research and development staff

## FUTURE PLANS AND USE OF PROCEEDS

<b>Business Strategies</b>	<b>Implementation activities</b>	<b>Source of funding</b>
<p>Expand our business operations by increasing our team size, enhancing our internal management ability and expanding our offices and sales coverage</p>	<ul style="list-style-type: none"> <li>— Establish an office in Xi'an and Chongqing</li> <li>— Recruit one sales and marketing staff for each of the Xi'an and Chongqing office</li> <li>— Continue to enhance our sales ability by maintaining the frequency of visiting end customers three times per month by each of our sales and marketing staff scattered in the two sales offices and provide relevant transportation and entertainment advances</li> <li>— Purchase and build our integrated business information system Enterprise Resource Planning, "ERP", which will be used to manage our business and automate many back office function such as marketing and sales, product management, finance and human resources.</li> <li>— Expand our Hong Kong office by leasing larger office premises</li> <li>— Recruit one staff for each of our finance, internal audit, human resources and administrative department</li> <li>— Provide internal and external trainings for our management</li> </ul>	<p>To be funded by net proceeds from the Share Offer of approximately HK\$2.2 million</p>

## FUTURE PLANS AND USE OF PROCEEDS

**For the six months ending 31 March 2019**

<b>Business Strategies</b>	<b>Implementation activities</b>	<b>Source of funding</b>
<p>Keep abreast of the latest technological changes relevant to our industry, maintain our technology advantages and promote our integrated smart manufacturing solutions</p>	<ul style="list-style-type: none"> <li>— Organise a total of four seminars for our major end customers in our fourth quarter of 2018 and first quarter of 2019, to share our latest technical know-how and industrial experience, obtaining latest market information as well as promoting our integrated smart manufacturing solutions. One seminar will be for 8–12 people, one seminar will be for 10–15 people and two seminars will be for 15–20 people. Each seminar shall last for three to five days.</li> <li>— Continue to engage professional brand operating company to assist with our brand promotion and marketing activities</li> <li>— Participate in international exhibition to keep abreast of the latest technological changes and promote our integrated smart manufacturing solutions</li> </ul>	<p>To be funded by net proceeds from the Share Offer of approximately HK\$1.2 million</p>
<p>Establish our own research and development facilities</p>	<ul style="list-style-type: none"> <li>— Continue the research and development on automatic tooling fixture, automated robotics 3D scanning System, automatic machining and testing system for smart manufacturing, and conduct further research and development on adaptive automatic control system and image processing software. Adaptive automatic control system is an one-stop automatic system that can conduct precision testing through robotics clamping of 3D optical scanner and workpiece fixing turntable, then compare the collected data and adjust the margin of the processing by software and transfer the parts for automatic processing. It is mainly applied on smart manufacturing of complex rough parts, castings and large workpieces. Image processing software is a software that automatically identify and calculate the marker points in the image and embed both the marker points and the workpiece position in an image for analysis and generate a report. It is mainly applied on dynamic 3D scanning solutions.</li> <li>— Maintain the research and development centres in Beijing and Guangzhou and continue to purchase equipment</li> <li>— Provide internal training to our existing research and development staff</li> </ul>	<p>To be funded by net proceeds from the Share Offer of approximately HK\$5.6 million</p>



## FUTURE PLANS AND USE OF PROCEEDS

<b>Business Strategies</b>	<b>Implementation activities</b>	<b>Source of funding</b>
Expand our business operations by increasing our team size, enhancing our internal management ability and expanding our offices and sales coverage	<ul style="list-style-type: none"> <li>— Establish an office in Changsha, Changchun and Nanjing</li> <li>— Recruit one sales and marketing staff for each of the Changsha, Changchun and Nanjing office</li> <li>— Continue to enhance our sales ability by maintaining the frequency of visiting end customers three times per month by each of our sales and marketing staff scattered in the five sales offices and provide relevant transportation and entertainment advances</li> <li>— Further expand our Hong Kong office by leasing larger premises to cope with our business expansion</li> <li>— Recruit an administrative assistant for the Hong Kong office</li> <li>— Maintain our “ERP” system</li> <li>— Provide internal training for our management</li> </ul>	To be funded by net proceeds from the Share Offer of approximately HK\$2.5 million

### **For the six months ending 30 September 2019**

<b>Business Strategies</b>	<b>Implementation activities</b>	<b>Source of funding</b>
Keep abreast of the latest technological changes relevant to our industry, maintain our technology advantages and promote our integrated smart manufacturing solutions	<ul style="list-style-type: none"> <li>— Organise a total of four seminars for our major end customers in our second and third quarter of 2019, to share our latest technical know-how and industrial experience, obtaining latest market information as well as promoting our integrated smart manufacturing solutions. Two seminars will be for 10–15 people and two seminars will be for 18–22 people. Each seminar shall last for three to five days.</li> <li>— Continue to engage professional brand operating company to assist with our brand promotion and marketing activities</li> <li>— Participate in local and international exhibition to keep abreast of the latest technological changes and promote our integrated smart manufacturing solutions</li> </ul>	To be funded by net proceeds from the Share Offer of approximately HK\$1.4 million

## FUTURE PLANS AND USE OF PROCEEDS

Business Strategies	Implementation activities	Source of funding
Establish our own research and development facilities	— Complete the research and development on automatic tooling fixture and launch this technology to our solutions in third quarter of 2019.	To be funded by net proceeds from the Share Offer of approximately HK\$5.0 million
	— Continue the research and development on automated robotics 3D scanning system, automatic machining and testing system for smart manufacturing, adaptive automatic control system and image processing software	
	— Maintain our new research and development centres in Beijing and Guangzhou and continue to purchase equipment	
	— Recruit three junior, two intermediate and two senior research and development staff to expand our research and development team and enhance our research and development capabilities. Junior research and development staff should acquire Bachelor's degree in mechanical, electrical engineering, software engineering related professionals and should be responsible for both research and development activities and designing solutions for customers. The annual staff cost for the additional research and development staff is expected to be approximately HK\$1.2 million.	
	— Provide internal and external training to our existing research and development staff	
	— Register patents for the new technology	
Expand our business operations by increasing our team size, enhancing our internal management ability and expanding our offices and sales coverage	— Establish an office in Baotou and Taiyuan	To be funded by net proceeds from the Share Offer of approximately HK\$2.9 million
	— Recruit two sales and marketing staff for each of the Baotou and Taiyuan office	
	— Continue to enhance our sales ability by maintaining the frequency of visiting end customers three times per month by each of our sales and marketing staff scattered in Beijing and seven sales offices and provide relevant transportation and entertainment advances	
	— Provide internal and external trainings for our management	
	— Maintain our “ERP” system	

## FUTURE PLANS AND USE OF PROCEEDS

### For the six months ending 31 March 2020

<b>Business Strategies</b>	<b>Implementation activities</b>	<b>Source of funding</b>
<p>Keep abreast of the latest technological changes relevant to our industry, maintain our technology advantages and promote our integrated smart manufacturing solutions</p>	<ul style="list-style-type: none"> <li>— Organise a total of four seminars for our major end customers in fourth quarter of 2019 and first quarter of 2020, to share our latest technical know-how and industrial experience, obtaining latest market information as well as promoting our integrated smart manufacturing solutions. One seminar will be for 8–12 people, one seminar will be for 10–15 people and two seminars will be for 18–22 people. Each seminar shall last for three to five days.</li> <li>— Continue to engage professional brand operating company to assist with our brand promotion and marketing activities</li> <li>— Participate in local and international exhibition to keep abreast of the latest technological changes and promote our integrated smart manufacturing solutions</li> </ul>	<p>To be funded by net proceeds from the Share Offer of approximately HK\$2.1 million</p>
<p>Establish our own research and development facilities</p>	<ul style="list-style-type: none"> <li>— Complete the research and development on automated robotics 3D scanning system, automatic machining and testing system for smart manufacturing, adaptive automatic control system and image processing software and launch these technologies to our solutions in first quarter of 2020.</li> <li>— Maintain our research and development centres in Beijing and Guangzhou</li> <li>— Provide internal training to our existing research and development staff</li> <li>— Register patents for the new technologies</li> </ul>	<p>To be funded by net proceeds from the Share Offer of approximately HK\$2.8 million</p>
<p>Expand our business operations by increasing our team size, enhancing our internal management ability and expanding our offices and sales coverage</p>	<ul style="list-style-type: none"> <li>— Continue to enhance our sales ability by maintaining the frequency of visiting end customers three times per month by each of our sales and marketing staff scattered in the seven sales offices and provide relevant transportation and entertainment advances</li> <li>— Provide internal training for our management</li> <li>— Maintain our “ERP” system</li> </ul>	<p>To be funded by net proceeds from the Share Offer of approximately HK\$2.8 million</p>

## FUTURE PLANS AND USE OF PROCEEDS

### BASES AND ASSUMPTIONS

Potential investors should note that the attainability of our business objective and strategies depend on a number of bases and assumptions, in particular:

- we will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which our future plans relate;
- there will be no material changes in the funding requirement for each of our Group's future plans described in this prospectus from the amount as estimated by our Directors;
- there will be no material changes in the existing laws and regulations, or other governmental policies relating to our Group, or in the political, economic or market conditions in which our Group operates;
- there will be no material changes in the bases or rates of taxation in those countries in which our Group operates;
- the Share Offer will be completed in accordance with and as described in the section headed "Structure and Conditions of the Share Offer" in this prospectus;
- there will be no significant changes in the interest rates or the foreign currency exchange rates from those currently prevailing;
- our Group will be able to retain key personnel in the management and the main operational departments;
- our Group will be able to obtain new customers or retain our customers and suppliers;
- there will be no disasters, natural, political or otherwise, which would materially disrupt our Group's businesses or operations; and
- our Group will not be materially and adversely affected by any risk factors set out in the section headed "Risk Factors" in this prospectus.

### REASONS FOR THE LISTING

We aim to be a first class smart manufacturing solutions provider in China. Our directors believe that the Listing would be instrumental in enabling us to achieve our business strategies and provide us with the following:

#### **Broader access to capital for future growth**

The Listing can provide access for our Company to raise fund not only initially from the Share Offer but also potentially from future issuances of equity or debt securities after the Listing. As disclosed in the section headed "Business — Business Strategies" in this prospectus, we intend to keep abreast of the latest technological changes relevant to our industry and maintain our technology advantages, establish our own research and development facilities, expand our business

## **FUTURE PLANS AND USE OF PROCEEDS**

operations by increasing our team size and expanding our sales coverage and develop integrated smart manufacturing solutions, and all of the above expansion plans require heavy capital investment and resources.

Based on our management estimates, the average level of monthly cash outflow for our Group's daily operations is approximately HK\$2.4 million, which mainly include staff costs, travelling expenses, research and development expenses, advertising and promotion fees and operating lease payments. Although we currently have sufficient internal cash flow to maintain our Group's daily operations, it would be difficult for us to utilise our existing cash inflow generated from our sales revenue to fund any further expansion plans without exploring more alternative financing sources. Our Directors are of the view that since it may take an extended period of time to generate additional cash internally and it may raise additional operational cost from the expansion plan, the flexibility of being able to use a wider range of financing sources will benefit our Group and will enable us to implement any future expansion plans more readily and in a timely manner.

The Listing can provide us with external financial resources from the Share Offer as well as broadening our shareholder base and provide us with the flexibility to adjust our capital structure from time to time, through accessing a wider spectrum of fund raising venue, including debt and equity raising, and negotiating more favorable terms of financing from financial institutions as and when considered appropriate, which in turn will enable us to implement any future expansion plans and better withstand external shocks and market fluctuations.

### **Enhance our corporate profile, brand recognition and market position**

The industrial precision 3D testing and precision machining solutions market in China is highly competitive and relatively confined. Since most of our end customers are state-owned enterprises which require us to obtain our customer contracts through public tendering, our reputation and corporate profile are very important as they are often one of the selection criteria in the scoring system of our potential customers. We believe that the Listing can enhance our corporate profile, brand recognition and market position, which would add to our leverage in obtaining more customers or bidder qualifications as well as provide greater confidence to our customers and suppliers and thus enhance our competitiveness within this industry. The enhanced corporate profile can also potentially lead to more business opportunities to the Group as our Company will be more visible and approachable to potential customers who are interested to have smart manufacturing as driven by the PRC government policies. This is of significant importance since we intend to expand our sales network and geographical presence in China and an enhanced corporate profile can facilitate our establishment in new regions and exploration of potential customers. In addition, the Listing can further assist our collaboration with tertiary institutions as they are generally more willing to have long term relationship with a listed company and we may be able to collaborate with more tertiary institutions with high reputation and better resources. We therefore consider that an enhanced corporate profile, brand recognition and market position are important factors to our future growth and success in the smart manufacturing solutions industry.

## **FUTURE PLANS AND USE OF PROCEEDS**

### **Expand customer base with wider geographic coverage and increase competitiveness**

As confirmed by Frost & Sullivan, there are more than 120 smart manufacturing solutions providers in the industrial precision 3D testing and precision machining solutions market due to its attractive growth opportunities and therefore it is essential for us to maintain our competitiveness by having a boarder customer base with wider geographic coverage and better corporate governance.

With broader access to financial resources and enhanced corporate profile and brand recognition upon Listing, our customer base can be expanded with wider geographic coverage as new customers are generally more inclined to transact with a listed company with enhanced credibility and better business reputation associated with public financial disclosures and general regulatory supervision which are not applicable to private companies. We are therefore able to expand our geographic coverage by establishing more regional branches and employing more local salesforces. In addition, as a listed company, we will strive to maintain high standards of corporate governance and we believe this can give better assurance and confidence to our customers which in turn will enhance our competitiveness and enable us to attract more business opportunities and potential customers to further expand our existing customer base.

### **Stronger ability to attract talent and retain existing staff**

As a smart manufacturing solutions provider, technical staff is very important to our business operations and future development. As disclosed in the section headed “Business — Business Strategies” in this prospectus, we intend to establish our own research and development centres and expand our sales and marketing team and therefore we need to attract and recruit many talents in the near future. We believe that the Listing will enable us to reach out to a wider talent pool and provide us with more means, such as offering a more reputed employment environment, more career advancement opportunities and granting of share options, to attract and retain quality talents to further our technology and business developments.

Based on the above, our Directors believe that the Listing will benefit our Group as a whole.

## **USE OF PROCEEDS**

The net proceeds from the Share Offer, after deducting underwriting commissions, and other estimated expenses in relation to the Share Offer, are estimated to be approximately HK\$38.6 million, assuming an Offer Price of HK\$0.70 per Share, being the mid-point of the indicative Offer Price range of HK\$0.55 to HK\$0.85 per Share. We intend to use such net proceeds for the following purposes:

- Approximately HK\$18.4 million (approximately 47.7% of our total estimated net proceeds) for establishing our own research and development centre in Beijing and Guangzhou and further research and development expenditures relating to product research and development, recruitment and provision of training for technical staff;

## FUTURE PLANS AND USE OF PROCEEDS

- Approximately HK\$10.4 million (approximately 27.0% of our total estimated net proceeds) for business expansion including establishment of sales branches in different regions in China, expansion of office premises, recruitment of management and local salesforces for various branches and provision of relevant internal and external training;
- Approximately HK\$5.9 million (approximately 15.3% of our total estimated net proceeds) for organising seminar, participating in local and international exhibition and developing and implementing advertising plans;
- Approximately HK\$3.9 million (approximately 10.0% of our total estimated net proceeds) for working capital and general corporate purposes.

In summary, the implementation of our business strategies from the Listing Date up to the year ending 31 March 2020 will be funded by the net proceeds of the Share Offer as follows:

	From the Listing Date to 30 September 2018	For the six months ending 31 March 2019	For the six months ending 30 September 2019	For the six months ending 31 March 2020	Total	Approximate percentage of net proceeds
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	%
Keep abreast of the latest technological changes relevant to our industry, maintain our technology advantages and promote our integrated smart manufacturing solutions	1,206	1,228	1,368	2,069	5,871	15.3
Establish our own research and development facilities	4,961	5,637	5,017	2,763	18,378	47.7
Expand our business operations by increasing our team size, enhancing our internal management ability and expanding our offices and sales coverage	2,249	2,527	2,916	2,759	10,451	27.0
Working capital and other general corporate purposes	959	959	969	969	3,856	10.0
<b>Total</b>	<b>9,375</b>	<b>10,351</b>	<b>10,270</b>	<b>8,560</b>	<b>38,556</b>	<b>100</b>

In the event that the Offer Price is set at the high-end or the low-end of the Indicative Offer Price range, the estimated net proceeds from the Share Offer will increase to approximately HK\$53.6 million or decrease to approximately HK\$23.6 million, after deducting the related listing expenses, respectively. In such event, we will adjust the intended use of the net proceeds for the above purposes on a pro-rata basis.

## **FUTURE PLANS AND USE OF PROCEEDS**

To the extent that the net proceeds from the Share Offer are not immediately used for the above purposes and to the extent permitted by the relevant laws and regulations, we intend to deposit such net proceeds into interest bearing bank accounts with licensed banks or financial institutions.

In the event of any material change in our use of net proceeds from the purposes described above or in our allocation of the net proceeds among the purposes described above, a formal announcement will be issued in accordance with the GEM Listing Rules.



## UNDERWRITING

### **PUBLIC OFFER UNDERWRITER**

RaffAello Securities (HK) Limited  
Rooms 2002 and 2002B, 20/F  
Tower Two, Lippo Centre  
89 Queensway  
Hong Kong

### **UNDERWRITING ARRANGEMENTS AND EXPENSES**

#### **Public Offer Underwriting Agreement**

The Public Offer Underwriting Agreement was entered into on 28 March 2018 among our Company, our executive Directors, our Controlling Shareholders, the Sole Sponsor, the Sole Bookrunner and the abovementioned Public Offer Underwriter. Pursuant to the Public Offer Underwriting Agreement, our Company is offering the Public Offer Shares under the Public Offer at the Offer Price for subscription by members of the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to, amongst other matters, (i) the Listing Committee granting the listing of, and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus; and (ii) certain other conditions set out in the Public Offer Underwriting Agreement (including our Company, the Sole Sponsor and the Sole Bookrunner (for themselves and on behalf of the other Underwriters) agreeing on the Offer Price and the Placing Underwriting Agreement becoming unconditional and not having been terminated), the Public Offer Underwriter has agreed to subscribe for or procure subscribers to subscribe for the Public Offer Shares, subject to the terms and conditions of the Public Offer Underwriting Agreement.

#### **Grounds for termination**

The obligations of the Public Offer Underwriter to subscribe or procure subscribers for the Public Offer Shares under the Public Offer Underwriting Agreement are subject to termination by notice in writing issued by the Sole Bookrunner (for itself and on behalf of the other Public Offer Underwriter) to our Company, which may be given at the sole and absolute discretion of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriter) at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date upon the occurrence of any of the following events:

- (i) there develops, occurs, exists or comes into effect:
  - (a) any local, national, regional or international event or circumstances in the nature of force majeure beyond the reasonable control of the Public Offer Underwriter (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of infectious disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism; or

## UNDERWRITING

- (b) any change, or development involving a prospective change, or any event or circumstances likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions, equity securities or other financial markets (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets), in or affecting Hong Kong, the PRC, the British Virgin Islands, the Cayman Islands or any other jurisdiction relevant to any member of our Group (the “**Relevant Jurisdictions**”); or
- (c) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) (1) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the American Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Singapore Stock Exchange or the Shanghai Stock Exchange or (2) in or on trading in any securities of our Company or of any other member of our Group listed or quoted on a stock exchange or an over-the-counter market; or
- (d) any general moratorium on commercial banking activities in any of the Relevant Jurisdictions, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in the Relevant Jurisdictions; or
- (e) any new law or regulation or any change or any development involving a prospective change or any event or circumstances likely to result in a change or a development involving a prospective change in (or in the interpretation, implementation or application by any court or other competent authority of) existing laws, in each case, in or affecting any of the Relevant Jurisdictions; or
- (f) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or on, any of the Relevant Jurisdictions; or
- (g) a change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar or RMB against any foreign currencies, or the implementation of any exchange control, in any of the Relevant Jurisdictions; or
- (h) any litigation or claim of any third party being threatened or instigated against any member of our Group, our executive Directors or our Controlling Shareholders; or
- (i) any change or development involving a prospective change or materialisation of, any of the risks set out in the section headed “Risk Factors” in this prospectus; or
- (j) any one of our Directors being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

## UNDERWRITING

- (k) the chief executive officer and the chief operating officer of our Company vacating his or her office; or
- (l) an authority or a political body or organisation in any of the Relevant Jurisdictions commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director; or
- (m) save as disclosed in this prospectus, a contravention by any member of the Group of the GEM Listing Rules or applicable laws; or
- (n) a prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Shares pursuant to the terms of the Share Offer; or
- (o) non-compliance of the prospectus (or any other documents used in connection with the contemplated offer and sale of the Shares) or any aspect of the Share Offer with the GEM Listing Rules or any other applicable laws;
- (p) other than with the approval of the Sole Sponsor and/or the Sole Bookrunner, the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer and sale of the Shares) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the GEM Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
- (q) any order or petition for the winding up of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group; or

which, individually or in the aggregate, in the sole opinion of the Sole Bookrunner (1) has or will have or may have an adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Group as a whole; or (2) has or will have or may have an adverse effect on the success of the Share Offer or the level of applications under the Public Offer or the level of interest under the Placing; or (3) makes or will make or is likely to make it inappropriate or inadvisable or inexpedient or impracticable for the Share Offer to proceed or to market the Share Offer; or (4) has or will or may have the effect of making any part of the Public Offer Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof; or

## UNDERWRITING

- (ii) there has come to the notice of the Sole Bookrunner:
  - (a) that any statement contained in this prospectus and the Application Forms, the formal notice in respect of the Share Offer and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Public Offer (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect or misleading in any material respects, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of this prospectus and the Application Forms, the formal notice in respect of the Share Offer and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Public Offer (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions; or
  - (b) any breach of any of the obligations imposed upon any party to the Public Offer Underwriting Agreement or the Placing Underwriting Agreement (other than upon any of the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Public Offer Underwriter or the Placing Underwriter(s)); or
  - (c) any event, act or omission which gives or is likely to give rise to any liability of any indemnifying parties under the Public Offer Underwriting Agreement; or
  - (d) any material adverse change, or any development involving a prospective adverse change, in the assets, liabilities, business, affairs, management, prospects, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Group taken as a whole; or
  - (e) any breach of, or any event or circumstance rendering untrue or incorrect in any respect, any of the representations, warranties, agreements and undertakings of our Company, our Controlling Shareholders and our executive Directors under the Public Offer Underwriting Agreement; or
  - (f) the approval by the Listing Division of the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Share Offer is refused or not granted, other than subject to customary conditions, on or before the date of the listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
  - (g) our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Share Offer) or the Share Offer; or
  - (h) any person (other than the Sole Sponsor, the Sole Bookrunner and the Public Offer Underwriter) has withdrawn or sought to withdraw its consent to being named in this prospectus as expert or to the issue of this prospectus.

