

kinetix

Kinetix Systems Holdings Limited 健冠控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 8606

Share Offer

Sole Sponsor



Joint Bookrunners



Joint Lead Managers



IMPORTANT

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

kinetix

Kinetix Systems Holdings Limited

捷冠控股有限公司

(Incorporated in the Cayman Islands with limited liability)

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

Number of Offer Shares	:	200,000,000 Offer Shares (subject to the Offer Size Adjustment Option)
Number of Hong Kong Offer Shares	:	20,000,000 Shares (subject to reallocation)
Number of Placing Shares	:	180,000,000 Shares (subject to reallocation and Offer Size Adjustment Option)
Offer Price	:	Not more than HK\$0.30 per Offer Share and expected to be not less than HK\$0.23 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund on final pricing)
Nominal value	:	HK\$0.01 per Share
Stock code	:	8606

Sole Sponsor



Joint Bookrunners



信達國際
CINDA INTERNATIONAL



一盈證券有限公司
I WIN SECURITIES LTD.

Joint Lead Managers



信達國際
CINDA INTERNATIONAL



一盈證券有限公司
I WIN SECURITIES LTD.



匯福證券
HF Securities



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

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix V to this prospectus, 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 as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be fixed by the Price Determination Agreement between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on the Price Determination Date, which is expected to be on or before Friday, 6 July 2018 at or before 5:00 p.m., or such later date or time as may be agreed by the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company. The Offer Price will not be more than HK\$0.30 per Offer Share and is expected to be not less than HK\$0.23 per Offer Share. If our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) are unable to reach an agreement on the Offer Price by that date or time or such later date or time as agreed by our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters), the Share Offer will not become unconditional and will not proceed.

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may, with our consent, reduce the indicative Offer Price range below that stated in this prospectus at any time prior to Price Determination Date. In such a case, notices of reduction of the indicative Offer Price will be published on our website at www.kinetix.com.hk and the website of the Stock Exchange at www.hkexnews.hk.

Prior to making an investment decision, prospective investors should carefully consider all the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus. Prospective investors of the Offer Shares should note that the Sole Sponsor and/or the Joint Bookrunners (for themselves and on behalf of the Underwriters) shall be entitled in their sole and absolute discretion to terminate their obligations under the Underwriting Agreements with immediate effect by notice in writing to us, upon the occurrence of any of the events set forth in the paragraph headed "Underwriting – Underwriting Arrangements and Expenses – The Hong Kong Public Offering – The Hong Kong Underwriting Agreement – Grounds for termination" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date.

30 June 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 Main Board. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

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

EXPECTED TIMETABLE

If there is any change in the following expected timetable of the Share Offer, we will issue an announcement in Hong Kong to be posted on the website of our Company at www.kinetix.com.hk and the website of the Stock Exchange at www.hkexnews.hk.

Date (*Note 1*)

Hong Kong Public Offering commences and **WHITE** and **YELLOW** Application Forms available from9:00 a.m. on
Saturday, 30 June 2018

Latest time for completing electronic applications
under the **HK eIPO White Form** service through
the designated website at www.hkeipo.hk (*Note 2*)11:30 a.m. on
Friday, 6 July 2018

Application lists of the Hong Kong Public
Offering open (*Note 3*)11:45 a.m. on
Friday, 6 July 2018

Latest time for lodging **WHITE** and **YELLOW**
Application Forms and to give **electronic**
application instructions to HKSCC (*Note 4*)12:00 noon on
Friday, 6 July 2018

Latest time to complete payments of
HK eIPO White Form applications by
effecting internet banking transfer(s)
or PPS payment transfer(s)12:00 noon on
Friday, 6 July 2018

Application lists of the Hong Kong Public
Offering close (*Note 3*)12:00 noon on
Friday, 6 July 2018

Expected Price Determination Date (*Note 9*) on or about.....Friday, 6 July 2018

Announcement of (i) the final Offer Price and the level
of indications of interest in the Placing; (ii) the level
of applications in the Hong Kong Public Offering; and
(iii) the basis of allotment of the Hong Kong
Offer Shares under the Hong Kong Public Offering to
be published on the website of our Company at
www.kinetix.com.hk and the website of
the Stock Exchange at www.hkexnews.hkFriday, 13 July 2018