## UNDERWRITING

### UNDERTAKINGS

#### **Undertakings by our Company to the Stock Exchange pursuant to the GEM Listing Rules**

Pursuant to Rule 17.29 of the GEM Listing Rules, our Company has undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued by us 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 will be completed within six months from the Listing Date), except in certain circumstances prescribed under Rule 17.29 of the GEM Listing Rules which includes the issue of Shares pursuant to the Share Option Scheme.

#### **Undertakings by our Controlling Shareholders to the Stock Exchange pursuant to the GEM Listing Rules**

Pursuant to Rule 13.16A(1) of the GEM Listing Rules, each of the Controlling Shareholders (namely, IFG Swans and Mr. Wu) has undertaken to each of the Stock Exchange and our Company that, save as permitted under the GEM Listing Rules:

- (a) in the period commencing on the date by reference to which disclosure of its/his shareholding is made in this prospectus and ending on the date which is six months from the Listing Date, it/he shall not dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it/he is shown by this prospectus to be the beneficial owner; and
- (b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, it/he shall not dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it/he is shown by this prospectus to be the beneficial owner if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it/he would cease to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company.

Pursuant to Rule 13.19 of the GEM Listing Rules, each of the Controlling Shareholders has further undertaken to each of the Stock Exchange and our Company that within the period commencing on the date by reference to which disclosure of its/his shareholding is made in this prospectus and ending on the date which is twelve months from the Listing Date, it/he shall:

- (a) when he/it pledges/charges any Shares beneficially owned by it/him in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) pursuant to Rule 13.18(1) of the GEM Listing Rules, immediately inform our Company in writing of such pledge/charge together with the number of Shares so pledged/charged; and
- (b) when he/it receives indications, whether verbal or written, from the pledgee/chargee that any of the pledged/charged Shares will be disposed of, immediately inform our Company in writing of such indications.

## UNDERWRITING

Our Company shall inform the Stock Exchange as soon as it has been informed of matters referred to above by our Controlling Shareholders and disclose such matters by way of an announcement as soon as possible.

### **Undertakings pursuant to the Public Offer Underwriting Agreement**

#### *Undertaking by our Company*

Pursuant to the Public Offer Underwriting Agreement, we have undertaken to the Sole Sponsor, the Sole Bookrunner and the Public Offer Underwriter that, except pursuant to the Share Offer, the Capitalisation Issue, the grant or exercise of options which may be granted under the Share Option Scheme, during the period commencing on the date of the Public Offer Underwriting Agreement and ending on, and including the date that is six months after the Listing Date (the “**First Six-Month Period**”), not to, and to procure each other member of our Group not to, without the prior written consent of the Sole Sponsor and the Sole Bookrunner (for themselves and on behalf of the Public Offer Underwriter) and unless in compliance with the requirements of the GEM Listing Rules:

- (i) 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 any other securities of our Company or any shares, capital or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any debt capital or 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 other securities of our Company or any shares, capital or other securities of such other member of our Group, as applicable), or deposit any Shares or other securities of our Company or any shares, capital or other securities of such other member of our Group, as applicable, with a depository in connection with the issue of depository receipts; or
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any shares, capital or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any debt capital or 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 other securities of our Company or any shares or capital of such other member of our Group, as applicable); or
- (iii) enter into any transaction with the same economic effect as any transaction set out in paragraphs (i) or (ii) above; or
- (iv) offer to or agree to or announce any intention to effect any transaction set out in paragraphs (i), (ii) or (iii) above,

## UNDERWRITING

in each case, whether any of the transactions set out in paragraphs (i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of our Company or shares, capital or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-Month Period), provided that the above undertaking shall not prevent any member of our Group from issuing, allotting, accepting subscription for, offering to allot or issue, agreeing to allot or issue or granting any option, warrant, contract or right to subscribe for, allot or issue any shares or capital or increasing its registered capital following which the percentage interest of our Company (directly or indirectly) in such member of our Group will not be less than that before such transaction.

In the event that, during the period of six months commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), our Company enters into any of the transactions set out in paragraphs (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

Our executive Directors and our Controlling Shareholders have undertaken to the Sole Sponsor, the Sole Bookrunner and the Public Offer Underwriter to procure our Company to comply with the above undertakings.

### *Undertaking by our Controlling Shareholders*

Each of our Controlling Shareholders undertakes to each of our Company, the Sole Sponsor, the Sole Bookrunner and the Public Offer Underwriter that, without the prior written consent of the Sole Sponsor and the Sole Bookrunner (for themselves and on behalf of the Public Offer Underwriter) and unless in compliance with the requirements of the GEM Listing Rules:

- (a) he/it will not, at any time during the First Six-Month Period, (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 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 therein (including, without limitation, any debt capital or 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 depositary in connection with the issue of depositary receipts, or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any interest therein in (including, without limitation, any debt capital or 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 (iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above, or (iv) offer to or agree to or announce any intention to effect any transaction specified in (i), (ii) or (iii) above, in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by

## UNDERWRITING

delivery of Shares or other securities of our Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period);

- (b) he/it will not, during the Second Six-Month Period, enter into any of the transactions specified in (a)(i), (ii) or (iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, he/it will cease to be a controlling shareholder (as the term is defined in the GEM Listing Rules) of our Company; and
- (c) until the expiry of the Second Six-Month Period, in the event that he/it enters into any of the transactions specified in (a)(i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, he/it will take all reasonable steps to ensure that he/it will not create a disorderly or false market in the securities of our Company, provided that the above undertaking shall not prevent our Controlling Shareholders (i) from purchasing additional Shares, and disposing of such additional Shares so purchased, subject to compliance with the requirements of Rule 11.23 of the GEM Listing Rules to maintain an open market in the securities and a sufficient public float; or (ii) from using the Shares beneficially owned by any of them as security (including a charge or a pledge) in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, subject to compliance with the requirements of Rule 13.18(1) of the GEM Listing Rules.

Our Controlling Shareholders have further undertaken to our Company, the Sponsor, the Sole Bookrunner and the Public Offer Underwriter that he/it will, at any time within the period commencing on the date of the Public Offer Underwriting Agreement and ending on the date which is twelve months after the Listing Date:

- (i) upon any pledge or charge in favour of any person, entity or institution of any Shares or securities or interests in the Shares or securities of our Company beneficially owned by him/it for a bona fide commercial loan, immediately inform our Company and the Sole Bookrunner in writing of such pledge or charge together with the number of Shares or securities so pledged or charged; and
- (ii) upon any indication received by him/it, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or securities or interests in the Shares or securities of our Company will be disposed of, immediately inform our Company and the Sole Bookrunner in writing of such indications,

and our Company agrees and undertakes to the Sole Bookrunner, the Sponsor and the Public Offer Underwriter, that, upon receiving such information in writing from our Controlling Shareholders, it will, as soon as practicable, notify the Stock Exchange and make an announcement in accordance with the GEM Listing Rules.



## **UNDERWRITING**

### **Indemnity**

Each of our Company, our executive Directors and our Controlling Shareholders has agreed to jointly and severally indemnify, amongst others, the Sole Sponsor, the Sole Bookrunner and the Public Offer Underwriter for certain losses which they may suffer, including losses arising from or in connection with their performance of their obligations under the Public Offer Underwriting Agreement and any breach by our Company, our executive Directors and our Controlling Shareholders of any provision in the Public Offer Underwriting Agreement.

### **PLACING**

#### **Placing Underwriting Agreement**

In connection with the Placing, our Company expects to enter into the Placing Underwriting Agreement with, among others, the Sole Sponsor, the Sole Bookrunner and the Placing Underwriters on or around the Price Determination Date. Under the Placing Underwriting Agreement, the Placing Underwriters would, subject to certain conditions set out therein, severally agree to purchase the Placing Shares or procure purchasers for the Placing Shares. The Placing Underwriting Agreement is expected to provide that it may be terminated on grounds similar to those provided in the Public Offer Underwriting Agreement. Potential investors are reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed.

It is expected that, pursuant to the Placing Underwriting Agreement, our Company, our executive Directors and our Controlling Shareholders will give undertakings similar to those given pursuant to the Public Offer Underwriting Agreement, as described in the paragraph headed “Underwriting Arrangements and Expenses — Undertakings — Undertakings pursuant to the Public Offer Underwriting Agreement” in this section of the prospectus.

It is expected that each of our Controlling Shareholders will undertake to the Placing Underwriters not to dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interest or encumbrances in respect of any of our Shares held by them in our Company for a period similar to that given by them pursuant to the Public Offer Underwriting Agreement as described in the paragraph headed “Underwriting Arrangements and Expenses — Undertakings — Undertakings Pursuant to the Public Offer Underwriting Agreement” in this section of the prospectus.

### **UNDERWRITING COMMISSION AND EXPENSES**

According to the Public Offer Underwriting Agreement, the Public Offer Underwriter will receive an underwriting commission of 4.5% of the aggregate Offer Price payable for the Public Offer Shares initially offered under the Public Offer. The Placing Underwriters are expected to receive similar underwriting commission on the aggregate Offer Price payable for the Placing Shares subject to the terms and conditions of the Placing Underwriting Agreement.

The Sole Sponsor also received a sponsor fee of HK\$6.5 million from our Company for acting as the sole sponsor in the Share Offer.

## **UNDERWRITING**

Based on the Offer Price of HK\$0.70 per Offer Share (being the mid-point of the indicative Offer Price range between HK\$0.55 and HK\$0.85), such underwriting commissions (exclusive of incentive fee, if any, which is at the sole discretion of the Company), together with the Stock Exchange listing fee, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees, printing, and other expenses relating to the Share Offer which are estimated to be approximately HK\$31.5 million in aggregate, are payable by the Company.

### **UNDERWRITERS' INTERESTS IN OUR COMPANY**

The Sole Bookrunner and the Underwriters will receive underwriting commissions pursuant to the Underwriting Agreements. Particulars of the said underwriting commissions and expenses relating to the Share Offer are set forth in the paragraph headed “Underwriting Arrangements and Expenses — Underwriting Commission and Expenses” in this section. Following the completion of the Share Offer, the Underwriters and their affiliated companies may hold a certain portion of our Shares as a result of fulfilling their obligations under the Underwriting Agreements.

Other than pursuant to the Share Offer and the Underwriting Agreements, none of the Sole Bookrunner and the Underwriters is, or is expected to be, interested legally or beneficially in the Shares or shares and other securities of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for any Shares or purchase shares and other securities in any member of our Group nor any interest in the Share Offer.

### **MINIMUM PUBLIC FLOAT**

Our Directors and the Sole Bookrunner will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 11.23 of the GEM Listing Rules immediately after completion of the Share Offer.

### **INDEPENDENCE OF THE SOLE SPONSOR**

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 6A.07 of the GEM Listing Rules.

## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

### DETERMINING THE OFFER PRICE

The Offer Price is expected to be fixed by the Price Determination Agreement to be entered into between our Company and the Sole Bookrunner (for itself and on behalf of the other Underwriters) on or before the Price Determination Date, when market demand for the Share Offer will be determined. The Price Determination Date is expected to be on or about Tuesday, 10 April 2018 but in any event, no later than Wednesday, 18 April 2018. If, for any reason, our Company and the Sole Bookrunner (for itself and on behalf of the other Underwriters) are unable to reach an agreement on the Offer Price on or before such date, the Share Offer will not proceed and will lapse.

Prospective investors should be aware that the Offer Price to be determined on or before the Price Determination Date may be, but not expected to be, lower than the indicative Offer Price range as stated in this prospectus. The Offer Price will not be more than HK\$0.85 per Share and is currently expected to be not less than HK\$0.55 per Share. If, based on the level of interest expressed by prospective investors during the book-building process, the Sole Bookrunner (for themselves and on behalf of the other Underwriters) and with the consent of our Company and the Sole Sponsor (for instance, if the level of interest expressed by prospective investors is below the indicative Offer Price range as stated in this prospectus), the number of Offer Shares and/or the indicative Offer Price range may be reduced below that as stated in this prospectus at any time no later than the morning of the day which is the last day for lodging applications under the Public Offer.

In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Public Offer, cause to be published on our Company's website at [www.ztecgroupp.com](http://www.ztecgroupp.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) notice of such reduction. Upon issue of such a notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed among the Sole Bookrunner (for themselves and on behalf of the other Underwriters), the Sole Sponsor and our Company, will be fixed within such revised Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Share Offer statistics as currently set out in the section headed "Summary" in this prospectus, the use of proceeds from the Share Offer as set out in the section headed "Future Plans and Use of Proceeds" in this prospectus and any other financial information which may change as a result of such reduction.

In the absence of any notice being published on our Company's website at [www.ztecgroupp.com](http://www.ztecgroupp.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) of a reduction in the number of Offer Shares and/or the indicative Offer Price range as stated in this prospectus on or before the morning of the last day for lodging applications under the Public Offer, the Offer Price, if agreed among the Sole Bookrunner (for themselves and on behalf of the other Underwriters), the Sole Sponsor and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

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

In the event of a reduction in the number of Offer Shares, the Sole Bookrunner may, at its discretion, reallocate the number of Offer Shares to be offered in the Public Offer and the Placing, provided that the number of Offer Shares comprised in the Public Offer shall not be less than 10% of the total number of Offer Shares available under the Share Offer. The Offer Shares to be offered in the Public Offer and the Offer Shares to be offered in the Placing may, in certain circumstances, be reallocated between these offerings at the discretion of the Sole Bookrunner.

Our Company expects to announce the final Offer Price, the level of indication of interests under the Placing, the basis of allotment of the Public Offer Shares and results of application under the Public Offer on or before Thursday, 19 April 2018 on our Company's website at [www.ztecgroup.com](http://www.ztecgroup.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk). Results of allocations in the Public Offer, including the Hong Kong identity card/passport/Hong Kong business registration certificate numbers of successful applicants (where supplied) and the number of Public Offer Shares successfully applied for will be made available as described under the section headed "How to Apply for Public Offer Shares" in this prospectus.

### **PRICE PAYABLE ON APPLICATION**

The Offer Price will not be more than HK\$0.85 per Offer Share and is expected to be not less than HK\$0.55 per Offer Share, unless otherwise announced by no later than the morning of the last day for lodging applications under the Public Offer as set out above. You must pay the maximum Offer Price of HK\$0.85 per Offer Share plus a brokerage of 1%, a SFC transaction levy of 0.0027% and a Stock Exchange trading fee of 0.005%, amounting to a total of HK\$3,434.26 per a board lot of 4,000 Offer Shares. The Application Forms have tables showing the exact amount payable for multiple board lots of Offer Shares.

If the Offer Price, as finally determined in the manner as set out above, is lower than the maximum Offer Price of HK\$0.85 per Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application money) will be made to applicants, without interest. Further details in this regard are set out in the section headed "How to Apply for Public Offer Shares" in this prospectus.

### **CONDITIONS OF THE SHARE OFFER**

Acceptance of your application for the Offer Shares is conditional upon:

- (i) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued under the Share Offer, the Capitalisation Issue and any Shares which may fall to be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme (and such listing and permission not subsequently being revoked prior to the commencement of dealings in the Shares on the Stock Exchange);
- (ii) the Price Determination Agreement being entered into between our Company and the Sole Bookrunner (for itself and on behalf of the other Underwriters) on or about the Price Determination Date;

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

- (iii) the execution and delivery of the Placing Underwriting Agreement on or around the Price Determination Date; and
- (iv) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated, on or before 8:00 a.m. on the Listing Date. Details of the Underwriting Agreements and its conditions and grounds for termination are set out in the section headed “Underwriting” in this prospectus.

If the above conditions are not fulfilled or waived prior to the times specified, the Share Offer will lapse. Notice of the lapse of the Share Offer will be published by our Company on our Company’s website at [www.ztecgroup.com](http://www.ztecgroup.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) on the next day following such lapse. In such event, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for Public Offer Shares” in this prospectus. In the meantime, your money will be held in one or more separate bank accounts with the receiving bank licensed under the Banking Ordinance (Chapter 155 of the laws of Hong Kong).

Share certificates will only become valid at 8:00 a.m. on the Listing Date, provided that the Share Offer has become unconditional and right of termination described in the section headed “Underwriting — Underwriting Arrangements and Expenses — Public Offer Underwriting Agreement — Grounds for Termination” in this prospectus has not been exercised.

### **ADMISSION OF THE SHARES INTO CCASS**

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. 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 advisor for details of the settlement arrangements as such arrangements will affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into the CCASS.

### **OFFER MECHANISM**

This prospectus is published in connection with the Share Offer, which comprises the Placing and the Public Offer. Initially, 90,000,000 Shares (subject to re-allocation as mentioned below), representing 90% of the Offer Shares available under the Share Offer, are to be offered pursuant to the Placing to professional, institutional and other investors, and initially 10,000,000 Shares (subject to re-allocation as mentioned below), representing 10% of the Offer Shares available under the Share Offer, are to be offered to the public in Hong Kong under the Public Offer. References to applications, Application Forms, application monies or to the procedure for

## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

application in this prospectus relate solely to the Public Offer. The Offer Shares will represent 25% of our Company's enlarged issued share capital immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares to be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme).

The Public Offer is fully underwritten by the Public Offer Underwriter, subject to the terms and conditions of the Public Offer Underwriting Agreement which include, among others, our Company, the Sole Sponsor and the Sole Bookrunner (for themselves and on behalf of the other Underwriters) agreeing on the Offer Price. Information relating to the underwriting arrangements in respect of the Share Offer is set out in the section headed "Underwriting — Underwriting Arrangements and Expenses" in this prospectus. The Share Offer is sponsored by the Sole Sponsor and managed by the Sole Bookrunner.

Investors may apply for Public Offer Shares under the Public Offer or indicate an interest for Placing Shares under the Placing, but may not do both. Investors who have not received Shares in the Public Offer tranche may receive Shares in the Placing tranche.

### PLACING

Our Company is initially offering, subject to possible reallocation on the basis discussed below, 90,000,000 new Shares, representing 90% of the total number of Shares being offered under the Share Offer, for subscription by way of the Placing.

Under the Placing, the Placing Underwriters, on behalf of our Company, will conditionally place the Placing Shares with professional, institutional and other investors at the Offer Price. 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 pursuant to the Placing is 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 buy 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 our Shareholders as a whole. Investors allocated with the Placing Shares cannot apply for the Public Offer Shares under the Public Offer.