EXPECTED TIMETABLE

Results of allocation in the Hong Kong Public Offering will be available at www.tricor.com.hk/ipo/result with a “search by ID Number/Business Registration Number” function fromFriday, 13 July 2018

Announcement of results of allotment of the Hong Kong Public Offering (with successful applicants’ identification document numbers, where applicable) available through a variety of channels as described in the paragraph headed “How to apply for the Hong Kong Offer Shares – 11. Publication of results” in this prospectus fromFriday, 13 July 2018

Despatch/Collection of share certificates and/or deposit of the share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before (*Notes 5 to 7*)Friday, 13 July 2018

Despatch/Collection of the **HK eIPO White Form** e-Auto Refund payment instructions and refund cheques in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before (*Notes 6 to 8*)Friday, 13 July 2018

Dealings in the Shares on GEM to commence on9:00 a.m. on Monday, 16 July 2018

Notes:–

1. All dates and times refer to Hong Kong local dates and times, 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 to the **HK eIPO White Form** Service Provider through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of the application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
3. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 6 July 2018, the application lists will not open or close on that day. Further information is set forth in the paragraph headed “How to Apply for the Hong Kong Offer Shares – 10. Effect of Bad Weather on the Opening and Closing of the Application Lists” in this prospectus.
4. Applicants who apply for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the paragraph headed “How to Apply for the Hong Kong Offer Shares – 6. Applying by giving electronic application instructions to HKSCC via CCASS” in this prospectus.

EXPECTED TIMETABLE

5. Share certificates for the Hong Kong Offer Shares are expected to be issued on Friday, 13 July 2018 but will only become valid certificates of title at 8:00 a.m. on Monday, 16 July 2018 provided that (i) the Share Offer has become unconditional in all respects and (ii) none of the Underwriting Agreements has been terminated. If the Share Offer does not become unconditional or any of the Underwriting Agreements is terminated, we will make an announcement as soon as possible.
6. Applicants who have applied on **WHITE** Application Forms or through **HK eIPO White Form** service for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offering may collect their refund cheques and share certificates (as applicable) in person from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Friday, 13 July 2018. Applicants being individuals who opt for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorised representatives bearing a letter of authorisation from their corporation stamped with the corporation's chop. Both individuals and authorised representatives of corporations must produce, at the time of collection, identification and (where applicable) documents acceptable to our Hong Kong Branch Share Registrar.
7. Applicants who apply with **YELLOW** Application Forms for 1,000,000 Hong Kong Offer Shares under the Hong Kong Public Offering may collect their refund cheques (where relevant) in person but may not collect their share certificates, which will be deposited into CCASS for credit to their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Uncollected share certificates (if applicable) and refund cheques (if applicable) will be despatched by ordinary post and at the own risk of the applicants shortly after the expiry of the time for collection on the date of despatch of share certificates/refund cheques as described in the paragraph headed "How to Apply for the Hong Kong Offer Shares – 14. Dispatch/collection of share certificates/refund cheques" in this prospectus.
8. Refund cheques or e-Auto Refund payment instructions will be issued in respect of wholly or partially unsuccessful applications. If you apply through the **HK eIPO White Form** service by paying the application monies through a single bank account, you may have e-Auto Refund payment instructions (if any) despatched to your application payment bank account. If you apply through the **HK eIPO White Form** service by paying the application monies through multiple bank accounts, you may have refund cheque(s) sent to the address specified in your application instructions to the designated website (www.hkeipo.hk) by ordinary post and at your own risk. Refund by cheque(s) will be made out to you, or if you are joint applicants, to the first-named applicant on your Application Form. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant provided by you may be printed on your refund cheque, if any. Such data may also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque, if any. Inaccurate completion of your Hong Kong identity card number/passport number may lead to a delay in encashment of, or may invalidate, your refund cheque.
9. The Price Determination Date is expected to be on or before Friday, 6 July 2018. If, for any reason, the Offer Price is not agreed on or before Saturday, 7 July 2018 between the Company and the Joint Bookrunners (for themselves on behalf of the Underwriters), the Share Offer will not proceed and will lapse accordingly.

CONTENTS

IMPORTANT NOTICE TO INVESTORS

You should rely only on the information contained in this prospectus to make your investment decision.

This prospectus is issued by our Company solely in connection with the Share Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares offered by this prospectus. This prospectus may not be used for the purpose of and does not constitute an offer to sell or a solicitation of an offer in any other jurisdiction or in any other circumstances.

Our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters have not authorised anyone to provide you with information that is different from what is contained in this prospectus.

Any information or representation not made in this prospectus must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, agents or representatives or any other party involved in the Share Offer.

The contents on the website at www.kinetix.com.hk which is the official website of our Company do not form part of this prospectus.

	<i>Page</i>
Expected Timetable	ii
Contents	v
Summary	1
Definitions	14
Glossary of Technical Terms	22
Forward-looking Statements	24
Risk Factors	25
Information about this Prospectus and the Share Offer	40
Directors and Parties Involved in the Share Offer	45
Corporate Information	49

CONTENTS

Regulatory Overview	51
Industry Overview	55
History, Development and Reorganisation	66
Business	73
Relationship with our Controlling Shareholders	134
Directors and Senior Management	142
Substantial Shareholders	162
Share Capital	163
Financial Information	167
Statement of Business Objectives and Use of Proceeds	210
Underwriting	228
Structure and Conditions of the Share Offer	240
How to Apply for the Hong Kong Offer Shares	248
Appendix I – Accountants’ Report	I-1
Appendix II – Unaudited Pro Forma Financial Information	II-1
Appendix III – Summary of the Constitution of Our Company and Cayman Islands Company Law	III-1
Appendix IV – Statutory and General Information	IV-1
Appendix V – Documents Delivered to the Registrar of Companies and Available for Inspection	V-1

SUMMARY

This summary aims to give you an overview of the information contained in this prospectus and should be read in conjunction with the full text of this prospectus. Since this is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus, including our financial statements and the accompanying notes, before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks of investing in the Offer Shares are set forth in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares. Various expressions used in this summary are defined in the sections headed “Definitions” and “Glossary of technical terms” in this prospectus.

OVERVIEW

Established in 1998, we are currently a well-established IT services provider with business portfolio including the provision of IT infrastructure solutions services, IT development solutions services, and IT maintenance and support services, with approximately 19 years of experience in the IT consulting services industry in Hong Kong. Our principal businesses include:

- (i) **IT infrastructure solutions services:** We assess our clients’ needs and their existing IT infrastructure and provide IT infrastructure solutions services to our clients by advising them the hardware and/or software that their IT systems would require and procuring the relevant hardware and/or software from a number of authorised distributors or third party suppliers and integrating them with our clients’ IT systems. The provision of IT infrastructure solutions services was our major source of revenue during the Track Record Period.
- (ii) **IT development solutions services:** Our provision of IT development solutions services generally includes system analysis and design, software development and technology consultancy. We provide IT development solutions services on a project basis.
- (iii) **IT maintenance and support services:** Following the completion of our provision of the aforesaid IT services, our clients may engage us to provide on-going maintenance and support services under a separate engagement. Some clients also engage us for providing maintenance and support services on hardware and/or software purchased or developed from third party suppliers.