The Placing is subject to the conditions stated in the paragraph headed "Conditions of the Share Offer" above. If the Public Offer is not fully subscribed for, the Sole Bookrunner may reallocate all or any unsubscribed Shares originally included in the Public Offer to the Placing. The total number of Placing Shares to be allotted and issued pursuant to the Placing may change as a result of any reallocation of unsubscribed Shares originally included in the Public Offer as described in the paragraph headed "Reallocation of the Offer Shares between the Public Offer and the Placing" in this section of the prospectus.

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

### **PUBLIC OFFER**

Our Company is initially offering 10,000,000 Shares at the Offer Price under the Public Offer, representing 10% of the total number of Shares being offered under the Share Offer for subscription in Hong Kong, subject to reallocation as mentioned in the paragraph headed “Reallocation of the Offer Shares between the Public Offer and the Placing” in this section of the prospectus. The Public Offer is managed by the Sole Bookrunner and is fully underwritten by the Public Offer Underwriter, subject to the terms and conditions of the Public Offer Underwriting Agreement which include, among others, our Company, the Sole Sponsor and the Sole Bookrunner (for themselves and on behalf of the other Underwriters) agreeing on the Offer Price.

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

The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. Professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Applicants for the Public Offer Shares under the Public Offer may not apply for Placing Shares under the Placing. An applicant for the Public Offer Shares will be required to give an undertaking and confirmation in the Application Form that he/she/it has not taken up and will not indicate an interest to take up any Placing Shares. Applicants should note that if such undertaking and/or confirmation given by the applicant is breached and/or untrue (as the case may be), such applicant’s application under the Public Offer is bound to be rejected. The Public Offer will be subject to the conditions stated in the paragraph headed “Conditions of the Share Offer” in this section of the prospectus.

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. Where there is over-subscription 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. If the Public Offer is not fully subscribed for, the Sole Bookrunner may reallocate all or any of the unsubscribed Public Offer Shares originally included in the Public Offer to the Placing as described in the paragraph headed “Reallocation of the Offer Shares between the Public Offer and the Placing” in this section of the prospectus.

### **REALLOCATION OF THE OFFER SHARES BETWEEN THE PUBLIC OFFER AND THE PLACING**

The allocation of the Offer Shares between the Placing and the Public Offer is subject to reallocation on the following basis:

- (a) Where the Placing Shares are fully subscribed or oversubscribed:
  - (i) if the Public Offer Shares are undersubscribed, the Sole Bookrunner has the discretion (but shall not be under any obligation) to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such amounts as the Sole Bookrunner deems appropriate;

## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

- (ii) if the Public Offer Shares are not undersubscribed but the number of Offer Shares validly applied for under the Public Offer represents less than 15 times the number of the Offer Shares initially available for subscription under the Public Offer, then up to 10,000,000 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 20,000,000 Offer Shares, representing approximately 20% of the number of the Offer Shares initially available under the Share Offer;
  - (iii) if the number of Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Public Offer, then Offer Shares will be reallocated to the Public Offer from Placing so that, the total number of Offer Shares available for subscription under the Public Offer will be increased to 30,000,000 Offer Shares, representing 30% of the Offer Shares;
  - (iv) if the number of Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Public Offer, then Offer Shares will be reallocated to the Public Offer from Placing so that, the number of Offer Shares available for subscription under the Public Offer will be increased to 40,000,000 Shares, representing 40% of the Offer Shares; and
  - (v) if the number of Offer Shares validly applied for under the Public Offer represents 100 times or more the number of Offer Shares initially available for subscription under the Public Offer, then Offer Shares will be reallocated to the Public Offer from Placing so that, the number of Offer Shares available for subscription under the Public Offer will be increased to 50,000,000 Shares, representing 50% of the Offer Shares.
- (b) Where the Placing Shares are undersubscribed:
- (i) if the Public Offer Shares are undersubscribed, the Share Offer will not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Share Offer on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements; and
  - (ii) if the Public Offer Shares are oversubscribed, irrespective of the number of times the number of Offer Shares initially available for subscription under the Public Offer, then up to 10,000,000 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 20,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Share Offer.



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

In the event of re-allocation of Offer Shares between the Public Offer and the Placing in the circumstances where (a) the Placing Shares are fully subscribed or oversubscribed and the Public Offer Shares are oversubscribed by less than 15 times under paragraph (a)(ii) above or (b) the Placing Shares are undersubscribed and the Public Offer Shares are fully subscribed or oversubscribed under paragraph (b)(ii) above, the final Offer Price shall be fixed at the low-end of the indicative Offer Price range (i.e. HK\$0.55 per Offer Share) stated in this prospectus.

In the event of re-allocation of Offer Shares from the Placing to the Public Offer in circumstances under paragraph (a)(ii), (a)(iii), (a)(iv), (a)(v) and (b)(ii) above, the number of Offer Shares allocated to the Placing will be correspondingly reduced.

If the Public Offer is not fully subscribed, the Sole Bookrunner will have the discretion to reallocate all or any of the unsubscribed Public Offer Shares originally included in the Public Offer to the Placing in such number as it deems appropriate to satisfy the demand under the Placing.

### **DEALING ARRANGEMENTS**

Assuming that the Share Offer becomes unconditional, it is expected that dealings in the Shares on the GEM will commence at 9:00 a.m. (Hong Kong time) on Friday, 20 April 2018. The Shares will be traded in board lots of 4,000 Shares each.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

### 1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at [www.eipo.com.hk](http://www.eipo.com.hk); or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Bookrunner, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

### 2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number; and (ii) provide a valid email address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Bookrunner 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 and they may not apply by means of **White Form eIPO** service for the Public Offer Shares.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

Unless permitted by the GEM Listing Rules, you cannot apply for any Public Offer Shares if you:

- are an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- are a Director or chief executive officer of our Company and/or any of its subsidiaries;
- are an associate (as defined in the GEM Listing Rules) of any of the above;
- are 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; and
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

### 3. APPLYING FOR PUBLIC OFFER SHARES

#### Which application channel to use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through the **White Form eIPO** service at [www.eipo.com.hk](http://www.eipo.com.hk).

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

#### Where to collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 29 March 2018 until 12:00 noon on Tuesday, 10 April 2018 from:

- (i) the following address of the Public Offer Underwriter:

RaffAello Securities (HK) Limited  
Rooms 2002 and 2002B, 20/F  
Tower Two, Lippo Centre  
89 Queensway  
Hong Kong

## HOW TO APPLY FOR PUBLIC OFFER SHARES

(ii) any of the following branches of Standard Chartered Bank (Hong Kong) Limited:

<u>District</u>	<u>Branch Name</u>	<u>Address</u>
Hong Kong Island	Des Voeux Road Branch	Standard Chartered Bank Building, 4–4A, Des Voeux Road Central, Central
	Wanchai Southorn Branch	Shop C2 on G/F and 1/F to 2/F, Lee Wing Building, No. 156–162 Hennessy Road, Wanchai
Kowloon	Tsim Sha Tsui Branch	Shop G30 & B117–23, G/F, Mira Place One, 132 Nathan Road, Tsim Sha Tsui
	Mongkok Branch	Shop B, G/F, 1/F & 2/F, 617–623 Nathan Road, Mongkok
New Territories	Tsuen Wan Branch	Shop C, G/F & 1/F, Jade Plaza, 298 Sha Tsui Road, Tsuen Wan
	Shatin Plaza Branch	Shop No. 8, Shatin Plaza, 21–27 Shatin Centre Street, Shatin

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 29 March 2018 until 12:00 noon on Tuesday, 10 April 2018 from:

- the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or
- 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 — Z Tech 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:

Thursday, 29 March 2018	—	9:00 a.m. to 5:00 p.m.
Tuesday, 3 April 2018	—	9:00 a.m. to 5:00 p.m.
Wednesday, 4 April 2018	—	9:00 a.m. to 5:00 p.m.
Friday, 6 April 2018	—	9:00 a.m. to 5:00 p.m.
Saturday, 7 April 2018	—	9:00 a.m. to 1:00 p.m.
Monday, 9 April 2018	—	9:00 a.m. to 5:00 p.m.
Tuesday, 10 April 2018	—	9:00 a.m. to 12:00 noon

## HOW TO APPLY FOR PUBLIC OFFER SHARES

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, 10 April 2018, the last application day or such later time as described in the paragraph headed “Effect of Bad Weather on the Opening of the Application Lists” in this section of the prospectus.

#### 4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Bookrunner (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;
- (ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Articles;
- (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 Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriter(s), their respective directors, officers, employees, agents, affiliates or advisers or any other party 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, the Hong Kong Share Registrar, receiving bank, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters and/or their respective directors, officers, employees, agents, affiliates or advisers or any other party involved in the Share Offer 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 Bookrunner, the Sole Lead Manager and the Underwriters nor any of their respective directors, officers, employees, agents, affiliates or advisers or any other party involved in the Share Offer 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) and are not a U.S. person (as defined in 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 e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company and the Sole Bookrunner will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and

## HOW TO APPLY FOR PUBLIC OFFER SHARES

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

### **Additional instructions for YELLOW Application Form**

You may refer to the **YELLOW** Application Form for details.

## **5. APPLYING THROUGH WHITE FORM eIPO SERVICE**

### **General**

Individuals who meet the criteria listed in the paragraph headed “Who can apply” in this section of the prospectus, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk).

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

### **Time for submitting applications under the White Form eIPO**

You may submit your application to the **White Form eIPO** Service Provider at [www.eipo.com.hk](http://www.eipo.com.hk) (24 hours daily, except on the last application day) from 9:00 a.m. on Thursday, 29 March 2018 until 11:30 a.m. on Tuesday, 10 April 2018 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, 10 April 2018 or such later time under the paragraph headed “Effect of Bad Weather on the Opening of the Application Lists” in this section of the prospectus.

### **No multiple applications**

If you apply by means of **White Form eIPO**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **White Form eIPO** service to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **White Form eIPO** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

### Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

### Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK\$2 for each “ZHICHENG TECHNOLOGY GROUP LTD.” **White Form eIPO** application submitted via [www.eipo.com.hk](http://www.eipo.com.hk) to support the funding of “Dongjiang River Source Tree Planting” project initiated by Friends of the Earth (HK).

## 6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

### General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

### **Hong Kong Securities Clearing Company Limited**

Customer Service Centre

1/F, One & Two Exchange Square,  
8 Connaught Place, Central, Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.



## HOW TO APPLY FOR PUBLIC OFFER SHARES

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Bookrunner and our Hong Kong Share Registrar.

### GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
  - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
  - agree to accept the Public Offer Shares applied for or any lesser number allocated;
  - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
  - (if the electronic application instructions are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
  - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
  - confirm that you understand that our Company, our Directors and the Sole Bookrunner will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
  - authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
  - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
  - 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;

## HOW TO APPLY FOR PUBLIC OFFER SHARES

- agree that none of our Company, the Sole Bookrunner, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Share Registrar, receiving bank, the Sole Bookrunner, 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;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Articles; and

## HOW TO APPLY FOR PUBLIC OFFER SHARES

- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

### EFFECT OF GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

### 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 4,000 Public Offer Shares. Instructions for more than 4,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

### Time for inputting electronic application instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Thursday, 29 March 2018	—	9:00 a.m. to 8:30 p.m. <sup>(1)</sup>
Tuesday, 3 April 2018	—	8:00 a.m. to 8:30 p.m. <sup>(1)</sup>
Wednesday, 4 April 2018	—	8:00 a.m. to 8:30 p.m. <sup>(1)</sup>
Friday, 6 April 2018	—	8:00 a.m. to 8:30 p.m. <sup>(1)</sup>
Saturday, 7 April 2018	—	8:00 a.m. to 1:00 p.m. <sup>(1)</sup>
Monday, 9 April 2018	—	8:00 a.m. to 8:30 p.m. <sup>(1)</sup>
Tuesday, 10 April 2018	—	8:00 a.m. to 12:00 noon <sup>(1)</sup>

## HOW TO APPLY FOR PUBLIC OFFER SHARES

*Note:*

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, 29 March 2018 until 12:00 noon on Tuesday, 10 April 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 Tuesday, 10 April 2018, the last application day or such later time as described in the paragraph headed “Effect of Bad Weather on the Opening of the Application Lists” in this section of the prospectus.

### **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).

### **Personal data**

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bank, the Sole Bookrunner, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

## **7. WARNING FOR ELECTRONIC APPLICATIONS**

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Sole Bookrunner and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Public Offer Shares.

## HOW TO APPLY FOR 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 Tuesday, 10 April 2018.

### 8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

## HOW TO APPLY FOR PUBLIC OFFER SHARES

### 9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 4,000 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 4,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at [www.eipo.com.hk](http://www.eipo.com.hk).

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer to the section headed “Structure and Conditions of the Share Offer — Determining the Offer Price” in this prospectus.

### 10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 10 April 2018. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Tuesday, 10 April 2018 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made in such event.

### 11. PUBLICATION OF RESULTS

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 Thursday, 19 April 2018 on our Company’s website at [www.ztecgroup.com](http://www.ztecgroup.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

## HOW TO APPLY FOR PUBLIC OFFER SHARES

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at [www.ztecgroup.com](http://www.ztecgroup.com) and the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) by no later than 9:00 a.m., Thursday, 19 April 2018;
- from the designated results of allocations website at [www.iporesults.com.hk](http://www.iporesults.com.hk) (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Thursday, 19 April 2018 to 12:00 midnight on Wednesday, 25 April 2018;
- by telephone enquiry line by calling (852) 2862 8669 between 9:00 a.m. and 10:00 p.m. from Thursday, 19 April 2018 to Sunday, 22 April 2018;
- in the special allocation results booklets which will be available for inspection during opening hours on Thursday, 19 April 2018 to Saturday, 21 April 2018 at all the 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. For further details, please refer to the section headed "Structure and Conditions of the Share Offer" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

### 12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

**(i) If your application is revoked:**

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

**(ii) If our Company or its agents exercise their discretion to reject your application:**

Our Company, the Sole Bookrunner, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

**(iii) If the allotment of Public Offer Shares is void:**

The allotment of Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee 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 **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;



## HOW TO APPLY FOR PUBLIC OFFER SHARES

- 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 Bookrunner 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.

### 13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$0.85 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with the section headed "Structure and Conditions of the Share Offer — Conditions of the Share Offer" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Thursday, 19 April 2018.

### 14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number,

## HOW TO APPLY FOR PUBLIC OFFER SHARES

provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque(s), 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 cheques as mentioned below, any refund cheques and Share certificates are expected to be posted on or before Thursday, 19 April 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 Friday, 20 April 2018 provided that the Share Offer has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

### **Personal collection**

#### ***(i) If you apply using a WHITE Application Form***

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 19 April 2018 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong 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 or before Thursday, 19 April 2018, by ordinary post and at your own risk.

#### ***(ii) If you apply using a YELLOW Application Form***

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Thursday, 19 April 2018, by ordinary post and at your own risk.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

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 Thursday, 19 April 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 "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m., Thursday, 19 April 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

### ***(iii) If you apply through the White Form eIPO Service***

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 19 April 2018, or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates and refund cheques/e-Refund payment instructions.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Thursday, 19 April 2018 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

*(iv) If you apply via electronic application instructions to HKSCC*

*Allocation of Public Offer Shares*

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

*Deposit of share certificates into CCASS and refund of application monies*

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 19 April 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 "Publication of Results" in this section of the prospectus on Thursday, 19 April 2018. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 19 April 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 Thursday, 19 April 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.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 19 April 2018.

### **15. ADMISSION OF THE 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 set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.*



羅兵咸永道

**ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF ZHICHENG TECHNOLOGY GROUP LTD. AND RAFFAELLO CAPITAL LIMITED**

***Introduction***

We report on the historical financial information of Zhicheng Technology Group Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-44, which comprises the consolidated statements of financial position as at 31 March 2016 and 2017 and 30 September 2017, the company statement of financial position as at 30 September 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 six months ended 30 September 2017 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-44 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company (the "Prospectus") in connection with the initial listing of shares of the Company on GEM of The Stock Exchange of Hong Kong Limited (the "Listing").

***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 presentation and preparation set out in Notes 1.3 and 2.1 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 accountant's 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 accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers 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 presentation and preparation set out in Notes 1.3 and 2.1 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 accountant's report, a true and fair view of the financial position of the Company as at 30 September 2017 and the consolidated financial position of the Group as at 31 March 2016 and 2017 and 30 September 2017 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

***Review of stub period comparative financial information***

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statements of comprehensive income, changes in equity and cash flows for the six months ended 30 September 2016 and other explanatory information (the "Stub Period Comparative Financial Information").

The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

**Report on matters under the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

***Adjustments***

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

***Dividends***

We refer to Note 11 to the Historical Financial Information which states that no dividends have been paid by Zhicheng Technology Group Ltd. in respect of the Track Record Period.

***No statutory financial statements for the Company***

No statutory financial statements have been prepared for the Company since its date of incorporation.

**PricewaterhouseCoopers**  
*Certified Public Accountants*  
Hong Kong, 29 March 2018



## I. 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 accountant's report.

The financial statements of the Group for the Track Record Period (the "Underlying Financial Statements"), on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in HK dollars ("HK\$") and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

## (a) Consolidated statements of comprehensive income

		Year ended 31 March		Six months ended 30 September	
	Note	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (Unaudited)	2017 HK\$'000
Revenue	6	25,963	43,492	8,919	9,133
Cost of sales	7	(16,265)	(17,777)	(5,521)	(2,667)
<b>Gross profit</b>		<u>9,698</u>	<u>25,715</u>	<u>3,398</u>	<u>6,466</u>
Selling and marketing expenses	7	(802)	(1,255)	(606)	(848)
Administrative expenses	7	(3,933)	(4,954)	(2,071)	(16,314)
Other gains/(losses) — net		<u>20</u>	<u>(62)</u>	<u>53</u>	<u>24</u>
<b>Operating profit/(loss)</b>		<u>4,983</u>	<u>19,444</u>	<u>774</u>	<u>(10,672)</u>
Finance income		<u>1</u>	<u>2</u>	<u>1</u>	<u>1</u>
<b>Profit/(Loss) before income tax</b>		<u>4,984</u>	<u>19,446</u>	<u>775</u>	<u>(10,671)</u>
Income tax (expense)/credit	9	<u>(1,362)</u>	<u>(2,187)</u>	<u>(195)</u>	<u>352</u>
<b>Profit/(Loss) attributable to: Owners of the Company</b>		<u><u>3,622</u></u>	<u><u>17,259</u></u>	<u><u>580</u></u>	<u><u>(10,319)</u></u>
<b>Other comprehensive income</b> <i>Items that will not be reclassified to profit or loss:</i>					
Currency translation differences		<u>(2)</u>	<u>10</u>	<u>1</u>	<u>(68)</u>
<b>Other comprehensive income for the year/period, net of tax</b>		<u>(2)</u>	<u>10</u>	<u>1</u>	<u>(68)</u>
<b>Total comprehensive income attributable to: Owners of the Company</b>		<u><u>3,620</u></u>	<u><u>17,269</u></u>	<u><u>581</u></u>	<u><u>(10,387)</u></u>
<b>Earnings/(Losses) per share</b> — Basic and diluted (HK\$)	10	<u><u>36.96</u></u>	<u><u>176.11</u></u>	<u><u>5.92</u></u>	<u><u>(104.89)</u></u>

## (b) Consolidated statements of financial position

		As at 31 March		As at
		2016	2017	30 September
	Note	HK\$'000	HK\$'000	2017
				HK\$'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Equipment	12	7	74	104
Intangible assets	13	—	326	309
Deferred income tax assets	14	56	134	844
		<u>63</u>	<u>534</u>	<u>1,257</u>
<b>Current assets</b>				
Trade receivables	15	2,246	23,511	8,737
Amounts due from a related party	27(c)	2,118	—	—
Other receivables	16	119	1,144	1,057
Prepayments	17	4,955	1,107	5,522
Restricted cash		—	469	915
Cash and cash equivalents	18	2,750	2,311	1,065
		<u>12,188</u>	<u>28,542</u>	<u>17,296</u>
<b>Total assets</b>		<u>12,251</u>	<u>29,076</u>	<u>18,553</u>
<b>EQUITY</b>				
<b>Equity attributable to owners of the Company</b>				
Share capital	19	—	—	—
Other reserves	20	624	634	1,437
(Accumulated losses)/Retained earnings		<u>(2,768)</u>	<u>14,491</u>	<u>4,172</u>
<b>Total equity</b>		<u>(2,144)</u>	<u>15,125</u>	<u>5,609</u>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade payables	21	533	2,182	1,287
Amounts due to a related party	27(c)	4,643	4,644	590
Other payables	22	1,912	2,110	9,562
Advances from customers		4,039	1,405	1,464
Current income tax liabilities		<u>3,268</u>	<u>3,610</u>	<u>41</u>
		<u>14,395</u>	<u>13,951</u>	<u>12,944</u>
<b>Total liabilities</b>		<u>14,395</u>	<u>13,951</u>	<u>12,944</u>
<b>Total equity and liabilities</b>		<u>12,251</u>	<u>29,076</u>	<u>18,553</u>