A breakdown of our Group’s revenue, gross profit and gross profit margin by business segments is set out below:–

	Year ended 31 December											
	2015				2016				2017			
	Revenue		Gross profit		Gross profit margin		Revenue		Gross profit		Gross profit margin	
	HK\$’000	%	HK\$’000	%	HK\$’000	%	HK\$’000	%	HK\$’000	%	HK\$’000	%
IT infrastructure solutions services	146,481	78.2	26,228	17.9	135,874	73.7	34,111	25.1	121,927	67.4	19,249	15.8
IT development solutions services	30,728	16.4	5,961	19.4	35,500	19.3	3,554	10.0	36,197	20.0	9,581	26.5
IT maintenance and support services	10,125	5.4	4,524	44.7	12,873	7.0	5,783	44.9	22,846	12.6	8,709	38.1
Total	187,334	100.0	36,713	19.6	184,247	100.0	43,448	23.6	180,970	100.0	37,539	20.7

SUMMARY

During the Track Record Period, we completed over 1,120 IT infrastructure solutions projects, IT development solutions and IT maintenance and support services projects with an aggregate contract sum of over HK\$560 million. As at 31 December 2017, we had over 100 ongoing IT infrastructure solutions projects, IT development solutions and IT maintenance and support services projects awarded by over 50 clients with an aggregate contract sum of over HK\$120 million. The following table sets out the summary of contracts completed by our Group during the Track Record Period:–

	Year ended 31 December								
	2015			2016			2017		
	Number of contracts undertaken	Total contract sum	Revenue recognised	Number of contracts undertaken	Total contract sum	Revenue recognised	Number of contracts undertaken	Total contract sum	Revenue recognised
	<i>HK\$'000</i>	<i>HK\$'000</i>		<i>HK\$'000</i>	<i>HK\$'000</i>		<i>HK\$'000</i>	<i>HK\$'000</i>	
Number of clients	138			121			128		
Number of completed contracts	398			338			385		
Contract sum of HK\$10,000,000 or above	2	34,268	29,957	3	41,018	29,932	2	41,562	11,660
Contract sum below HK\$10,000,000 but at or above HK\$1,000,000	61	150,402	88,521	63	156,270	102,043	62	178,079	106,425
Contract sum below HK\$1,000,000 but at or above HK\$100,000	202	70,899	62,605	187	59,394	47,027	218	71,047	56,602
Contract sum below HK\$100,000	189	6,772	6,251	171	6,235	5,245	213	7,570	6,283
Total	454	262,341	187,334	424	262,917	184,247	495	298,258	180,970

The following tables set out the breakdown by project type of the (i) average duration of projects, (ii) range of duration of projects and (iii) number of projects completed during the Track Record Period:–

	Year ended 31 December								
	2015			2016			2017		
	Average duration of projects <i>(Note 1)</i>	Range of duration of projects <i>(Note 1)</i>	Number of projects completed	Average duration of projects <i>(Note 1)</i>	Range of duration of projects <i>(Note 1)</i>	Number of projects completed	Average duration of projects <i>(Note 1)</i>	Range of duration of projects <i>(Note 1)</i>	Number of projects completed
IT development solutions	438 days	12 days to 1,827 days	44	366 days	1 day to 1,373 days	46	320 days	1 day to 1,595 days	68
IT infrastructure solutions	42 days	1 day to 838 days	309	44 days	1 day to 764 days	252	57 days	1 day to 1,826 days	263
IT maintenance and support services	407 days	2 days to 1,096 days	45	463 days	1 day to 1,827 days <i>(Note 2)</i>	40	414 days	1 day to 1,096 days <i>(Note 2)</i>	54

Notes:

- (1) including both completed projects and ongoing projects during the relevant financial year.
- (2) certain IT maintenance and support services lasted for only one day as they were of ad hoc nature.

SUMMARY

The following table sets out the breakdown by project type of (i) number of projects on hand, (ii) total contract sum of such projects and (iii) amount of unrecognised revenue of such projects as at the Latest Practicable Date:–

	Number of projects on hand	Total contract sum HK\$'000	Amount of unrecognised revenue HK\$'000
IT infrastructure solutions services	10	12,162	2,280
IT development solutions services	36	96,510	59,509
IT maintenance and support services	45	12,864	5,157

OUR BUSINESS MODEL

Our contracts are identified mainly through (i) tendering (including open tender and invited tender); and (ii) direct engagement. The following table sets out a breakdown of our revenue attributable to contracts obtained through (i) tendering (except SOA); (ii) SOAs; and (iii) direct engagement during the Track Record Period:–

	Year ended 31 December					
	2015		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Tendering	24,770	13.2	12,036	6.5	9,478	5.2
SOA	27,979	14.9	21,565	11.7	13,408	7.4
Direct engagement	134,585	71.9	150,646	81.8	158,084	87.4
Total	187,334	100.0	184,247	100.0	180,970	100.0

For a majority of our projects during the Track Record Period, we were normally engaged to provide services to end-users (excluding other IT services providers) directly whilst for the remaining projects, we were engaged by intermediaries, such as other IT services providers and/or engaged as the subcontractor. The following table sets out the breakdown of our revenue generated from services provided to end-users and intermediaries during the Track Record Period:–

	Year ended 31 December					
	2015		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
End-users	138,463	73.9	133,752	72.6	153,344	84.7
Intermediaries	48,871	26.1	50,495	27.4	27,626	15.3
Total	187,334	100.0	184,247	100.0	180,970	100.0

Our Group was engaged in both public sector projects and private sector projects during the Track Record Period. As at the Latest Practicable Date, we had remained as an authorised prime contractor of all four categories of the SOA-QPS and an approved contractor of categories A and B in supplying personal computer equipment and providing related services to various government departments of the Hong Kong Government under the SOA. During the Track Record Period, our revenue attributable to these SOAs amounted to approximately HK\$28.0 million, HK\$21.6 million and HK\$13.4 million, respectively. For private sector projects, we generally receive tender invitations or direct request for quotation and/or proposal from our existing clients or business referrals.

After identifying a potential client, we perform technical and financial assessment and preliminarily analyse the specifications and requirements of the projects. A price proposal or quotation is submitted to the potential client for their approval. Depending on the requirements of each project, our operation flow typically involves: (i) the procurement of hardware and/or software; (ii) project initialisation; (iii) system analysis and design; (iv) implementation, development and/or integration of our IT solutions; (v) user acceptance testing; (vi) system rollout; and/or (vii) maintenance and support services.

SUMMARY

Our service fees are determined between our clients and us on a case-by-case basis. In general, our service fee which is payable in one lump sum or by way of instalments according to payment schedules for our IT solutions projects, including IT infrastructure and development solutions, is charged on a cost-plus basis. For IT maintenance and support services, we generally charge our clients a fixed fee, which are usually payable on a quarterly basis, during our agreed service period. In determining our service fees, we take into account factors including scope of services, complexity and scale of the project, manpower required, expected timeline, cost of sourcing the relevant hardware and/or software as well as subcontracting cost (if needed) and level of competition.

OUR CLIENTS

Most of our clients are based in Hong Kong, with a small number of clients in Macau. Set out below is a breakdown of revenue, gross profit and gross profit margin by industry sector during the Track Record Period:–

	Year ended 31 December											
	2015				2016				2017			
	Revenue		Gross profit margin		Revenue		Gross profit margin		Revenue		Gross profit margin	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Public sector												
Hong Kong												
Government (Note 1)	56,647	30.3	12,537	22.1	36,042	19.5	7,592	21.1	22,441	12.4	4,461	19.9
Non-government public bodies (Note 2)	14,860	7.9	5,233	35.2	19,492	10.6	3,869	19.8	26,600	14.7	10,937	41.1
Private sector												
Retail, distribution and trading	45,396	24.2	5,848	12.9	49,656	27.0	14,650	29.5	27,300	15.1	98	0.4
TMT	39,413	21.0	7,088	18.0	20,989	11.4	3,352	16.0	32,438	17.9	4,623	14.3
Banking, finance and insurance	15,317	8.2	4,646	30.3	25,305	13.7	8,914	35.2	34,569	19.1	13,194	38.2
Transportation and logistics	12,172	6.5	867	7.1	27,062	14.7	4,184	15.5	23,872	13.2	3,032	12.7
Others (Note 3)	3,529	1.9	494	14.0	5,701	3.1	887	15.6	13,750	7.6	1,194	8.7
Total:	187,334	100.0	36,713	19.6	184,247	100.0	43,448	23.6	180,970	100.0	37,539	20.7

Notes:–

- Hong Kong Government represents departments of the Hong Kong Government.
- Non-government public bodies mainly represent authorities or institutions which are established pursuant to specific statutory legislations in Hong Kong and Macau and educational institutions such as universities and colleges, and corporations owned and/or controlled by the Hong Kong Government which are established for regulation purposes.
- Others represent hospital and healthcare, education and manufacturing.