## (c) Consolidated statements of changes in equity

	Attributable to owners of the Company				Total HK\$'000
	Share capital HK\$'000 (Note 19)	Other reserves HK\$'000 (Note 20)	Reserves		
			(Accumulated losses)/ Retained earnings HK\$'000	Sub-total HK\$'000	
<b>Balance at 1 April 2015</b>	—	626	(6,390)	(5,764)	(5,764)
Comprehensive income					
— Profit for the year	—	—	3,622	3,622	3,622
— Other comprehensive income	—	(2)	—	(2)	(2)
Total comprehensive income	—	(2)	3,622	3,620	3,620
<b>Balance at 31 March 2016</b>	<u>—</u>	<u>624</u>	<u>(2,768)</u>	<u>(2,144)</u>	<u>(2,144)</u>
<b>Balance at 1 April 2016</b>	—	624	(2,768)	(2,144)	(2,144)
Comprehensive income					
— Profit for the year	—	—	17,259	17,259	17,259
— Other comprehensive income	—	10	—	10	10
Total comprehensive income	—	10	17,259	17,269	17,269
<b>Balance at 31 March 2017</b>	<u>—</u>	<u>634</u>	<u>14,491</u>	<u>15,125</u>	<u>15,125</u>
<b>Balance at 1 April 2017</b>	—	634	14,491	15,125	15,125
Issuance of shares	—	1,260	—	1,260	1,260
Deemed distributions to the then owner of a group company	—	(389)	—	(389)	(389)
Comprehensive income					
— Loss for the period	—	—	(10,319)	(10,319)	(10,319)
— Other comprehensive income	—	(68)	—	(68)	(68)
Total comprehensive income	—	(68)	(10,319)	(10,387)	(10,387)
<b>Balance at 30 September 2017</b>	<u>—</u>	<u>1,437</u>	<u>4,172</u>	<u>5,609</u>	<u>5,609</u>
<b>Unaudited: Balance at 1 April 2016</b>	—	624	(2,768)	(2,144)	(2,144)
Comprehensive income					
— Profit for the period	—	—	580	580	580
— Other comprehensive income	—	1	—	1	1
Total comprehensive income	—	1	580	581	581
<b>Balance at 30 September 2016</b>	<u>—</u>	<u>625</u>	<u>(2,188)</u>	<u>(1,563)</u>	<u>(1,563)</u>

## (d) Consolidated statements of cash flows

	Note	Year ended 31 March		Six months ended 30 September	
		2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000
(Unaudited)					
<b>Cash flows from operating activities</b>					
Net cash generated from/(used in) operations	24	7,471	(309)	(2,416)	7,267
Income tax paid		—	(1,927)	—	(3,911)
Net cash generated from/(used in) operating activities		<u>7,471</u>	<u>(2,236)</u>	<u>(2,416)</u>	<u>3,356</u>
<b>Cash flows from investing activities</b>					
Purchases of equipment		(6)	(79)	(63)	(33)
Purchases of intangible assets		—	(184)	(159)	—
Net cash used in investing activities		<u>(6)</u>	<u>(263)</u>	<u>(222)</u>	<u>(33)</u>
<b>Cash flows from financing activities</b>					
Receipt of cash advances from a related party		16,628	17,208	10,549	11,325
Payment of cash advances to a related party		(24,177)	(15,089)	(10,144)	(15,379)
Payment for listing expenses		—	—	—	(1,839)
Proceeds from issuance of new shares	19(b)	—	—	—	1,260
Net cash (used in)/generated from financing activities		<u>(7,549)</u>	<u>2,119</u>	<u>405</u>	<u>(4,633)</u>
<b>Net decrease in cash and cash equivalents</b>					
Cash and cash equivalents at beginning of the year/period		2,845	2,750	2,750	2,311
Exchange (losses)/gains on cash and cash equivalents		(11)	(59)	(15)	64
<b>Cash and cash equivalents at end of the year/period</b>		<u><u>2,750</u></u>	<u><u>2,311</u></u>	<u><u>502</u></u>	<u><u>1,065</u></u>

## (e) Statement of financial position — the Company

	<i>Note</i>	<b>As at 30 September 2017 HK\$'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Investments in subsidiaries	23	<u>19,143</u>
<b>Current assets</b>		
Amounts due from a subsidiary	23	1,260
Prepayments	17	<u>3,895</u>
		<u>5,155</u>
<b>Total assets</b>		<u><u>24,298</u></u>
<b>EQUITY</b>		
<b>Equity attributable to owners of the Company</b>		
Share capital	19	—
Other reserves		20,403
Accumulated losses		<u>(11,811)</u>
<b>Total equity</b>		<u>8,592</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Amounts due to subsidiaries	23	7,619
Other payables	22	<u>8,087</u>
		<u>15,706</u>
<b>Total liabilities</b>		<u><u>15,706</u></u>
<b>Total equity and liabilities</b>		<u><u>24,298</u></u>

## II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

### 1. GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

#### 1.1 General information

The Company was incorporated in the Cayman Islands on 23 June 2017 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of its registered office is Sertus Chambers, Governors Square, Suite # 5-204, 23 Lime Tree Bay Avenue, P.O. Box 2547, Grand Cayman, KY1-1104, Cayman Islands.

Mr. Wu Di ("Mr. Wu") is the controlling shareholder ("the Controlling Shareholder") of the Company.

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of smart manufacturing solutions including sales of equipment and provision of relevant technical service (the "Listing Business").

#### 1.2 Reorganisation

Prior to the group reorganisation (the "Reorganisation"), the Listing Business was carried out by Hong Kong Cheng Phong Technology Limited ("Hong Kong Cheng Phong"), Bow Chak Industry (HK) Limited ("Bow Chak"), MGW Swans Ltd. ("MGW Swans") and Quick Tech Corporation Ltd. ("Quick Tech") (collectively, the "Operating Companies"), and were managed and wholly owned by Mr. Wu. The aforementioned companies constitute the Listing Business before the Reorganisation.

In preparation for the initial public offering and listing of the shares of the Company on GEM of The Stock Exchange of Hong Kong Limited (the "Listing"), the Group underwent the Reorganisation to establish the Company as the ultimate the holding company of the Listing Business. Details of the Reorganisation are set out below:

- (a) On 19 June 2017, IFG Swans Holding Ltd. ("IFG Swans") was incorporated in British Virgin Islands ("BVI") by Mr. Wu.
- (b) On 23 June 2017, the Company was incorporated in the Cayman Islands with an authorised share capital of 500,000,000 ordinary shares of United States dollars ("US\$") 0.0001 each. Upon the incorporation of the Company, one subscriber share was allotted and issued to IFG Swans.
- (c) CPT Asia-Pacific Holding Ltd. ("CPT Asia-Pacific"), BCI East Asia Holding Ltd. ("BCI East Asia"), MG Pacific Holding Ltd. ("MG Pacific") and ZHP Orient Holding Ltd. ("ZHP Orient") were incorporated in BVI on 18 August 2017, 18 August 2017, 18 August 2017, and 14 July 2017, respectively, with limited liability and wholly owned by the Company.
- (d) Hong Kong Zhi Phong Technology Limited ("Hong Kong Zhi Phong") was incorporated in Hong Kong on 27 July 2017 with limited liability and wholly owned by ZHP Orient.
- (e) On 18 September 2017, CPT Asia-Pacific, BCI East Asia and MG Pacific acquired the entire equity interest of Hong Kong Cheng Phong, Bow Chak and MGW Swans by allotment and issuance of 10 shares of the Company to Mr. Wu, respectively. Since then, Hong Kong Cheng Phong, Bow Chak and MGW Swans became wholly-owned subsidiaries of the Company.
- (f) On 1 August 2017, Mr. Wu sold 3% of his equity interest in Quick Tech to Ms. Ching Li Wen ("Ms. Ching"), an independent third party at consideration of RMB10,200 with reference to the fair value of Quick Tech. On 28 August 2017, Hong Kong Zhi Phong acquired the 3% equity interest in Quick Tech from Ms. Ching at consideration of RMB10,200, which was satisfied by allotment and issuance of 19

shares (representing approximately 0.019% of the issued share capital of the Company) by the Company as fully paid to Ms. Ching. On 28 August 2017, Hong Kong Zhi Phong further acquired the remaining 97% equity interest of Quick Tech from Mr. Wu at cash consideration of RMB331,200. Upon the completion of the above transactions, Quick Tech became a wholly-owned subsidiary of Hong Kong Zhi Phong.

Upon completion of the Reorganisation, the Company became the holding company of the other companies comprising the Group.

Upon completion of the Reorganisation and as at the date of this report, the Company had direct or indirect interests in the following subsidiaries:

Name of company	Place and date of incorporation	Registered and paid-up capital	Equity interest held	Principal activities and place of operation	Note
<b>Directly held</b>					
CPT Asia-Pacific	BVI, 18 August 2017	US\$1	100%	Investment holding, BVI	(a)
BCI East Asia	BVI, 18 August 2017	US\$1	100%	Investment holding, BVI	(a)
MG Pacific	BVI, 18 August 2017	US\$1	100%	Investment holding, BVI	(a)
ZHP Orient	BVI, 14 July 2017	US\$1	100%	Investment holding, BVI	(a)
<b>Indirectly held</b>					
Hong Kong Zhi Phong	Hong Kong, 27 July 2017	HK\$1	100%	Investment holding, Hong Kong	(b)
Hong Kong Cheng Phong	Hong Kong, 20 January 2010	HK\$100	100%	Provision of smart manufacturing solutions including sales of equipment and provision of technical services, the PRC	(c)
Bow Chak	Hong Kong, 13 February 2014	HK\$100	100%	Provision of smart manufacturing solutions including sales of equipment and provision of technical services, the PRC	(d)
MGW Swans	BVI, 27 December 2012	US\$100	100%	Provision of smart manufacturing solutions including sales of equipment and provision of technical services, the PRC	(e)
Quick Tech	The PRC, 3 April 2008	RMB500,000	100%	Provision of smart manufacturing solutions including sales of equipment and provision of technical services, the PRC	(f)

- (a) No audited financial statements of these companies have been prepared as there is no statutory requirements in their place of incorporation.
- (b) No audited financial statements have been prepared as the company is newly set up.
- (c) The statutory financial statements of the company for the years ended 30 June 2015 and 2016 were prepared in accordance with Small and Medium-sized Entity Financial Reporting Framework and Financial Reporting Standard issued by HKICPA and were audited by Lui Siu Tang & Company, certified public accountants in Hong Kong. The statutory financial statements of this company for the year ended 30 June 2017 has not yet been issued as of the date of this report.
- (d) The statutory financial statements of the company for the years ended 31 December 2015 and 2016 were prepared in accordance with Small and Medium-sized Entity Financial Reporting Framework and Financial Reporting Standard issued by HKICPA and were audited by Alan Cheng & Co, certified public accountants in Hong Kong.
- (e) The statutory financial statements of the company for the years ended 31 March 2016 and 2017 were prepared in accordance with Small and Medium-sized Entity Financial Reporting Framework and Financial Reporting Standard issued by HKICPA and were audited by Rich Moral CPA Limited, certified public accountants in Hong Kong.
- (f) No audited financial statements were issued for the company as it is not required to issue audited financial statements under the statutory requirement of its place of incorporation.

### 1.3 Basis of presentation

Immediately prior to and after the Reorganisation, the Listing Business, which is mainly conducted through the Operating Companies, were controlled by the Controlling Shareholder, Mr. Wu. Pursuant to the Reorganisation, the business of the Operating Companies were transferred to and held by the Company. As the Company has not been involved in any other business prior to the Reorganisation and do not meet the definition of a business, the Reorganisation is merely a reorganisation of the Listing Business with no change in management of such business and the ultimate owner of the Listing Business remains the same. Accordingly, for the purpose of this report, the Historical Financial Information has been prepared and presented as a continuation of the Listing Business, with the assets and liabilities of the Group recognised and measured at the carrying amounts of the Listing Business for all years and periods presented

The Company has adopted a year end date of 31 March.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years and periods presented, unless otherwise stated.

### 2.1 Basis of preparation

The Historical Financial Information of the Group has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”) and the disclosure requirements of the Hong Kong Companies ordinance Cap. 622. The Historical Financial Information has been prepared under the historical cost convention.

The preparation of Historical Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4 of this section.



Up to the date of issuance of this report, the HKICPA has issued the following new standards, amendments and interpretations which are not yet effective for the accounting period beginning 1 April 2017 and have not been early adopted:

		<b>Effective for annual periods beginning on or after</b>
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 2 (Amendment)	Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 4 (Amendment)	Amendments regarding implementation of HKFRS 9	1 January 2018
HKFRS 15 (Amendment)	Revenue from contracts with customers-clarifications	1 January 2018
Annual improvement 2014–2016	Amendments to other HKFRSs	1 January 2018
HKIFRIC 22	Foreign currency transactions and advance consideration	1 January 2018
HKAS 40 (Amendment)	Transfers of investment property	1 January 2018
HKFRS 16	Leases	1 January 2019
HKIFRIC 23	Uncertainty over income tax treatments	1 January 2019
HKFRS 10 and HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

None of these is expected to be relevant or have material impact to the consolidated financial statements of the Group, except for the following:

- HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach : (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract (3) Determine the transaction price (4) Allocate transaction price to performance obligations and (5) recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an ‘earnings processes to an “asset-liability” approach based on transfer of control.

HKFRS 15 provides specific guidance on capitalisation of contract cost and licence arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity’s contracts with customers.

HKFRS 15 replaces the previous revenue standards: HKAS 18 Revenue and HKAS 11 Construction Contracts, and the related Interpretations on revenue recognition.

The Group’s revenue recognition policies are disclosed in Note 2.17. Currently, revenue from sales of equipments are recognised when the significant risks and rewards of ownership of the goods are transferred. The directors of the Company are in the process of assessing the impact of HKFRS 15 to the Group’s revenue recognition. It is not expected that adoption of HKFRS15 will lead to significant changes to the Group’s existing revenue recognition.

- HKFRS 9, “Financial instruments” is expected to be adopted by the Group for the financial year beginning on 1 April 2018. The major changes to the existing policies adopted by the Group includes:

- Changes on classification and measurement of financial assets and liabilities

HKFRS 9 replaces the multiple classification and measurement models for financial assets in HKAS 39 with a single model that has three classification categories: amortised cost, fair value through other comprehensive income and fair value through profit and loss. The classification and measurement of financial liabilities under HKFRS 9 remains the same as in HKAS 39 except where an entity has chosen to measure a financial liability at fair value through profit or loss.

The directors of the Company do not expect the changes on the classification and measurement models introduced by HKFRS 9 would have material impact on the Group's existing financial assets and liabilities, as they are mainly comprised of loans and receivables and financial liabilities at amortised costs as determined under HKAS 39 (Note 2.8), which are similar to the financial assets and liabilities measured at amortised cost under HKFRS 9, and are expected to continuously be initially recognised at fair value and subsequently measured at amortised cost.

- Changes on the impairment model

HKFRS 9 introduce a new, forward looking, expected credit loss impairment model. The new rules mean that entities will have to record a day one loss equal to the 12-month expected credit loss on initial recognition of financial assets. HKFRS 9 contains a “three stages” approach which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest method. Where there has been a significant increase in credit risk, impairment is measured using lifetime expected credit loss rather than 12-month expected credit loss. The model includes operational simplifications for trade receivables. For trade receivables that do not contain a significant financing component, the loss allowance should be measured at initial recognition and throughout the life of the receivable at an amount equal to lifetime expected credit loss.

The directors of the Company expect the new impairment model introduced by HKFRS 9 will generally result in earlier recognition of losses compared to the current incurred loss model of HKAS 39 (Note 2.10). The Group is in the process of assessing the impact of HKFRS 9 of impairment model and considers that the adoption of the new standard of HKFRS 9 will not have significant impact on the Group's financial position and financial performance.

- HKFRS 16, “Leases”

The Group is a lessee of certain offices which are currently classified as operating leases. The Group's current accounting policy for such leases, as set out in Note 2.19, is to record the operating lease expenses in the Group's consolidated statement of comprehensive income for the current year with the disclosure of related operating lease commitments. HKFRS 16 provides new provisions for the accounting treatment of leases which no longer allows lessees to recognise leases outside of the consolidated statement of financial position. Instead, all non-current leases must be recognised in the form of assets (for the right of use) and financial liabilities (for the payment obligations) in the Group's consolidated statement of financial position. Short-term leases of less than twelve months and leases of low-value assets are exempt from such reporting obligation. The new standard will therefore result in a derecognition of prepaid operating leases, increase in right-of-use assets and increase in lease liabilities in the consolidated financial statement. In the consolidated statement of comprehensive income, as a result, the annual operating lease expenses under otherwise identical circumstances will

decrease, while depreciation of right-of-use of assets and interest expense arising from the lease liabilities will increase. The new standard is not expected to apply until the financial year beginning on 1 April 2019.

The directors consider that the adoption of the new standard will not have material impact on the Group's financial position and the financial performance as the Group only had short-term leases of less than twelve months with a total amount of HK\$284,000 as at 30 September 2017 which can be exempted from the reporting obligation under HKFRS 16.

## 2.2 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

### *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

## 2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the executive directors who is responsible for allocating resources and assessing performance of the operating segments.

## 2.4 Foreign currency translation

### *(a) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Historical Financial Information is presented in HK\$, which is the Company's functional and the Group's presentation currency.

### *(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised profit or loss in the consolidated statement of comprehensive income.

**(c) Group companies**

The results and financial position of the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each financial position presented are translated at the closing rate at the date of that financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

**2.5 Equipment**

Equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Depreciation on equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Furniture and office equipment	5 years
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The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within consolidated statement of comprehensive income.

**2.6 Intangible assets*****Computer software and Patents***

Separately acquired computer software and patents are shown at historical cost. The computer software and patents have a finite useful life and is carried at cost less accumulated amortisation.

Amortisation is calculated using the straight-line method to allocate the cost over its estimated useful lives, as follows:

Computer software	5 years
Patents	10 years

## 2.7 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

## 2.8 Financial assets

### 2.8.1 Classification

The Group currently only has financial assets in the category of loans and receivables which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade receivables", "Other receivables" and "cash and cash equivalents" in the consolidated statement of financial position (Notes 15, 16 and 18). Management determines the classification of its financial assets at initial recognition.

### 2.8.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

## 2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the group company or the counterparty.

## 2.10 Impairment of financial assets

### *Assets carried at amortised cost*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

#### **2.11 Trade and other receivables**

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. See Note 2.8.2 for further information about the Group's accounting for trade receivables and Note 2.10 for a description of the Group's impairment policies.

#### **2.12 Cash and cash equivalents**

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks. Bank deposits which are restricted to use are included in "Restricted cash". Restricted cash are excluding from cash and cash equivalents included in the consolidated statement of cash flows.

#### **2.13 Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### **2.14 Trade and other payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### **2.15 Current and deferred income tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) *Deferred income tax*

*Inside basis differences*

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

*Outside basis differences*

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## 2.16 Employee benefits

(a) *Pension obligations*

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to certain ceiling.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The Group's contributions to these plans are expensed as incurred.

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme ("the MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, the group company in Hong Kong (the employer) and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The monthly contributions of each of the group company and its employees are subject to a cap of HK\$1,500 and thereafter contributions are voluntary.

**(b) *Housing funds, medical insurances and other social insurances***

Employees of the group companies in the PRC are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each period. Contributions to these funds are expensed of as incurred.

**(c) *Bonus entitlements***

The expected cost of bonus payments are recognised as a liability when the Group has a present contractual or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

## **2.17 Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services provided or goods sold, stated net of discounts, returns and sales related taxes.

The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

**(a) *Sales of goods***

Sales of goods are recognised when a group entity has transferred the significant risks and rewards of ownership of the goods to the customers and the collectability of the related receivables is reasonably assured.

**(b) *Rendering of services***

The Group provided technical services to external parties. Service fee is recognised as revenue when services are rendered.

## **2.18 Interest income**

Interest income is recognised using the effective interest method.

## **2.19 Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.



*The Group is the lessee*

Payments made under operating leases (net of any incentives received from the lessor), are charged to the profit or loss on a straight-line basis over the period of the lease.

**2.20 Research and development**

Research expenditures are recognised as expenses or cost of sales as incurred. Costs incurred on development projects (relating to the design and developing of new or improved utility models and utility patents) are recognised as intangible assets if, and only if, the Group can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its 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
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Other development expenditures that do not meet these criteria are recognised as expenses or cost of sales when incurred. Development costs previously recognised as expenses or cost of sales are not recognised as an asset in a subsequent period.

**2.21 Dividend distribution**

Dividend distribution to the owners of the companies comprising the Group is recognised as a liability in the Group's Historical Financial Information in the period in which the dividends are approved by these companies' shareholders or directors, where appropriate.