During the Track Record Period, the revenue from our five largest clients accounted for approximately 36.2%, 40.0% and 39.8% of our total revenue, respectively. Meanwhile, the revenue from our largest client accounted for approximately 11.0%, 13.9% and 11.7% of our total revenue during the Track Record Period, respectively.

OUR SUPPLIERS

During the Track Record Period, our suppliers mainly consisted of IT products vendors and their resellers or distributors in Hong Kong. Our suppliers also consisted of other IT service providers which were engaged by us to act as our subcontractors to provide assistance to our provision of IT solutions and services.

SUMMARY

As at the Latest Practicable Date, in Hong Kong, we were the platinum business partner of Supplier B, the gold partner of Vendor H and the gold partner of Supplier G. For further details relating to the criteria to be eligible as business partners of these suppliers and vendor and their incentive programmes, please refer to the paragraphs headed “Business – Our Suppliers – Business partnership programmes” and “Business – Our Suppliers – Incentive programme” in this prospectus.

During the Track Record Period, total purchases made from our five largest suppliers accounted for approximately 86.5%, 80.6% and 76.8% of our total cost of sales, respectively, and the purchases from our largest supplier accounted for approximately 67.8%, 67.5% and 49.5% of our total cost of sales, respectively. During the Track Record Period, 19 of our clients (by affiliated group) were also our suppliers. For details, please see the paragraph headed “Business – Our Suppliers” beginning on page 112 of this prospectus.

SUBCONTRACTING

During the Track Record Period, we had engaged over 80 subcontractors for certain implementation work in our provision of IT services. During the Track Record Period, our subcontracting cost amounted to approximately HK\$30.8 million, HK\$24.0 million and HK\$29.2 million, respectively, which accounted for approximately 16.4%, 13.0% and 16.1%, respectively, of our revenue, and approximately 20.4%, 17.0% and 20.4%, respectively, of our total cost of sales, for the relevant year.

OUR RELATIONSHIP WITH SUPPLIER B

During the Track Record Period, the IT services provided by us to our clients were mainly based on Supplier B’s hardware and software and our purchase of Supplier B’s hardware and software has been primarily made via Supplier A (which is Supplier B’s authorised distributor). Supplier B was our second largest supplier for FY2015 and FY2016 and our third largest supplier for FY2017. Our fees paid to Supplier B was in relation to Supplier B’s role as our subcontractor in our provision of IT services. The total service fee paid to Supplier B accounted for approximately 11.5%, 6.2% and 7.5% of our total cost of sales during the Track Record Period, respectively. As at the Latest Practicable Date, we were the platinum business partner of Supplier B. As such, our business relationship with Supplier B is pivotal to the provision of our IT services to our clients. Supplier B was also one of our clients engaging us as their subcontractor to provide IT development and infrastructure solutions services to them and our revenue attributable to it accounted for approximately 2.8%, 1.7% and 7.6% of our total revenue during the Track Record Period.

Considering (i) the mutually beneficial business relationship between our Group and Supplier B in marketing their products; (ii) our mutual trust and strong business relationship with Supplier B built since our establishment; (iii) Supplier B having contributed only approximately 2.8%, 1.7% and 7.6% of our total revenue during the Track Record Period, respectively; (iv) the availability of products and subcontracting services from other alternative suppliers; and (v) the market practice in the IT solutions industry, we consider that our business operations would not be materially and adversely affected in the highly unlikely circumstance that Supplier B terminates its business relationship with us. For details, please see the paragraph headed “Business – Our Relationship with Supplier B” beginning on page 120 of this prospectus.