**3. FINANCIAL RISK MANAGEMENT****3.1 Financial risk factors**

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the financial department under policies approved by the board of directors.

**3.1.1 Market risk***(a) Foreign exchange risk*

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The PRC entity of the group operates in the PRC with most of the transactions denominated and settled in RMB, which is the functional currencies of PRC entity. Therefore, the PRC entity is not exposed to material foreign exchange risk.

For the operating entities that are incorporated in Hong Kong and BVI, their functional currencies are US\$. As certain trade and other receivables, bank balances, trade and other payables of these entities are denominated in HK\$ or Euro ("EUR"), currencies other than the functional currencies of the entities may cause the foreign exchange risk. Under the Linked Exchange Rate System in Hong Kong, HK\$ is pegged to US\$, the directors considers that there is no significant foreign exchange risk with respect to HK\$. Therefore, the foreign exchange risk mainly arises from the monetary assets and liabilities denominated in EUR.

The Group has not entered into forward exchange contract to hedge its exposure to foreign exchange risk.

The carrying amounts of the Group's monetary assets and liabilities denominated in EUR at the end of the reporting period are as follows:

<b>As at 31 March 2016</b>	<b>HK\$'000</b>
Monetary assets	
— Trade receivables	1,191
— Cash and cash equivalents	<u>9</u>
	<u>1,200</u>
<b>As at 31 March 2017</b>	<b>HK\$'000</b>
Monetary assets	
— Trade receivables	501
— Cash and cash equivalents	<u>507</u>
	<u>1,008</u>
Monetary liabilities	
— Trade payables	<u>(249)</u>
<b>As at 30 September 2017</b>	<b>HK\$'000</b>
Monetary assets	
— Trade receivables	556
— Cash and cash equivalents	<u>7</u>
	<u>563</u>
Monetary liabilities	
— Trade payables	<u>(609)</u>

As at 31 March 2016 and 2017, if EUR had weaken/strengthened by 8% against US\$ with all other variables held constant, profit before tax would have been HK\$96,000 and HK\$61,000 lower/higher respectively. As at 30 September 2017, for the same hypothesis, the profit before tax would have been HK\$4,000 higher/lower.

*(b) Cash flow interest rate risk*

The Group's interest-bearing assets are mainly cash and cash equivalents. The directors considers the interest rate risk with respect to cash and cash equivalents to be insignificant to the Group.

The Group has not entered into any interest rate swaps to hedge its exposure to interest rate risks.

**3.1.2 Credit risk**

Credit risk mainly arises from cash and cash equivalents, restricted cash, trade receivables and other receivables. The carrying amount of these balances in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to its financial assets. Management has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis.

Majority of the Group's bank balances are placed in banks incorporated in the PRC which are reputable listed commercial banks or state-owned bank and listed banks incorporated in Hong Kong. Management does not expect any losses from non-performance by these banks and financial institutions as they have no default history in the past.

In respect of trade receivables and other receivables, individual credit evaluations are performed on significant customers. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group generally requires customers to settle progress billings in accordance with contracted terms and other debts in accordance with agreements. Normally, the Group does not obtain collateral from customers.

Further quantitative disclosures in respect of trade receivables and other receivables are set out in Notes 15 and 16.

**3.1.3 Liquidity risk**

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group expects to fund its future cash flow needs through internally generated cash flows from operation and borrowings from financial institutions.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	<b>Less than 1 year HK\$'000</b>
<b>As at 31 March 2016</b>	
Trade and other payables	
(excluding payroll payables and other tax liabilities)	1,732
Amounts due to a related party	<u>4,643</u>
	<u><u>6,375</u></u>

**Less than  
1 year  
HK\$'000**

**As at 31 March 2017**

Trade and other payables	3,760
(excluding payroll payables and other tax liabilities)	
Amounts due to a related party	4,644
	8,404

**As at 30 September 2017**

Trade and other payables	10,290
(excluding payroll payables and other tax liabilities)	
Amounts due to a related party	590
	10,880

**3.2 Capital management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long term.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to the owner, issue new shares or sell assets to reduce debt.

No gearing ratio is presented as the Group has net cash surplus as at 31 March 2016 and 2017 and 30 September 2017.

**3.3 Fair value estimation**

The Group's financial assets and financial liabilities are mainly receivables and payables, respectively, which are carried at amortised cost. The fair values of these financial instruments approximate their carrying amount.

**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

**(a) Revenue recognition**

The Group generates revenue principally through the sales of equipment and related services. The Group believes that revenue recognition is critical for its financial statements because revenue may be directly affected by the timing of revenue recognition, and how to allocate the contract amount based on fair value of the two parts of revenue.

Generally, the Group recognises revenue of sales of equipment when the product has been shipped to the customer. Service revenues result primarily from installation and related technical training, which are recognised when the services has been completed and accepted by customers.

Determining the fair value of each part of revenue requires management's estimation. The Group allocates the price based on the best available information of the fair value of individual part of revenue. The allocation is in consistent with the payment terms in most contracts.

**(b) Impairment of receivables**

The Group records impairment of receivables based on an assessment made by the management on the recoverability of trade and other receivables. Provisions are applied where events or changes in circumstances indicate that the balances may not be collectible. Impairment assessment requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact both the carrying value of trade and other receivables and the impairment charge in the period in which such estimate has been changed.

**(c) Income taxes and deferred taxation**

The Group is subject to income taxes in the PRC. Judgment is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

**5. SEGMENT INFORMATION**

Management has determined the operating segments based on the reports reviewed by executive directors, who is responsible for allocating resources and assessing performance of the operating segment.

The Group is principally engaged in the provision of smart manufacturing solutions of precision testing and precision machining, which comprises the sales of precision testing equipment and precision machining equipment as well as the provision of technical services. Management reviews the operating results of the business as one segment to make decisions about resources to be allocated. Therefore, the executive directors of the company regards that there is only one segment which is used to make strategic decisions. Revenue and profit before income tax are the measure reported to the executive directors for the purpose of resources allocation and performance assessment.

All of the Group's revenue is derived in the PRC during the Track Record Period.

As at 31 March 2016 and 2017 and 30 September 2017, all of the non-current assets were located in the PRC.

## 6. REVENUE

Revenue by nature:

	Year ended 31 March		Six months ended 30 September	
	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i> (Unaudited)	2017 <i>HK\$'000</i>
Precision 3D testing solutions				
— Sales of equipment	13,287	23,300	3,224	6,894
— Technical services	<u>1,241</u>	<u>2,506</u>	<u>741</u>	<u>2,239</u>
	<u>14,528</u>	<u>25,806</u>	<u>3,965</u>	<u>9,133</u>
Precision machining solutions				
— Sales of equipment	10,387	16,127	4,954	—
— Technical services	<u>1,048</u>	<u>1,559</u>	<u>—</u>	<u>—</u>
	<u>11,435</u>	<u>17,686</u>	<u>4,954</u>	<u>—</u>
	<u>25,963</u>	<u>43,492</u>	<u>8,919</u>	<u>9,133</u>

Revenue by type of solutions:

	Year ended 31 March		Six months ended 30 September	
	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i> (Unaudited)	2017 <i>HK\$'000</i>
Precision 3D testing solutions				
— Static 3D scanning	6,622	18,605	3,965	8,485
— Dynamic 3D scanning	<u>7,906</u>	<u>7,201</u>	<u>—</u>	<u>648</u>
	<u>14,528</u>	<u>25,806</u>	<u>3,965</u>	<u>9,133</u>
Precision machining solutions	<u>11,435</u>	<u>17,686</u>	<u>4,954</u>	<u>—</u>
	<u>25,963</u>	<u>43,492</u>	<u>8,919</u>	<u>9,133</u>

Revenues from transactions with external customers amounting to 10% or more of the Group's revenues are as follows:

	Year ended 31 March		Six months ended 30 September	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Customer A	16,503	11,320	3,603	Not applicable*
Customer B	7,906	Not applicable*	Not applicable*	Not applicable*
Customer C	Not applicable*	8,480	4,954	Not applicable*
Customer D	Not applicable*	7,594	Not applicable*	Not applicable*
Customer E	Not applicable*	6,657	Not applicable*	Not applicable*
Customer F	Not applicable*	5,803	Not applicable*	Not applicable*
Customer G	Not applicable*	Not applicable*	Not applicable*	3,499
Customer H	Not applicable*	Not applicable*	Not applicable*	3,395

*Note\**: The revenue of the particular customer for the particular year or period is less than 10% of the Group's revenue for the particular year or period.

## 7. EXPENSES BY NATURE

	Year ended 31 March		Six months ended 30 September	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Cost of inventories sold	15,685	16,826	5,092	2,048
Outsourcing research and development expenses	1,779	1,593	820	671
Staff costs (including directors' emoluments) ( <i>Note 8</i> )	1,374	2,170	841	1,057
Travelling expenses	1,066	1,227	505	1,137
Operating lease payments	256	356	205	245
Entertainment expenses	164	303	158	328
Office utilities	113	434	249	225
Advertising and promotion fees	—	—	—	240
Professional fees	67	486	15	1,628
Listing expenses	—	—	—	11,811
Depreciation and amortisation ( <i>Notes 12 and 13</i> )	1	24	6	40
Auditors' remuneration				
— Audit services	7	5	—	—
Other expenses	488	562	307	399
Total cost of sales, selling and marketing expenses and administrative expenses	<u>21,000</u>	<u>23,986</u>	<u>8,198</u>	<u>19,829</u>

*Note*: Research and development expenses include outsourcing and internal research and development expenses. During the years ended 31 March 2016 and 2017 and the six months ended 30 September 2016 and 2017, outsourcing research and development expenses amounted to HK\$1,779,000, HK\$1,593,000, HK\$820,000 and HK\$671,000. During the above periods, internal research and development expenses, which mainly comprised staff costs and travelling expenses, amounted to HK\$554,000, HK\$916,000, HK\$396,000 and HK\$548,000. No research and development expenses had been capitalised for the years ended 31 March 2016 and 2017 and the six months ended 30 September 2016 and 2017.

## 8. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 March		Six months ended 30 September	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Salaries, wages, bonuses and other benefits	1,244	1,997	772	959
Contribution to pension scheme	<u>130</u>	<u>173</u>	<u>69</u>	<u>98</u>
	<u>1,374</u>	<u>2,170</u>	<u>841</u>	<u>1,057</u>

During the years ended 31 March 2016 and 2017 and the six months ended 30 September 2016 and 2017, employees of the Group who were based in the PRC participated in defined contribution retirement benefits organised by governments in the PRC. The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme ("the MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, the group company in Hong Kong (the employer) and its employee make monthly contributions to the scheme at 5% of the employee's earnings as defined under the Mandatory Provident Fund Legislation. The monthly contributions of each of the group company and its employee are subject to a cap of HK\$1,500 and thereafter contributions are voluntary.

## (a) Directors' and chief executive's emoluments

The remuneration of each director and chief executive for the year ended 31 March 2016 is set out below:

Name	Salaries, wages, bonuses and other benefits HK\$'000	Contribution to pension scheme HK\$'000	Total HK\$'000
<b>Executive directors</b>			
Mr. Wu (i)	200	21	221
Ms. Liu Zhi Ning	<u>114</u>	<u>12</u>	<u>126</u>
	<u>314</u>	<u>33</u>	<u>347</u>

The remuneration of each director and chief executive for the year ended 31 March 2017 is set out below:

Name	Salaries, wages, bonuses and other benefits HK\$'000	Contribution to pension scheme HK\$'000	Total HK\$'000
<b>Executive directors</b>			
Mr. Wu (i)	177	20	197
Ms. Liu Zhi Ning	<u>188</u>	<u>14</u>	<u>202</u>
	<u>365</u>	<u>34</u>	<u>399</u>



The remuneration of each director and chief executive for the six months ended 30 September 2016 is set out below:

Name	Salaries, wages, bonuses and other benefits <i>HK\$'000</i> (Unaudited)	Contribution to pension scheme <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
<b>Executive directors</b>			
Mr. Wu (i)	95	10	105
Ms. Liu Zhi Ning	<u>56</u>	<u>6</u>	<u>62</u>
	<u>151</u>	<u>16</u>	<u>167</u>

The remuneration of each director and chief executive for the six months ended 30 September 2017 is set out below:

Name	Salaries, wages, bonuses and other benefits <i>HK\$'000</i>	Contribution to pension scheme <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Executive directors</b>			
Mr. Wu (i)	71	9	80
Ms. Liu Zhi Ning	<u>64</u>	<u>8</u>	<u>72</u>
	<u>135</u>	<u>17</u>	<u>152</u>

(i) Mr. Wu is the chief executive officer of the Company.

**(b) Five highest paid individuals**

For the years ended 31 March 2016 and 2017 and 30 September 2016, the five individuals whose emoluments were the highest in the Group included one director whose emoluments is reflected in the analysis presented above. For the six months ended 30 September 2017, the five individuals whose emoluments were the highest in the Group included two directors whose emoluments are reflected in the analysis presented above. The emoluments paid to the remaining individuals during the years ended 31 March 2016 and 2017 and the six months ended 30 September 2016 and 2017 are as follows:

	Year ended 31 March		Six months ended 30 September	
	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i> (Unaudited)	2017 <i>HK\$'000</i>
Salaries, wages, bonuses and other benefits	577	847	277	351
Contribution to pension scheme	<u>65</u>	<u>74</u>	<u>35</u>	<u>34</u>
	<u>642</u>	<u>921</u>	<u>312</u>	<u>385</u>

The emoluments of these remaining individuals of the Group fell within the following bands:

	Year ended 31 March		Six months ended 30 September	
	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000
<i>Emolument bands</i>			(Unaudited)	
Below HK\$1,000,000	<u>4</u>	<u>4</u>	<u>4</u>	<u>3</u>

**(c) Benefits and interests of directors**

The following disclosures are made pursuant to section 383(1)(b) to (f) of the Companies Ordinance (Cap. 622) and Parts 2 to 4 of the Companies (Disclosure of Information about Benefits of Directors) Regulation Cap. 622G:

For the year ended 31 March 2016 and 2017 and the six months ended 30 September 2016 and 2017, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable. No consideration was provided to or receivable by third parties for making available directors' services. There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities.

No directors of the Company and their connected entities had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party that subsisted at the end of the year ended 31 March 2016 and 2017 and the six months ended 30 September 2016 and 2017 or at any time during the reported periods.

**9. INCOME TAX EXPENSE/(CREDIT)**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is exempted from Cayman Islands income tax. The Company's direct subsidiaries in BVI were incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, are exempted from British Virgin Islands income tax.

Hong Kong Cheng Phong, Bow Chak and MGW Swans, subsidiaries of the Company incorporated in Hong Kong and BVI, were non-residents enterprises in the PRC. As the principal business of these companies were conducted in the PRC, these companies are subject to PRC enterprise income tax during the Track Record Period.

The income tax provision of the Group in respect of the operations of its subsidiary in mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the Track Record Period. On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the "CIT Law"), which is effective from 1 January 2008. Under the CIT Law and the Implementation Rules of the CIT Law, the standard tax rate of the PRC entities was 25% during the Relevant Periods.

	Year ended 31 March		Six months ended 30 September	
	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000
			(Unaudited)	
Current income tax				
— PRC corporate income tax	932	1,250	139	342
— Others (a)	487	1,020	—	—
Deferred income tax	<u>(57)</u>	<u>(83)</u>	<u>56</u>	<u>(694)</u>
	<u>1,362</u>	<u>2,187</u>	<u>195</u>	<u>(352)</u>

- (a) In August 2017, Hong Kong Cheng Phong and Bow Chak were deemed as non-resident enterprises by the PRC tax authority for PRC tax purposes in light of their principal business are carried out in the PRC. However, during the Track Record Period, as Hong Kong registered companies, Hong Kong Cheng Phong and Bow Chak have filed the Hong Kong profits tax, and Hong Kong Cheng Phong has made an income tax payment amounting to HK\$1.5 million to the Hong Kong tax bureau, which may not be refundable.
- (b) No income tax charges relating to components of other comprehensive income existed for the years ended 31 March 2016 and 2017 and the six months ended 30 September 2016 and 2017.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profit/loss of the consolidated entities as follows:

	Year ended 31 March		Six months ended 30 September	
	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000
			(Unaudited)	
Profit before income tax	<u>4,984</u>	<u>19,446</u>	<u>775</u>	<u>(10,671)</u>
Tax calculated at applicable corporate income tax rate: 25%	1,246	4,862	193	(2,666)
Adjustments due to tax calculated on deemed profit rate (i)	(410)	(3,711)	2	(680)
Overpaid tax not recoverable	487	1,020	—	—
Expenses not deductible for tax purposes	<u>39</u>	<u>16</u>	<u>—</u>	<u>2,994</u>
	<u>1,362</u>	<u>2,187</u>	<u>195</u>	<u>(352)</u>

- (i) Hong Kong Cheng Phong, Bow Chak and MGW Swans were approved by the in-charge tax authority to pay PRC income tax on a "deemed profit basis", according to which the taxable income is calculated as 15% of their revenues for the year/period. The applicable income tax rate for these companies is 25%.

**10. EARNINGS/(LOSSES) PER SHARE**

Basic earnings/(losses) per share is calculated by dividing the profit/(loss) for the year/period by the weighted average number of ordinary shares in issue during the years ended 31 March 2016 and 2017 and the six months ended 30 September 2016 and 2017. In determining the weighted average number of the ordinary shares in issue for the Track Record Period, a total of 98,000 ordinary shares were deemed to be in issue since 1 April 2015 (Note 19(c)). The earnings/(losses) per share has not taken into account the proposed capitalisation issue of 299,900,000 shares pursuant to the resolutions passed by the shareholders on 26 March 2018 as the capitalisation issue will not become effective until the Listing (Note 28).

	Year ended 31 March		Six months ended 30 September	
	2016	2017	2016	2017
			(Unaudited)	
Profit/(loss) for the year/period (HK\$'000)	3,622	17,259	580	(10,319)
Weighted average number of ordinary shares in issue (number of shares)	<u>98,000</u>	<u>98,000</u>	<u>98,000</u>	<u>98,378</u>
Basic earnings/(losses) per share (HK\$)	<u>36.96</u>	<u>176.11</u>	<u>5.92</u>	<u>(104.89)</u>

Diluted earnings/(losses) per share presented is the same as the basic earnings/(losses) per share as there were no potentially dilutive ordinary shares issued during the years ended 31 March 2016 and 2017 and the six months ended 30 September 2016 and 2017.

**11. DIVIDENDS**

No dividend has been paid or declared by the Company since its establishment.