OUR COMPETITIVE STRENGTHS

Our Directors believe that we have the following competitive strengths:

- We are able to offer comprehensive and tailor-made and quality IT solutions services to cater for our clients’ needs
- We have a wide and solid client base
- We are a recognised and short-listed Hong Kong Government IT services provider with long service records
- We have well-established relationships with major international IT products vendors
- We have an experienced management team with in-depth business knowledge of our key clients and leading edge technical skills

SUMMARY

OUR STRATEGIES

Our objective is to maintain our position as a well-established IT services provider in Hong Kong by pursuing the following strategies:–

- Develop IT solutions services tailored for finance and insurance sectors
- Expand the application of ERP system in our IT development solutions services
- Maintain fund for performance bond and contract deposit
- Provision of cloud computing and IoT products
- Develop technical support centre to enhance our service quality
- Strengthen our marketing efforts
- Enhance the expertise of our professional team
- Enhance our Group's management information system

COMPETITIVE LANDSCAPE

The IT consulting services industry in Hong Kong is highly competitive and fragmented with no dominant player. According to the Frost & Sullivan Report, there were more than 4,000 service providers in the market at the end of 2017. The total market size by revenue of the Hong Kong IT consulting services industry in 2017 is HK\$58.5 billion, with the top 10 players accounting for approximately 15.1% of the total market size. In terms of total revenue in 2017, our Group ranked eighth in the overall IT consulting services industry in Hong Kong.

OUR SHAREHOLDERS

Immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon any exercise of the Offer Size Adjustment Option or options which have been or may be granted under the Share Option Scheme), VKL will effectively hold as to 75% of the total number of issued Shares. VKL is held as to 100% by Mr. Yu. As such, Mr. Yu and VKL will continue to control more than 30% of the total number of issued Shares and will be the Controlling Shareholders after the Capitalisation Issue and the Share Offer. For further details, please refer to the section headed "Substantial Shareholders" beginning on page 162 of this prospectus.

SUMMARY FINANCIAL INFORMATION AND OPERATING DATA

The following tables set out the consolidated financial information of our Group for FY2015, FY2016 and FY2017, together with certain items presented under non-HKFRS measures for the same periods, and should be read in conjunction with the financial information included in the Accountants' Report as set out in Appendix I to this prospectus, including the notes thereto:–

Highlights of our consolidated statements of comprehensive income

	Year ended 31 December		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Revenue	187,334	184,247	180,970
Cost of sales	(150,621)	(140,799)	(143,431)
Gross profit	36,713	43,448	37,539
Administrative and general expenses	(14,844)	(15,103)	(20,932)
Listing expenses	–	(2,988)	(4,307)
Profit before tax	18,849	21,462	8,054
Profit for the year and total comprehensive income for the year	15,755	17,197	5,985

Our revenue is segmented based on service types, namely, IT infrastructure solutions services, IT development solutions services and IT maintenance and support services. These segments differ in terms of their range of services provided.

SUMMARY

Our revenue derived from the provision of IT infrastructure solutions services decreased from HK\$146.5 million for FY2015 to HK\$135.9 million for FY2016, which was mainly due to (i) the decrease in total numbers of IT infrastructure solutions projects undertaken in FY2016; and (ii) the completion of one project from the public sector with recognised revenue of HK\$18.9 million in FY2015. Our revenue generated from the provision of IT infrastructure solutions services further decreased to HK\$121.9 million, representing 67.4% of our total revenue for FY2017. The decrease of our revenue derived from the provision of IT infrastructure solutions services was mainly due to (i) the decrease in average revenue recognised per project for IT infrastructure solutions segment in FY2017; (ii) the reduced number of projects with revenue recognised over HK\$10 million from two projects with Client D and Client F, respectively, in FY2016 to one project with Client D in FY2017; and (iii) the decrease in aggregate revenue contribution by Client D from HK\$25.7 million in FY2016 to HK\$21.1 million in FY2017. The decrease in average revenue recognised per project for IT infrastructure solutions segment in FY2017 was a combined effect of (i) the increase in total number of IT infrastructure solutions projects undertaken in FY2017; and (ii) the completion of two projects for Client B and Client F, respectively, from the retail, distribution and trading sector in FY2016, which were non-recurring in FY2017.