**12. EQUIPMENT**

	<b>Furniture and office equipment</b> <i>HK\$'000</i>
<b>At 1 April 2015</b>	
Cost	15
Accumulated depreciation	<u>(13)</u>
Net book amount	<u>2</u>
<b>Year ended 31 March 2016</b>	
Opening net book amount	2
Additions	6
Depreciation	<u>(1)</u>
Closing net book amount	<u>7</u>
<b>At 31 March 2016</b>	
Cost	16
Accumulated depreciation	<u>(9)</u>
Net book amount	<u>7</u>

	<b>Furniture and office equipment</b> <i>HK\$'000</i>
<b>Year ended 31 March 2017</b>	
Opening net book amount	7
Additions	79
Currency translation differences	(1)
Depreciation	<u>(11)</u>
Closing net book amount	<u>74</u>
<b>At 31 March 2017</b>	
Cost	91
Accumulated depreciation	<u>(17)</u>
Net book amount	<u><u>74</u></u>
<b>Six months ended 30 September 2017</b>	
Opening net book amount	74
Additions	33
Currency translation differences	7
Depreciation	<u>(10)</u>
Closing net book amount	<u>104</u>
<b>At 30 September 2017</b>	
Cost	125
Accumulated depreciation	<u>(21)</u>
Net book amount	<u><u>104</u></u>
<b>Six months ended 30 September 2016 (Unaudited)</b>	
Opening net book amount	7
Additions	63
Currency translation differences	—
Depreciation	<u>(3)</u>
Closing net book amount	<u><u>67</u></u>
<b>At 30 September 2016</b>	
Cost	88
Accumulated depreciation	<u>(21)</u>
Net book amount	<u><u>67</u></u>

Depreciation of the equipment that has been charged to profit or loss is as follows:

	Year ended 31 March		Six months ended 30 September	
	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (Unaudited)	2017 HK\$'000
Administrative expenses	<u>1</u>	<u>11</u>	<u>3</u>	<u>10</u>
<b>13. INTANGIBLE ASSETS</b>				
		<b>Patent</b> HK\$'000	<b>Software</b> HK\$'000	<b>Total</b> HK\$'000
<b>At 31 March 2016</b>				
Cost and net book amount		<u>—</u>	<u>—</u>	<u>—</u>
<b>Year ended 31 March 2017</b>				
Opening net book amount		—	—	—
Additions		322	20	342
Currency translation differences		(3)	—	(3)
Amortisation charge		<u>(10)</u>	<u>(3)</u>	<u>(13)</u>
Closing net book amount		<u>309</u>	<u>17</u>	<u>326</u>
<b>At 31 March 2017</b>				
Cost		319	20	339
Accumulated amortisation		<u>(10)</u>	<u>(3)</u>	<u>(13)</u>
Net book amount		<u>309</u>	<u>17</u>	<u>326</u>
<b>Six months ended 30 September 2017</b>				
Opening net book amount		309	17	326
Additions		—	—	—
Currency translation differences		13	—	13
Amortisation charge		<u>(28)</u>	<u>(2)</u>	<u>(30)</u>
Closing net book amount		<u>294</u>	<u>15</u>	<u>309</u>
<b>At 30 September 2017</b>				
Cost		333	20	353
Accumulated amortisation		<u>(39)</u>	<u>(5)</u>	<u>(44)</u>
Net book amount		<u>294</u>	<u>15</u>	<u>309</u>
<b>Six months ended 30 September 2016 (Unaudited)</b>				
Opening net book amount		—	—	—
Additions		279	20	299
Currency translation differences		(3)	—	(3)
Amortisation charge		<u>(2)</u>	<u>(1)</u>	<u>(3)</u>
Closing net book amount		<u>274</u>	<u>19</u>	<u>293</u>
<b>At 30 September 2016</b>				
Cost		276	20	296
Accumulated amortisation		<u>(2)</u>	<u>(1)</u>	<u>(3)</u>
Net book amount		<u>274</u>	<u>19</u>	<u>293</u>

Amortisation of the intangible assets that has been charged to profit or loss is as follows:

	Year ended 31 March		Six months ended 30 September	
	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (Unaudited)	2017 HK\$'000
Administrative expenses	—	13	3	30

#### 14. DEFERRED INCOME TAX ASSETS

(a) The analysis of deferred income tax assets is as follows:

	As at 31 March		As at 30 September
	2016 HK\$'000	2017 HK\$'000	2017 HK\$'000
Deferred income tax assets			
— to be recovered within 12 months	—	134	844
— to be recovered after more than 12 months	56	—	—
	<u>56</u>	<u>134</u>	<u>844</u>

(b) The movements in deferred income tax assets during the years ended 31 March 2016 and 2017 and the six months ended 30 September 2016 and 2017, are as follows:

	Tax loss HK\$'000
<b>At 1 April 2015</b>	—
Credited to the consolidated statement of comprehensive income	57
Currency translation differences	<u>(1)</u>
<b>At 31 March 2016</b>	<u>56</u>
<b>At 1 April 2016</b>	56
Credited to the consolidated statement of comprehensive income	83
Currency translation differences	<u>(5)</u>
<b>At 31 March 2017</b>	<u>134</u>
<b>At 1 April 2017</b>	134
Credited to the consolidated statement of comprehensive income	694
Currency translation differences	<u>16</u>
<b>At 30 September 2017</b>	<u>844</u>
<b>Unaudited:</b>	
<b>At 1 April 2016</b>	56
Credited to the consolidated statement of comprehensive income	(56)
Currency translation differences	<u>—</u>
<b>At 30 September 2016</b>	<u>—</u>

## 15. TRADE RECEIVABLES

	As at 31 March		As at 30 September
	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000
Trade receivables (a)	<u>2,246</u>	<u>23,511</u>	<u>8,737</u>

(a) Aging analysis of trade receivables based on invoice date is as follows:

	As at 31 March		As at 30 September
	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000
Within 30 days	768	21,398	3,395
1 to 3 months	—	645	—
3 to 6 months	955	1,468	1,813
6 months to 1 year	<u>523</u>	<u>—</u>	<u>3,529</u>
	<u>2,246</u>	<u>23,511</u>	<u>8,737</u>

The majority of the Group's sales are made on letter of credit. The remaining amounts are usually with credit terms of 30 days.

(b) As at 31 March 2016 and 2017 and 30 September 2017, trade receivables of HK\$1,478,000, HK\$2,113,000 and HK\$5,342,000 were past due but not impaired. These amounts related to a number of independent customers for whom there was no significant financial difficulty and based on past experience, the overdue amounts could be recovered. The ageing analysis of these trade receivables is as follows:

	As at 31 March		As at 30 September
	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000
1 to 3 months	—	645	—
3 to 6 months	955	1,468	1,813
6 months to 1 year	<u>523</u>	<u>—</u>	<u>3,529</u>
	<u>1,478</u>	<u>2,113</u>	<u>5,342</u>

(c) Trade receivables were denominated in:

	As at 31 March		As at 30 September
	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000
— US\$	768	21,868	7,664
— RMB	287	1,142	517
— EUR	<u>1,191</u>	<u>501</u>	<u>556</u>
	<u>2,246</u>	<u>23,511</u>	<u>8,737</u>



- (d) The fair value of trade receivables approximated to their carrying amounts as at 31 March 2016, 31 March 2017 and 30 September 2017 due to their short maturities.

#### 16. OTHER RECEIVABLES

	As at 31 March		As at
	2016	2017	30 September
	HK\$'000	HK\$'000	2017
Tendering deposits	88	557	162
Advances to employees	6	394	478
Others	25	193	417
	<u>119</u>	<u>1,144</u>	<u>1,057</u>

- (a) Other receivables were denominated in:

	As at 31 March		As at
	2016	2017	30 September
	HK\$'000	HK\$'000	2017
— US\$	88	557	101
— RMB	31	587	956
	<u>119</u>	<u>1,144</u>	<u>1,057</u>

- (b) The fair value of other receivables approximated to their carrying amounts as at 31 March 2016, 31 March 2017 and 30 September 2017 due to their short maturities.

#### 17. PREPAYMENTS

##### Group

	As at 31 March		As at
	2016	2017	30 September
	HK\$'000	HK\$'000	2017
Prepaid outsourcing research and development expenses	2,264	557	—
Prepayments to suppliers	2,691	550	1,627
Prepayments for listing expense	—	—	3,895
	<u>4,955</u>	<u>1,107</u>	<u>5,522</u>

##### Company

	As at	
	30 September	
	2017	
Prepayments for listing expenses		3,895
		<u>3,895</u>

## 18. CASH AND CASH EQUIVALENTS

	As at 31 March		As at 30
	2016	2017	September
	HK\$'000	HK\$'000	2017
			HK\$'000
Cash at banks and on hand were denominated in:			
— US\$	1,984	1,427	950
— RMB	748	363	50
— EUR	9	507	7
— HK\$	9	14	58
	<u>2,750</u>	<u>2,311</u>	<u>1,065</u>

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

## 19. SHARE CAPITAL

	Note	Number of	Share capital	Share capital
		ordinary shares	US\$	HK\$
Authorised:				
Ordinary share of US\$0.0001 each at 23 June 2017 (date of incorporation) and 30 September 2017		<u>500,000,000</u>	<u>50,000</u>	<u>390,500</u>
Issued and fully paid:				
At 23 June 2017 (date of incorporation)	1.2(b)	1	—	—
Issue shares to IFG Swans	(a)	97,980	10	78
Issue shares to Ms. Ching	1.2(f)	19	—	—
Issue shares to an independent investor	(b)	<u>2,000</u>	<u>—</u>	<u>—</u>
As 30 September 2017		<u>100,000</u>	<u>10</u>	<u>78</u>

- (a) On 25 August 2017, the Company issued 97,950 Shares as fully paid up to IFG Swans pursuant to the Reorganisation. On 18 September 2017, as described in Note 1.2(e), the Company further issued 10 shares each to IFG Swans for the acquisition of Hong Kong Chong Phong, Bow Chak and MGW Swans, respectively.
- (b) On 26 August 2017, Professor Yang Zhuoru, an independent third party, subscribed for 2,000 shares newly issued by the Company at cash consideration of approximately HK\$1,260,120.
- (c) Except for the 2,000 shares issued on 26 August 2017 to an investor, the Reorganisation is merely a recapitalisation of the Listing Business with no change in management and ultimate owner of such business. Shares in issue attributable to the shareholders totalling 98,000 shares are deemed to be in issue since 1 April 2015.

## 20. OTHER RESERVES

	Share premium <i>HK\$'000</i>	Capital reserve (Note (a)) <i>HK\$'000</i>	Exchange reserves <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Balance at 1 April 2015</b>	—	552	74	626
Other comprehensive income	—	—	(2)	(2)
<b>Balance at 31 March 2016</b>	—	552	72	624
<b>Balance at 1 April 2016</b>	—	552	72	624
Other comprehensive income	—	—	10	10
<b>Balance at 31 March 2017</b>	—	552	82	634
<b>Balance at 1 April 2017</b>	—	552	82	634
Issuance of shares (Note 19(b))	1,260	—	—	1,260
Deemed distributions to the then owner of a group company (Note (a))	—	(389)	—	(389)
Other comprehensive income	—	—	(68)	(68)
<b>Balance at 30 September 2017</b>	1,260	163	14	1,437
<b>Unaudited:</b>				
<b>Balance at 1 April 2016</b>	—	552	72	624
Other comprehensive income	—	—	1	1
<b>Balance at 30 September 2016</b>	—	552	73	625

## (a) Capital reserves

The capital reserves as at 1 April 2015 represented the combined capital of the Operating Companies amounting to HK\$552,000.

Pursuant to the Reorganisation, cash consideration of HK\$389,000 (equivalent to RMB331,200) paid to Mr. Wu for acquisition of the 97% equity interest of Quick Tech, as described in the Note 1.2(f), was considered as deemed distributions to the Controlling Shareholder by the Group. The cash consideration has not yet been settled and was recorded as other payables (Note 22).

## 21. TRADE PAYABLES

	As at 31 March 2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	As at 30 September 2017 <i>HK\$'000</i>
Trade payables	533	2,182	1,287

- (a) As at 31 March 2016 and 2017 and 30 September 2017, the ageing analysis of the trade payables were as follows:

	As at 31 March		As at
	2016	2017	30 September
	HK\$'000	HK\$'000	2017
Within 30 days	—	1,649	277
1 to 3 months	533	—	—
3 to 6 months	—	—	333
6 to 12 months	—	—	144
1 to 2 years	—	533	533
	<u>533</u>	<u>2,182</u>	<u>1,287</u>

- (b) Trade payables were denominated in:

	As at 31 March		As at 30
	2016	2017	September
	HK\$'000	HK\$'000	2017
— US\$	533	1,933	678
— EUR	—	249	609
	<u>533</u>	<u>2,182</u>	<u>1,287</u>

- (c) The fair value of trade payables approximated to their carrying amounts as at 31 March 2016, 31 March 2017 and 30 September 2017 due to their short maturities.

## 22. OTHER PAYABLES

Group	As at 31 March		As at
	2016	2017	30 September
	HK\$'000	HK\$'000	2017
Accrued listing expenses	—	—	8,087
Accrued expenses	1,199	1,578	527
Payables to the owner of a group company (Note 20(a))	—	—	389
Payroll payables	671	361	384
Other tax liabilities	42	171	175
	<u>1,912</u>	<u>2,110</u>	<u>9,562</u>

- (a) Other payables were denominated in:

	As at 31 March		As at
	2016	2017	30 September
	HK\$'000	HK\$'000	2017
— RMB	1,912	2,110	1,638
— HK\$	<u>—</u>	<u>—</u>	<u>7,924</u>
	<u>1,912</u>	<u>2,110</u>	<u>9,562</u>

- (b) The fair value of other payables approximated to their carrying amounts as at 31 March 2016, 31 March 2017 and 30 September 2017 due to their short maturities.

Company	As at
	30 September
	2017
	HK\$'000
Accrued listing expenses	<u>8,087</u>

### 23. INTERESTS IN AND AMOUNTS DUE TO SUBSIDIARIES — THE COMPANY

	As at
	30 September
	2017
	HK\$'000
Non-current portions:	
Unlisted investments, at cost (a)	<u>19,143</u>
Current portions (b):	
Amounts due from a subsidiary	1,260
Amounts due to subsidiaries	<u>(7,619)</u>
	<u>(6,359)</u>

- (a) Investments in subsidiaries represented the aggregate net asset value of the subsidiaries acquired pursuant to the Reorganisation,
- (b) The amounts due from/to subsidiaries are unsecured, interest-free and repayable/receivable on demand.

## 24. CASH FLOW INFORMATION

## (a) Cash generated from/(used in) operations

Reconciliation of profit before income tax to net cash generated from/(used in) operations are as follows:

	Year ended 31 March		Six months ended 30 September	
	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (Unaudited)	2017 HK\$'000
Profit/(Loss) before income tax	4,984	19,446	775	(10,671)
Adjustments for:				
— Depreciation of equipment (Note 12)	1	11	3	10
— Amortisation (Note 13)	—	13	3	30
— Other losses/(gains)	11	59	—	(64)
	<u>4,996</u>	<u>19,529</u>	<u>781</u>	<u>(10,695)</u>
Changes in working capital				
— Trade receivables	(1,289)	(21,265)	953	14,774
— Prepayments	(1,277)	3,848	(2,615)	(520)
— Other receivables	677	(1,025)	(483)	87
— Trade payables	261	1,649	5	(895)
— Advance receipts and other payables	4,103	(2,576)	(1,057)	4,962
— Restricted cash	—	(469)	—	(446)
	<u>—</u>	<u>(469)</u>	<u>—</u>	<u>(446)</u>
Cash generated from/(used in) operations	<u>7,471</u>	<u>(309)</u>	<u>(2,416)</u>	<u>7,267</u>

## (b) Net debt reconciliation

The following section sets out an analysis of net debt and the movements in net debt for each of the years/ periods presented. Net debt analysed for cash flow purpose represented liabilities arising from financing activities, which included amounts due to a related party during the Track Record Period.

	31 March		30 September
	2016 HK\$'000	2017 HK\$'000	2017 HK\$'000
Cash and cash equivalents	2,750	2,311	1,065
Amounts due from a related party	2,118	—	—
Amounts due to a related party	<u>(4,643)</u>	<u>(4,644)</u>	<u>(590)</u>
Net debt	<u>225</u>	<u>(2,333)</u>	<u>475</u>

	Other assets		Liabilities from financing activities	Total
	Cash	Amounts due from a related party	Amounts due to a related party	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net debt as at 1 April 2015	2,845	4,116	(14,190)	(7,229)
Cash flows	(84)	(1,998)	9,547	7,465
Foreign exchange adjustments	(11)	—	—	(11)
Net debt as at 31 March 2016	<u>2,750</u>	<u>2,118</u>	<u>(4,643)</u>	<u>225</u>
Cash flows	(380)	(2,118)	(1)	(2,499)
Foreign exchange adjustments	(59)	—	—	(59)
Net debt as at 31 March 2017	<u>2,311</u>	<u>—</u>	<u>(4,644)</u>	<u>(2,333)</u>
Cash flows	(1,310)	—	4,054	2,744
Foreign exchange adjustments	64	—	—	64
Net debt as at 30 September 2017	<u>1,065</u>	<u>—</u>	<u>(590)</u>	<u>475</u>

## 25. CONTINGENCIES

As at 31 March 2016 and 2017 and 30 September 2017, the Group had no material contingencies.

## 26. COMMITMENTS

As at 31 March 2016 and 2017 and 30 September 2017, the Group had the following non-cancellable operating lease commitments:

	As at 31 March		As at
	2016	2017	30 September
	HK\$'000	HK\$'000	2017
No later than 1 year	98	188	284
Later than 1 year and no later than 5 years	—	16	—
	<u>98</u>	<u>204</u>	<u>284</u>

**27. RELATED PARTY TRANSACTIONS****(a) Name and relationship with a related party**

Name	Relationship
Mr. Wu	Controlling Shareholder

**(b) Key management compensation**

	Year ended 31 March		Six months ended 30 September	
	2016	2017	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries, wages, bonuses and other benefits	647	965	327	402
Contribution to pension scheme	<u>56</u>	<u>73</u>	<u>32</u>	<u>42</u>
Total	<u><u>703</u></u>	<u><u>1,038</u></u>	<u><u>359</u></u>	<u><u>444</u></u>

**(c) Balances with a related party**

As at 31 March 2016 and 2017 and 30 September 2017, the Group had the following balances with a related party:

	As at 31 March		As at
	2016	2017	30 September 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts due from a related party (i):			
— Mr. Wu	<u>2,118</u>	<u>—</u>	<u>—</u>
Amounts due to a related party (i):			
— Mr. Wu	<u>4,643</u>	<u>4,644</u>	<u>590</u>
Other payables (i) (Note 20(a))			
— Mr. Wu	<u>—</u>	<u>—</u>	<u>389</u>

(i) The amounts are unsecured, interest-free, receivable/repayable on demand and non-trade in nature.

**28. SUBSEQUENT EVENTS**

Pursuant to the resolutions of the shareholders passed on 26 March 2018, subject to the share premium account of the Company being credited as a result of the share offer, the directors of the Company are authorised to allot and issued a total of 299,900,000 shares credited as fully paid at par to shareholders in proportion to their respective shareholdings by way of capitalisation of the sum of US\$29,990 standing to the credit of the share premium account of the Company.



**III. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 September 2017 and up to the date of this report. Saved as disclosed in this report, no dividend or distribution has been declared or made by the Company or any of the other companies comprising the Group in respect of any period subsequent to 30 September 2017.

<b>APPENDIX II</b>	<b>UNAUDITED PRO FORMA FINANCIAL INFORMATION</b>
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*The following information does not form part of the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set out in Appendix I in this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with "Financial Information" and the Accountant's Report set out in Appendix I to this prospectus.*

**A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS**

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 7.31 of the GEM Listing Rules is set out below for illustrative purpose only and is set out below to illustrate the effect of the Share Offer on the net tangible assets of the Group attributable to owners of the Company as at 30 September 2017 as if the Share Offer had taken place on 30 September 2017.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the net tangible assets attributable to owners of the Company as at 30 September 2017 or at any future dates following the Share Offer.

	<b>Audited consolidated net tangible assets attributable to owners of the Company as at 30 September 2017<sup>(1)</sup> HK\$'000</b>	<b>Estimated net proceeds from the Share Offer<sup>(2)</sup> HK\$'000</b>	<b>Unaudited pro forma adjusted net tangible assets attributable to owners of the Company<sup>(3)</sup> HK\$'000</b>	<b>Unaudited pro forma adjusted net tangible assets per Share HK\$</b>
Based on an Offer Price of HK\$0.55 per Offer Share	5,300	35,840	41,140	0.10
Based on an Offer Price of HK\$0.85 per Offer Share	5,300	64,790	70,090	0.18

*Notes:*

- The audited consolidated net tangible assets attributable to owners of the Company as at 30 September 2017 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to owners of the Company as at 30 September 2017 of HK\$5,609,000 with an adjustment for intangible assets as at 30 September 2017 of HK\$309,000.

## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

2. The estimated net proceeds from the Share Offer are based on 100,000,000 Offer Shares and the indicative Offer Price of HK\$0.55 and HK\$0.85 per Offer Share, being low and high end of the indicative Offer Price range, respectively, after deduction of the underwriting commissions and other estimated expenses (excluding listing expenses of approximately HK\$11.8 million which have been accounted for in the consolidated statements of comprehensive income during the Track Record Period).
3. The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 400,000,000 Shares were in issue assuming that the Share Offer and Capitalisation Issue had been completed on 30 September 2017 but takes no account of any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme or any Shares which may be granted and issued or repurchased by the Company pursuant to the General Mandate to issue shares or General Mandate to repurchase shares as described in the section headed “Share Capital” in this prospectus.
4. No adjustment has been made to the unaudited pro forma adjusted net tangible assets per Share to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2017.

**B.    REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.*



羅兵咸永道

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

**To the Directors of Zhicheng Technology Group Ltd.**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Zhicheng Technology Group Ltd. (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 30 September 2017, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated 29 March 2018, in connection with the proposed initial public offering of shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at 30 September 2017 as if the proposed initial public offering had taken place at 30 September 2017. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information for the six months period ended 30 September 2017, on which an accountant's report has been published.

***Directors' Responsibility for the Unaudited Pro Forma Financial Information***

The directors 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 GEM of The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7, *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

### ***Our Independence and Quality Control***

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 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 Accountant's Responsibilities***

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in 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 Proposed Initial Listing at 30 September 2017 would have been as presented.

## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

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 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 accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Opinion*

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the Listing Rules.

**PricewaterhouseCoopers**  
*Certified Public Accountants*  
Hong Kong, 29 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 Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 23 June 2017 under the Companies Law. The Company's constitutional documents consist of the Memorandum and Articles.

## 1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

## 2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 26 March 2018 and with effect from the Listing. A summary of certain provisions of the Articles is set out below.

### (a) Shares

#### (i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

#### (ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorised representative) or representing by proxy not less than one-third in

nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

***(iii) Alteration of capital***

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

***(iv) Transfer of shares***

Subject to the Companies Law and the requirements of the Stock Exchange, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for



registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the GEM Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

***(v) Power of the Company to purchase its own shares***

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the SFC.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

***(vi) Power of any subsidiary of the Company to own shares in the Company***

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

***(vii) Calls on shares and forfeiture of shares***

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not

by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

**(b) Directors**

**(i) Appointment, retirement and removal**

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until

the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the “retirement by rotation” provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (aa) resigns;
- (bb) dies;
- (cc) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

**(ii) *Power to allot and issue shares and warrants***

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

***(iii) Power to dispose of the assets of the Company or any of its subsidiaries***

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

***(iv) Borrowing powers***

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

*(v) Remuneration*

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

*(vi) Compensation or payments for loss of office*

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

*(vii) Loans and provision of security for loans to Directors*

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

*(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries*

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

***(ix) Proceedings of the Board***

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.



**(c) Alterations to the constitutional documents and the Company's name**

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

**(d) Meetings of member*****(i) Special and ordinary resolutions***

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

***(ii) Voting rights and right to demand a poll***

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a clearing house (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the GEM Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (A) at least two members;
- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a clearing house or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the clearing house or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the GEM Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

***(iii) Annual general meetings***

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

***(iv) Notices of meetings and business to be conducted***

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the

time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Companies Law and the GEM Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

**(v) *Quorum for meetings and separate class meetings***

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

**(vi) Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

**(e) Accounts and audit**

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual

general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarised financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

**(f) Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

**(g) Inspection of corporate records**

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Companies Ordinance.

**(h) Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Islands law, as summarised in paragraph 3(f) of this appendix.

**(i) Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among 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 among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part

of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

**(j) Subscription rights reserve**

Provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

**3. CAYMAN ISLANDS COMPANY LAW**

The Company was incorporated in the Cayman Islands as an exempted company on 23 June 2017 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

**(a) Company operations**

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

**(b) Share capital**

Under Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Companies Law;



- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

**(c) Financial assistance to purchase shares of a company or its holding company**

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

**(d) Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

**(e) Dividends and distributions**

Subject to a solvency test, as prescribed in the Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

**(f) Protection of minorities and shareholders' suits**

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

**(g) Disposal of assets**

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

**(h) Accounting and auditing requirements**

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

**(i) Exchange control**

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

**(j) Taxation**

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

**(k) Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

**(l) Loans to directors**

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

**(m) Inspection of corporate records**

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

**(n) Register of members**

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

**(o) Register of Directors and officers**

Pursuant to the Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

**(p) Winding up**

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary

winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

#### **(q) Reconstructions**

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

**(r) Take-overs**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

**(s) Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

**4. GENERAL**

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the paragraph headed "Documents delivered to the Registrar of Companies and available for inspection — 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.

**INFORMATION ABOUT OUR COMPANY****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 23 June 2017.

Our Company was registered as a non-Hong Kong company under the Companies Ordinance and our principal place of business in Hong Kong is at 36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong on 10 October 2017. In connection with such registration, we have appointed Ms. Wong Sau Ping of 36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong as the authorised representative of our Company for the acceptance of service of process and notices on behalf of us in Hong Kong.

**2. Changes in share capital of our Company**

- (i) As at the date of incorporation of our Company on 23 June 2017, our authorised share capital was US\$50,000 divided into 500,000,000 Shares having a par value of US\$0.0001 each. On the date of its incorporation, one subscriber share was transferred to IFG Swans.

On 25 August 2017, 97,950 Shares having a par value of US\$0.0001 each were allotted and issued to IFG Swans.

- (ii) On 26 August 2017, ARQ Zhuoyue subscribed a total of 2,000 Shares credited as fully paid for a consideration of HK\$1,260,120.
- (iii) On 29 August 2017, our Company, through Hong Kong Zhi Phong acquired a 3% equity interest in Quick Tech from Ms. Ching at a consideration of RMB10,200. Such consideration was satisfied by the allotment and issue of 19 Shares by our Company credited as fully paid to Ms. Ching.
- (iv) On 18 September 2017, our Company, through MG Pacific, acquired the entire issued share capital of MGW Swans at a consideration of HK\$38,850,352.85. Such consideration was satisfied by the allotment and issue of 10 Shares by our Company credited as fully paid to IFG Swans.
- (v) On 20 September 2017, our Company, through CPT-Asia Pacific, acquired the entire issued share capital of Hong Kong Cheng Phong at a consideration of HK\$3,278,106.58. Such consideration was satisfied by the allotment and issue of 10 Shares by our Company credited as fully paid to IFG Swans.
- (vi) On 20 September 2017, our Company, through BCI East Asia, acquired the entire issued share capital of Bow Chak at a consideration of HK\$9,571,424.67. Such consideration was satisfied by the allotment and issue of 10 Shares by our Company credited as fully paid to IFG Swans.

- (vii) On 26 March 2018, the authorised share capital of the Company was increased from US\$50,000 to US\$500,000 by the creation of further 4,500,000,000 Shares.
- (viii) Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account of any Shares which may be allotted and issued upon exercise of any options which may be granted under the Share Option Scheme), the authorised share capital of our Company will be US\$500,000 divided into 5,000,000,000 Shares, of which 400,000,000 Shares will be issued, fully paid or credit as fully paid, and 4,600,000,000 will remain unissued.

Other than pursuant to the exercise of any options which may be granted under the Share Option Scheme, there is no present intention to issue any of the authorised but unissued share capital of our Company and, without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed herein and in the paragraphs headed “Information about our Company — 3. Resolutions passed in a meeting of the Shareholders held on 26 March 2018” and “Information about our Company — 4. Group reorganisation” in this Appendix to the prospectus, there has been no alteration in the share capital of our Company since its incorporation.

### **3. Resolutions passed in a meeting of the Shareholders held on 26 March 2018**

Resolutions were passed by the Shareholders in a meeting held on 26 March 2018 pursuant to which, among other matters:

- (a) our Company approved and adopted the Articles conditional upon and with effect from the listing of the Shares on the Stock Exchange;
- (b) the authorised share capital of our Company was increased from US\$50,000 to US\$500,000 by the creation of further 4,500,000,000 Shares;
- (c) conditional on (aa) the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus; (bb) the Offer Price having been determined; (cc) the execution and delivery of the Underwriting Agreements on or before the date as mentioned in this prospectus; and (dd) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before such dates as may be specified in such agreements:
- (i) the Share Offer was approved and the Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer;
- (ii) the rules of the Share Option Scheme, the principal terms of which are set out in paragraph 13 of this Appendix, were approved and adopted and the Directors were authorised to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at the Directors’ absolute discretion to grant options to subscribe for Shares thereunder and to allot,



issue and deal with Shares pursuant to the exercise of options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to implement the Share Option Scheme;

- (iii) conditional on the share premium account of our Company being credited as a result of the Share Offer, the Directors were authorised to capitalise US\$29,990 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 299,900,000 Shares for allotment and issue to holders of Shares whose names appear on the register of members of our Company at the close of business on 26 March 2018 (or as they may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted and issued) to their then existing holdings in our Company and so that the Shares to be allotted and issued pursuant to this resolution should rank *pari passu* in all respects with the then existing issued Shares and the Directors were authorised to give effect to such capitalisation;
- (iv) a general unconditional mandate was given to the Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any dividend in accordance with the Articles, or pursuant to the exercise of any options which may be granted under the Share Option Scheme, or under the Capitalisation Issue or the Share Offer, Shares with an aggregate number not exceeding the sum of (aa) 20% of the aggregate number of the issued Shares of our Company immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, and (bb) the aggregate number of the Shares which may be purchased by our Company pursuant to the authority granted to the Directors as referred to in sub-paragraph (v) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles, the Companies Law or any other applicable law(s) to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors, whichever is the earliest;
- (v) a general unconditional mandate (the “**Repurchase Mandate**”) was given to the Directors to exercise all powers of our Company to purchase or repurchase Shares on the Stock Exchange or other stock exchange on which the securities of our Company may be listed and recognised by the SFC and the Stock Exchange for this purpose, with an aggregate number not exceeding 10% of the aggregate number of the issued Shares immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our

Company is required by the Articles, the Companies Law or any applicable law(s) to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors, whichever is the earliest; and

- (vi) the extension of the general mandate to allot, issue and deal with Shares pursuant to paragraph (iv) above to include the number of Shares which may be purchased or repurchased pursuant to paragraph (v) above.

#### **4. Group reorganisation**

The companies comprising our Group underwent a reorganisation to rationalise our Group's structure in preparation for the listing of the Shares on the Stock Exchange. For more details regarding the Reorganisation, please refer to section headed "History, Reorganisation and Corporate Structure — Reorganisation" in this prospectus.

#### **5. Changes in share capital of subsidiaries**

The subsidiaries of our Company are listed in the Accountant's Report set out in Appendix I to this prospectus.

Save as disclosed in the section headed "History, Reorganisation and Corporate Structure" in this prospectus, there are no changes in the registered capital of our Company's subsidiaries during the two years preceding the date of this prospectus.

#### **6. Further information about our Group's PRC establishment**

Our Group has interest in the registered capital of one PRC subsidiary. A summary of the corporate information of such PRC subsidiary as at the Latest Practicable Date is set out as follows:

##### ***Quick Tech Corporation Ltd.***

Name of the enterprise:	Quick Tech Corporation Ltd. (廣州魁科機電科技有限公司)
Place of incorporation:	PRC
Date of its establishment:	3 April 2008
Economic nature:	Limited liability company
Registered owner:	Hong Kong Zhi Phong
Registered capital:	RMB500,000
Attributable interest to our Group:	100%
Term of operation:	From 3 April 2008 to 16 August 2047

## 7. Securities repurchase mandate

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

### *(a) Shareholders' approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed in a meeting of the Shareholders held on 26 March 2018, the Repurchase Mandate was given to the Directors authorising any repurchase by our Company of Shares on the Stock Exchange or 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, of up to 10% of the aggregate number of the issued Shares of our Company immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such mandate to expire at the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles, the Companies Law or applicable law(s) to be held, or the passing of an ordinary resolution by Shareholders in general meeting revoking or varying the authority given to the Directors, whichever is the earliest.

### *(b) Source of funds*

Repurchases must be paid out of funds legally available for the purpose in accordance with the Articles and the Companies Law. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Under the Cayman Islands laws, any repurchases by our Company may be made out of profits of our Company or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if so authorised by the Articles and subject to the provisions of the Companies Law, out of capital.

Any premium payable on a redemption or purchase over the par value of the Shares to be purchased must be provided for out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, if authorised by the Articles and subject to the provisions of the Companies Law, out of capital.

### *(c) Reasons for repurchases*

The Directors believe that it is in the best interests of our Company and the Shareholders for the Directors to have general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market

conditions and funding arrangements at the relevant time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if the Directors believe that such repurchases will benefit our Company and the Shareholders.

*(d) Funding of repurchases*

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles, the GEM Listing Rules and the applicable laws 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, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this prospectus. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of the Directors are from time to time appropriate for our Group.

The exercise in full of the Repurchase Mandate, on the basis of 400,000,000 Shares in issue immediately after the Listing, would result in up to 40,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

*(e) General*

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company or our subsidiaries.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules, the Articles and the applicable laws of the Cayman Islands.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of our Company is increased, 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 could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

The Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the GEM Listing Rules).

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.

## FURTHER INFORMATION ABOUT THE BUSINESS OF OUR COMPANY

### 8. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) an equity transfer agreement dated 1 August 2017 entered into between Mr. Wu and Ms. Ching, pursuant to which Mr. Wu agreed to transfer a 3% equity interest in Quick Tech to Ms. Ching at a consideration of RMB10,200;
- (b) an investment agreement dated 26 August 2017 entered into among Ms. Ching, Quick Tech, Mr. Wu and our Company, pursuant to which Hong Kong Zhi Phong shall acquire a 3% equity interest in Quick Tech from Ms. Ching in consideration of the allotment and issue of 19 Shares by our Company to Ms. Ching;
- (c) an investment agreement dated 26 August 2017 entered into among ARQ Zhuoyue, Prof. Yang, our Company and Mr. Wu, pursuant to which Mr. Wu shall, and shall procure our Company to, allot and issue 2,000 Shares to ARQ Zhuoyue at a consideration of HK\$1,260,120;
- (d) an equity transfer agreement dated 28 August 2017 entered into among Mr. Wu, Mr. Wu Jihua (吳繼華), Ms. Ching and Hong Kong Zhi Phong, pursuant to which a) Mr. Wu shall transfer a 77% equity interest in Quick Tech to Hong Kong Zhi Phong at a consideration of RMB262,900; (b) Mr. Wu Jihua shall transfer a 20% equity interest in Quick Tech to Hong Kong Zhi Phong at a consideration of RMB68,300; and (c) Ms. Ching shall transfer a 3% equity interest in Quick Tech to Hong Kong Zhi Phong at a consideration RMB10,200, which shall be satisfied by the allotment and issue of 19 Shares by our Company to Ms. Ching;
- (e) a sale and purchase agreement dated 18 September 2017 entered into among Mr. Wu, CPT Asia-Pacific and our Company, pursuant to which Mr. Wu (as the registered and beneficial owner) shall sell the entire issued share capital of Hong Kong Cheng Phong to our Company (or its nominee) at a consideration of HK\$3,278,106.58, which shall be satisfied by the issue and allotment of 10 Shares by our Company to Mr. Wu and/or his nominee(s);
- (f) a sale and purchase agreement dated 18 September 2017 entered into among Ms. Liu, Mr. Wu, BCI East Asia and our Company, pursuant to which Ms. Liu (as the registered owner) and Mr. Wu (as the beneficial owner) shall sell the entire issued share capital of Bow Chak to our Company (or its nominee) at a consideration of HK\$9,571,424.67, which shall be satisfied by the issue and allotment of 10 Shares by our Company to Mr. Wu and/or his nominee(s);

- (g) a sale and purchase agreement dated 18 September 2017 entered into among Ms. Luo Sha, Mr. Wu, MG Pacific and our Company, pursuant to which Ms. Luo Sha (as the registered owner) and Mr. Wu (as the beneficial owner) shall sell the entire issued share capital of MGW Swans to our Company (or its nominee) at a consideration of HK\$38,850,352.85, which shall be satisfied by the issue and allotment of 10 Shares by our Company to Mr. Wu and/or his nominee(s);
- (h) the Deed of Non-Competition;
- (i) the Deed of Indemnity; and
- (j) the Public Offer Underwriting Agreement.

## 9. Intellectual property rights of our Group

### (a) Patents

As at the Latest Practicable Date, our Group was the registered proprietor of the following patents which, in the opinion of our Directors, are material to our business:

No.	Patent	Patent Number	Type	Registered Owner	Place of Registration	Expiry Date
1	A low-temperature self-crosslinking water-borne acrylate resin and its preparation method and application (一種低溫自交聯水性丙烯酸酯樹脂及其製備方法與應用)	201310322710.1	Invention	Quick Tech	PRC	28 July 2033
2	A functionally graded coating with a gradient contact angle and a method for preparing the same (一種具有梯度接觸角功能塗層及其製備方法)	201110263437.0	Invention	Quick Tech	PRC	6 September 2031
3	A material for rapid prototyping of three-dimensional printing and a method for producing the same (一種用於三維打印快速成型的材料及其製備方法)	201010530017.X	Invention	Quick Tech	PRC	28 October 2030

No.	Patent	Patent Number	Type	Registered Owner	Place of Registration	Expiry Date
4	A rotatable clamp for a 3D raster scanner (用於三維光柵掃描儀的可旋轉夾具)	201620970836.9	Utility Model	Quick Tech	PRC	28 August 2026
5	A flexible vacuum hand for automatic discharge (用於自動卸料的柔性真空吸附手)	201620970906.0	Utility Model	Quick Tech	PRC	28 August 2026
6	An auxiliary scanning device for 3D raster scanners (用於三維光柵掃描儀的輔助掃描裝置)	201620970928.7	Utility Model	Quick Tech	PRC	28 August 2026
7	A device for removing dust from the workpiece surface and recycling it (用於清除工件表面噴粉並回收利用的裝置)	201620971303.2	Utility Model	Quick Tech	PRC	28 August 2026
8	An auxiliary device for the inverse measurement of 3D scanners (用於三維掃描儀逆向測量的輔助裝置)	201620970959.2	Utility Model	Quick Tech	PRC	28 August 2026

As at the Latest Practicable Date, our Group had applied for the registration of the following patents which, in opinion of our Directors, are material to our business:

Patent	Application Number	Type	Name of Applicant	Place of Application	Date of Application
1. A flexible vacuum hand for automatic discharge 一種用於自動卸料的柔性真空吸附手	201610750273.7	Invention	Quick Tech	PRC	29 August 2016
2. An auxiliary device for the 3D scanners 一種用於三維光柵掃描儀的輔助掃描裝置	201610750287.9	Invention	Quick Tech	PRC	29 August 2016

	Patent	Application Number	Type	Name of Applicant	Place of Application	Date of Application
3.	A device for removing dust from the workpiece surface and recycling it 一種用於清除工件表面噴粉並回收利用的裝置	201610750377.8	Invention	Quick Tech	PRC	29 August 2016
4.	A rotatable clamp for a 3D raster scanner 一種用於三維光柵掃描儀的可旋轉夾具	201610750327.X	Invention	Quick Tech	PRC	29 August 2016
5.	An auxiliary device for the inverse measurement of 3D scanners 一種用於三維掃描儀逆向測量的輔助裝置	201610750304.9	Invention	Quick Tech	PRC	29 August 2016

**(b) Domain Names**

As at the date of this prospectus, we were the registered owner of the following domain names which, in the opinion of our Directors, are material to our business:

Domain Name	Date of Registration	Date of expiry
<a href="http://www.quicktec.com.cn">www.quicktec.com.cn</a>	30 April 2008	29 April 2020
<a href="http://www.ztecgrou.com">www.ztecgrou.com</a>	23 March 2018	23 March 2024

**FURTHER INFORMATION ABOUT DIRECTORS AND SHAREHOLDERS**

**10. Directors**

**(a) Disclosure of interests of the Directors**

- (i) Each of Mr. Wu and Ms. Liu is interested in the Reorganisation and the transactions as contemplated under the material contracts as set out in the paragraph 8 of this Appendix.
- (ii) Save as disclosed in the above paragraph (i), none of the Directors or their associates were engaged in any dealings with our Group during the two years preceding the date of this prospectus.



**(b) Particulars of Directors' service contracts***Executive Directors*

Each of the executive Directors has entered into a service contract with our Company for a term of three years commencing from the Listing Date until terminated by not less than three months' notice in writing served by either party on the other. Each of the executive Directors is entitled to their respective basic salaries set out below.

The current basic annual salaries of the executive Directors payable under their service contracts are as follows:

<b>Name</b>	<b>Approximate annual salary HK\$'000</b>
<b>Executive Director</b>	
Mr. Wu	30
Ms. Liu	18

*Independent non-executive Directors*

Each of the independent non-executive Directors has been appointed for an initial term of three years commencing from the Listing Date until terminated by either party giving not less than three months' written notice to the other expiring at the end of the initial term of their appointment or any time thereafter. The appointments are subject to the provisions of the Articles with regard to vacation of office of Directors, removal and retirement by rotation of Directors. Each of the independent non-executive Directors is entitled to a director's fee of HK\$180,000 per annum. Save for directors' fees, none of the independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Save as aforesaid, none of the Directors has or is proposed to have a service contract with our Company or any of our subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

**(c) Directors remuneration**

- (i) The aggregate emoluments paid and benefits in kind granted by our Group to the Directors in respect of the years ended 31 March 2016, 2017 and the six months ended 30 September 2017 were approximately HK\$0.3 million, HK\$0.4 million and HK\$0.2 million, respectively.

- (ii) Under the arrangements currently in force, the aggregate emoluments (excluding discretionary bonus) payable by our Group to and benefits in kind receivable by the Directors (including the independent non-executive Directors in their respective capacity as Directors) for the year ending 31 March 2018 are expected to be approximately HK\$0.6 million.
- (iii) None of the Directors or any past directors of any member of our Group has been paid any sum of money for the years ended 31 March 2016, 2017 and the six months ended 30 September 2017 (i) as an inducement to join or upon joining our Group 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.
- (iv) There has been no arrangement under which a Director has waived or agreed to any emoluments for the years ended 31 March 2016, 2017 and the six months ended 30 September 2017.

***(d) Interests and short positions of Directors in the shares, underlying shares or debentures of our Company and our associated corporations***

Immediately following the completion of the Share Offer (without taking into account of any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), the interests and short positions of the Directors in our Shares, underlying Shares or debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to notified to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, once the Shares are listed, will be as follows:

*Our Company*

<b>Name of Director</b>	<b>Nature of interest</b>	<b>Number and class of securities<sup>(1)</sup></b>	<b>Approximate percentage of interest in our Company</b>
Mr. Wu	Interest in a controlled corporation	293,940,000 Shares (L) <sup>(2)</sup>	73.485%

*Notes:*

- (1) The letter “L” denotes the Directors’ long position in the shares of our Company or the relevant associated corporation.

- (2) The disclosed interest represents the interest in our Company held by IFG Swans. The entire issued share capital of IFG Swans is wholly owned by Mr. Wu. By virtue of the SFO, Mr. Wu is deemed to be interested in the Shares held by IFG Swans. Ms. Yang Ying is the spouse of Mr. Wu and is deemed to be interested in the Shares held by Mr. Wu through IFG Swans.

*Associated corporation*

<b>Name of Director</b>	<b>Name of associated corporation</b>	<b>Capacity/Nature</b>	<b>No. of Share held</b>	<b>Percentage of interest</b>
Mr. Wu	IFG Swans	Beneficial owner	one	100%

## 11. Interest discloseable under the SFO and substantial shareholders

So far as is known to the Directors, immediately following the completion of Share Offer (but without taking into account of any Shares which may be taken up under the Share Offer and any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), other than a Director or chief executive of our Company whose interests are disclosed under the paragraph headed “Further Information about Directors and Shareholders — 10. Directors” in this section of the prospectus, the following persons will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

<b>Name of Shareholder</b>	<b>Capacity/nature of interest</b>	<b>Number and class of securities<sup>(1)</sup></b>	<b>Approximate percentage of shareholding</b>
IFG Swans	Beneficial owner	293,940,000 Shares(L)	73.485%

*Notes:*

- (1) The letter “L” denotes a person’s long position in our Shares or shares of the relevant Group member.

## 12. Disclaimers

Save as disclosed in this section:

- (a) and without taking into account of any Shares which may be taken up or acquired under the Share Offer or upon the exercise of any options to be granted under the Share Option Scheme, the Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately following the completion of the Share Offer, have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2

and 3 of Part XV of the SFO or who will, either directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;

- (b) none of our Directors has any interest or short position in any of the shares, underlying shares or debentures of our Company or any associated corporations within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any of them is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Rules 5.46 to 6.57 of the GEM Listing Rules, in each case once the Shares are listed;
- (c) none of our Directors nor any of the parties listed in the paragraph 20 below has been interested in the promotion of, or has any direct or indirect interest in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to our Company or any of our subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any other member of our Group nor will any Director apply for the Offer Shares either in his own name or in the name of a nominee;
- (d) none of our Directors nor any of the parties listed in the paragraph 20 below is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group; and
- (e) save in connection with the Underwriting Agreements, none of the parties listed in the paragraph 20 below:
  - (i) is interested legally or beneficially in any securities of any member of our Group;  
or
  - (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

**OTHER INFORMATION****13. Share Option Schemes****A. Share Option Scheme**

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the Shareholders in a meeting held on 26 March 2018.

*(a) Purpose*

The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the Eligible Participants (as defined in paragraph (b) below) have had or may have made to our Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

- (i) motivating the Eligible Participants to optimise their performance efficiency for the benefit of our Group; and
- (ii) attracting and retaining or otherwise maintaining on-going business relationships with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

*(b) Who may join*

The Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (f) below to the following persons (the “**Eligible Participants**”):

- (i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;
- (ii) any Directors (including non-executive Directors and independent non-executive Directors) of our Company or any of its subsidiaries;
- (iii) any advisers, consultants, suppliers, customers and agents to our Company or any of its subsidiaries; and
- (iv) such other persons who, in the sole opinion of the Board, will contribute or have contributed to our Group, the assessment criteria of which are:
  - (aa) contribution to the development and performance of our Group; (bb) quality of work performed for our Group;
  - (cc) initiative and commitment in performing his/her duties; and
  - (dd) length of service or contribution to our Group.

*(c) Acceptance of an offer of options*

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptance of the options duly signed by the grantee, together with a remittance in favour of our Company of HK\$1.00 by way of consideration for the grant thereof, is received by our Company on or before the relevant acceptance date. Such payment shall in no circumstances be refundable. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

Subject to paragraphs (l), (m), (n), (o) and (p), an option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for dealing in Shares on the Stock Exchange for the time being, by the grantee by giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the exercise price for the Shares in respect of which the notice is given.

Within 21 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate by the auditors to our Company or the approved independent financial adviser as the case may be pursuant to paragraph (r), our Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the grantee certificates in respect of the Shares so allotted.

The exercise of any option shall be subject to the Shareholders in general meeting approving any necessary increase in the authorised share capital of our Company.

*(d) Maximum number of Shares*

The maximum number of Shares in respect of which options may be granted (including Shares in respect of which options, whether exercised or still outstanding, have already been granted) under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10% of the total number of Shares in issue on the Listing Date, being 40,000,000 Shares (the “**Scheme Limit**”), excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company). Subject to the issue of a circular by the

Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the GEM Listing Rules from time to time, the Board may:

- (i) renew this limit at any time to 10% of the Shares in issue (the “**New Scheme Limit**”) as at the date of the approval by the Shareholders in general meeting; and/or
- (ii) grant options beyond the Scheme Limit to Eligible Participants specifically identified by the Board. The circular issued by our Company to the Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 23.02(2)(d) and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of the Shares in issue from time to time (the “**Maximum Limit**”). No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the Maximum Limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (r) below whether by way of capitalisation issue, rights issue, consolidation, sub-division of shares or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

*(e) Maximum number of options to any one individual*

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised, outstanding options and Shares which were the subject of options which have been granted and accepted under the Share Option Scheme or any other scheme of our Company but subsequently cancelled (the “**Cancelled Shares**”) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by our Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rules 23.02(2)(d) and the disclaimer required under 23.02(4) of the GEM Listing Rules; and

- (ii) the approval of the Shareholders in general meeting and/or other requirements prescribed under the GEM Listing Rules from time to time with such Eligible Participant and his associates (as defined in the GEM Listing Rules) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before the Shareholders' approval and the date of the Board meeting at which the Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of the Shares. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine or, alternatively, documents accompanying the offer document which state, among other things:
  - (aa) the Eligible Participant's name, address and occupation;
  - (bb) the date on which an option is offered to an Eligible Participant which must be a date on which the Stock Exchange is open for the business of dealing in securities;
  - (cc) the date upon which an offer for an option must be accepted;
  - (dd) the date upon which an option is deemed to be granted and accepted in accordance with paragraph (c);
  - (ee) the number of Shares in respect of which the option is offered;
  - (ff) the subscription price and the manner of payment of such price for the Shares on and in consequence of the exercise of the option;
  - (gg) the date of the notice given by the grantee in respect of the exercise of the option;
  - (hh) the method of acceptance of the option which shall, unless the Board otherwise determines, be as set out in paragraph (c); and
  - (ii) such other terms and conditions (including, without limitation, any minimum period for which an option shall be held before it can be exercised and/or any performance targets which must be achieved before the option can be exercised) relating to the offer of the option which in the opinion of the Board are fair and reasonable but not being inconsistent with the Share Option Scheme and the GEM Listing Rules.

(f) *Price of Shares*

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of:



- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

(g) *Granting options to connected persons*

Any grant of options to a Director, chief executive or substantial shareholder (as defined in the GEM Listing Rules) of our Company or any of their respective associates (as defined in the GEM Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options). If the Board proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective associates (as defined in the GEM Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the Shares in issue; and
- (ii) having an aggregate value in excess of HK\$5 million or such other sum as may be from time to time provided under the GEM Listing Rules, based on the closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange at the date of each grant, such further grant of options will be subject to the approval of the independent non-executive Directors as referred to in this paragraph, the issue of a circular by our Company and the approval of the Shareholders in general meeting on a poll at which all core connected persons (as defined in the GEM Listing Rules) of our Company shall abstain from voting in favour, and/or such other requirements prescribed under the GEM Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by our Company to the Shareholders pursuant to the above paragraph shall contain the following information:

- (i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant, which must be fixed before the Shareholders' meeting and the date of the Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;

- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent Shareholders as to voting;
- (iii) the information required under Rule 23.02(2)(c) and (d) and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules; and
- (iv) the information required under Rule 2.28 of the GEM Listing Rules.

*(h) Restrictions on the times of grant of Options*

A grant of options may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced pursuant to the requirements of the GEM Listing Rules. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (such date to first be 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 or other interim period (whether or not required under the GEM Listing Rules); and
- (ii) the deadline for our Company to publish an announcement of the results for any year, or half-year, or quarterly or other interim period (whether or not required under the GEM Listing Rules);

and ending on the date of actual publication of the results announcement.

*(i) Rights are personal to grantee*

An option is personal to the grantee. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt so to do (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding options or any part thereof granted to such grantee.

*(j) Time of exercise of option and duration of the Share Option Scheme*

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of ten years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than ten years after it has been granted. No option may be granted more than ten years after the date of approval of the Share Option Scheme by the shareholders of our Company (the "**Adoption Date**"). Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of ten years from the Adoption Date.

*(k) Performance target*

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

*(l) Rights on ceasing employment/death*

If the grantee of an option ceases to be an Eligible Participant:

- (i) by any reason other than death, ill-health, injury, disability or termination of his relationship with our Company and/or any of its subsidiaries on one of more of the grounds specified in paragraph (m) below, the grantee may exercise the option up to the entitlement of the grantee as at the date of cessation (to the extent not already exercised) within a period of one month (or such longer period as the Board may determine) from such cessation which date shall be the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse (or such longer period as our Company may determine); or
- (ii) by reason of death, ill-health, injury or disability (all evidenced to the satisfaction of the Board) and none of the events which would be a ground for termination of his relationship with our Company and/or any of its subsidiaries under paragraph (m) has occurred, the grantee or his personal representative(s) may exercise the option within a period of 12 months (or such longer period as the Board may determine) from the date of cessation of being an Eligible Participant or death to exercise the Options in full (to the extent not already exercised).

*(m) Rights on dismissal*

If the grantee of an option ceases to be an Eligible Participant on the grounds that he has been guilty of serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty, his option will lapse and not be exercisable after the date of termination of his employment.

*(n) Rights on takeover*

If a general offer is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Code)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

*(o) Rights on winding-up*

In the event that a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two Business Days prior to the proposed general meeting of our Company referred to above by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid.

*(p) Rights on compromise or arrangement between our Company and its members or creditors*

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the laws of the jurisdiction in which the Company was incorporated, our Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a scheme or arrangement and any grantee may by notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given (such notice to be received by our Company no later than two Business Days prior to the proposed meeting), exercise the option to its full extent or to the extent specified in the notice and our Company shall as soon as possible and in any event no later than the Business Day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise of the option credited as fully paid and register the grantee as holder thereof.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

*(q) Ranking of Shares*

The Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank *pari passu* and shall have the same voting, dividend, transfer and other

rights (including those arising on liquidation) as are attached to the other fully-paid Shares in issue on the date of exercise, save that they will not rank for any dividend or other distribution declared or recommended or resolved to be paid or made by reference to a record date falling on or before the date of exercise.

*(r) Effect of alterations to capital*

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalisation issue, rights issue, consolidation, subdivision or reduction of share capital of our Company, such corresponding alterations (if any) shall be made in the number of Shares subject to any outstanding options and/or the subscription price per Share of each outstanding option as the auditors of our Company or an independent financial adviser shall certify in writing to the Board to be in their/his opinion fair and reasonable in compliance with Rule 23.03(13) of the GEM Listing Rules and the note thereto and the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes. The capacity of the auditors of our Company or the approved independent financial adviser, as the case may be, in this paragraph is that of experts and not arbitrators and their certificate shall, in the absence of manifest error, be final and conclusive and binding on our Company and the grantees.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the equity capital of our Company (as interpreted in accordance with the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes) for which any grantee of an option is entitled to subscribe pursuant to the options held by him before such alteration provided that no such alteration shall be made if the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

*(s) Expiry of option*

An option shall lapse automatically and shall not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the option as may be determined by the Board;
- (ii) the expiry of any of the periods referred to in paragraphs (l), (m), (n) or (o);
- (iii) the date upon which the scheme of arrangement of our Company referred to in paragraph (p) becomes effective;
- (iv) subject to paragraph (o), the date of commencement of the winding-up of our Company;

- (v) the date upon which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment of our Company or any of its subsidiaries or the termination of his or her employment or contract on the grounds that he or she has been guilty of serious misconduct, or has committed any act of bankruptcy or is unable to pay his or her debts or has become insolvent or has made any arrangement or has compromised with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or has been in breach of contract. A resolution of the Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or
- (vi) the date upon which the Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph (i) above or the options are cancelled in accordance with paragraph (u) below.

*(t) Alteration of the Share Option Scheme*

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 23.03 of the GEM Listing Rules; or
- (ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted;

shall first be approved by the Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme. The amended terms of the Share Option Scheme must still comply with Chapter 23 of the GEM Listing Rules and any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by Shareholders in general meeting.

*(u) Cancellation of Options*

Any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event that any option is cancelled pursuant to paragraph (i).

(v) *Termination of the Share Option Scheme*

Our Company may by resolution in general meeting or the Board may at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(w) *Administration of the Board*

The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(x) *Conditions of the Share Option Scheme*

The Share Option Scheme is conditional on:

- (i) the Listing Committee granting the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of options to be granted under the Share Option Scheme;
- (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise; and
- (iii) the commencement of dealings in the Shares on the Stock Exchange.

If the conditions in paragraph (x) above are not satisfied within 12 calendar months from the Adoption Date:

- (i) the Share Option Scheme shall forthwith determine;
- (ii) any option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect; and
- (iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any option granted thereunder.

(y) *Disclosure in annual/interim/quarterly reports*

Our Company will disclose details of the Share Option Scheme in its annual/interim/quarterly reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim/quarterly reports in accordance with the GEM Listing Rules in force from time to time.

As at the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, being 40,000,000 Shares in total.

## 15. Tax and other indemnity

The Controlling Shareholders (the “**Indemnifiers**”) have entered into the Deed of Indemnity with and in favour of our Company (for itself and as trustee for each of its present subsidiaries) (being the material contract (i) referred to in paragraph 8 above) to provide indemnities on a joint and several basis, in respect of, among other matters:

- (a) tax liabilities (including all fines, penalties, costs, charges, expenses and interests incidental or relating to taxation) which might be payable by any member of our Group in respect of any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into or occurring on or before the Listing Date, whether alone or in conjunction with any other circumstances whenever occurring and whether or not such tax liabilities are chargeable against or attributable to any other person, firm, company or corporation; and
- (b) any expenses, payments, sums, outgoings, fees, demands, claims, damages, losses, costs (including but not limited to legal and other professional costs), charges, liabilities, fines, penalties in connection with any alleged or actual violation or non-compliance by any member of the Group with any applicable laws, regulations or administrative orders or measures on or before the date on which the Share Offer becomes unconditional, if any.

The Indemnifiers are under no liability under the Deed of Indemnity in respect of any taxation:

- (a) to the extent that provision or reserve has been made for such taxation in the audited accounts of any member of our Group for any accounting period up to 30 September 2017;
- (b) to the extent that such taxation or liability falling on any of the members of our Group in respect of any accounting period commencing on or after 1 October 2017 and ending on the Listing Date, where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily entered into by, any member of our Group



(whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers, other than any such act, omission or transaction:

- (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets on or before the Listing Date; or
- (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before the Listing Date or pursuant to any statement of intention made in the prospectus; or
- (c) to the extent that such taxation claim arise or are incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or the taxation authority of the PRC, or any other relevant authority (whether in Hong Kong or the PRC or any other part of the world) coming into force after the date of the Deed of Indemnity or to the extent such claim arises or is increased by an increase in rates of taxation or claim after the date of the Deed of Indemnity with retrospective effect; or
- (d) to the extent that any provision or reserve made for taxation in the audited accounts of any member of our Group up to 30 September 2017 which is finally established to be an over-provision or an excessive reserve, in which case the Indemnifiers' liability (if any) in respect of taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this paragraph to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

We have been advised that there is no taxation in the nature of inheritance tax or estate duty in the Cayman Islands.

## **16. Litigation**

As at the Latest Practicable Date, neither our Company nor any of our subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against our Company or any of our subsidiaries, that would have a material adverse effect on the results of operations or financial condition of our Company.

## **17. Preliminary expenses**

The preliminary expenses of our Company are estimated to be approximately \$20,000 and are payable by our Company.

## **18. Promoters**

- (a) Our Company has no promoter for the purposes of the GEM Listing Rules.

- (b) Within the two years preceding the date of this prospectus, no amount or benefit has been paid or given to any promoters in connection with the Share Offer or the related transactions described in this prospectus.

### 19. Sole Sponsor

The Sole Sponsor has made an application for and on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and any Shares that may be issued upon the exercise of any options which may be granted under the Share Option Scheme. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The Sole Sponsor is independent of our Company in accordance with Rule 6A.02 of the GEM Listing Rules.

The Sole Sponsor's fee in relation to the Listing is HK\$6.5 million.

### 20. Qualifications of experts

The qualifications of the experts who have given opinions and/or whose names are included in this prospectus are as follows:

Name	Qualification
RaffAello Capital Limited	Licensed under the SFO to conduct type 6 (advising on corporate finance) regulated activities as defined in the SFO
Beijing Jingtian & Gongcheng Law Firm	Legal adviser to our Company as to PRC law
Appleby	Legal adviser to our Company as to Cayman Islands law
PricewaterhouseCoopers	Certified public accountants
Frost & Sullivan	Industry consultant

### 21. Consents of experts

Each of the experts named in the paragraph headed "20. Qualifications of experts" in this appendix has given and has not withdrawn its written consent to the issue of this prospectus with copies of its reports, valuation, letters or opinions (as the case may be) and the references to its names or summaries of opinions included herein in the form and context in which they respectively appear.

**22. Binding Effect**

This prospectus shall have the effect, if an application is made in pursuance of it, 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.

**23. Taxation of holders of Shares****(a) Hong Kong**

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Shares being sold or transferred.

Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

**(b) The Cayman Islands**

Under the present Cayman Islands law, transfers and other dispositions of Shares are exempt from Cayman Islands stamp duty.

**(c) Consultation with professional advisers**

Intending holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares or exercising any rights attaching to them. It is emphasised that none of our Company, the Directors or the other parties involved in the Share Offer can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercising any rights attaching to them.

**24. Miscellaneous****(a) Save as disclosed herein:****(i) within two years preceding the date of this prospectus:**

(aa) no share or loan capital of our Company or of any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

(bb) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and

- (cc) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any shares in our Company or any of our subsidiaries;
- (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;
- (b) the Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 30 September 2017 (being the date to which the latest audited consolidated financial statements of our Group were made up);
- (c) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus; and
- (d) our Group had not issued any debentures or did it have any outstanding debentures nor any convertible debt securities as at the Latest Practicable Date.

## **25. Bilingual prospectus**

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG**

The documents attached to the copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, amongst other documents:

1. copies of each of the **WHITE**, **YELLOW** and **GREEN** Application Forms;
2. a copy of each of the material contracts referred to in the section headed “Statutory and General Information — Further Information about the Business of our Company — 8. Summary of material contracts” in Appendix IV to this prospectus; and
3. the written consents as referred to in the section headed “Statutory and General Information — Other Information — 20. Qualifications of experts” in Appendix IV to this prospectus.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the offices of Norton Rose Fulbright Hong Kong at 38th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

1. the Memorandum and the Articles;
2. the accountant’s report from PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;
3. the audited consolidated financial statements of our Group and where applicable, companies now comprising our Group during the Track Record Period;
4. the report from PricewaterhouseCoopers on the unaudited pro forma financial information of our Group, the text of which are set out in Appendix II to this prospectus;
5. the legal opinion prepared by Beijing Jingtian & Gongcheng Law Firm, our legal adviser as to PRC Law;
6. the letter of advice prepared by Appleby summarising certain aspects of Cayman Islands company law as referred to in Appendix III to this prospectus;
7. the industry report prepared by Frost & Sullivan referred to in the section headed “Industry Overview” in this prospectus;
8. the material contracts as referred to in the paragraph headed “Statutory and General Information — Further Information about the Business of our Company — 8. Summary of material contracts” in Appendix IV to this prospectus;

9. the written consents as referred to in the paragraph headed “Statutory and General Information — Other Information — 20. Qualifications of experts” in Appendix IV to this prospectus;
10. the service agreements and letters of appointment as referred to in the paragraph headed “Statutory and General Information — Further Information about Directors and Shareholders — 10. Directors” in Appendix IV to this prospectus;
11. the Companies Law; and
12. the rules of the Share Option Scheme.