Our revenue derived from the provision of IT development solutions services increased from HK\$30.7 million for FY2015 to HK\$35.5 million for FY2016, which was mainly due to i) the increase in total numbers of IT development solutions projects undertaken in FY2016; and ii) the completion of one project relating to feasibility study on the implementation of system from the public sector with revenue recognised of HK\$7.5 million in FY2016. Our revenue generated from the provision of IT development solutions services further increased to HK\$36.2 million, representing 20.0% of our total revenue for FY2017. The increase of our revenue derived from the provision of IT development solutions services was mainly due to the increase in total number of IT development solutions projects undertaken in FY2017.

Our revenue derived from the provision of IT maintenance and support service increased from HK\$10.1 million for FY2015 to HK\$12.9 million for FY2016, which was mainly due to increase in number of completed IT development solutions for which our clients usually engaged us to provide IT maintenance and support service. Our revenue generated from the provision of IT maintenance and support services further increased to HK\$22.8 million, representing 12.6% of our total revenue for FY2017. The significant increase of our revenue derived from the provision of IT maintenance and support services was mainly due to increase in total number of IT maintenance and support projects undertaken in FY2017 as well as increase in average amount of revenue recognised per project during the year.

Our net profit decreased from HK\$17.2 million for FY2016 to HK\$6.0 million for FY2017, which is mainly attributable to (i) two projects completed in FY2016 from the retail, distribution and trading sector being carried out with Client B and Client F, which were non-recurring in FY2017; (ii) the increase in staff costs as our Group hired several new staff in FY2017, including increment in headcount for the technical department, the finance department and the sales department, respectively, for our expansion of business; and (iii) the increase in non-recurring listing expenses by HK\$1.3 million during the respective years.

During the Track Record Period, we had completed 18, 9 and 10 loss making contracts, with the range of contract sum being approximately HK\$1,000 to HK\$9.1 million, HK\$950 to HK\$1.4 million and HK\$12,800 to HK\$7.8 million, respectively, mainly due to the comparatively low prices or special discounts offered by us to maintain long-term business co-operations with our clients. For details, please refer to the paragraph headed “Financial Information – Description of Selected Items in Consolidated Statements of Comprehensive Income – Gross profit and gross profit margin” in this prospectus.

Non-HKFRS measures

We recognised non-recurring items in the Track Record Period. To supplement our consolidated financial statements which are presented in accordance with HKFRS, we also presented the adjusted net profits and adjusted net profit margin as non-HKFRS measures.

SUMMARY

We present these additional financial measures as these were used by our management to evaluate our financial performance by eliminating the impact of non-recurring listing expenses which is considered not indicative for evaluation of the actual performance of our business. We believe that these non-HKFRS measures provide additional information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as our management and in comparing financial results across accounting periods and to those of our peer companies.

The table below sets out the adjusted net profit and adjusted net profit margin in each respective year during the Track Record Period:-

	Year ended 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit and total comprehensive income for the year	15,755	17,197	5,985
Add: Non-recurring item – Listing expenses	–	2,988	4,307
Adjusted net profit for the year	<u>15,755</u>	<u>20,185</u>	<u>10,292</u>
Adjusted net profit margin for the year	8.4%	11.0%	5.7%

Our adjusted net profit increased from HK\$15.8 million for FY2015 to HK\$20.2 million for FY2016, which is mainly attributable to the increase in gross profit from our IT infrastructure solutions segment, in particular, gross profit contributed by two projects completed in FY2016 from the retail, distribution and trading sector being carried out with Client B and Client F, respectively.

Our adjusted net profit decreased from HK\$20.2 million for FY2016 to HK\$10.3 million for FY2017, which is mainly attributable to (i) the aforesaid two projects completed in FY2016, which were non-recurring in FY2017; and (ii) the increase in staff costs as our Group hired several new staff in FY2017, including increment in headcount for the technical department, the finance department and the sales department, respectively, for our expansion of business.

Highlights of our consolidated statements of financial position

	As at 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets	320	382	962
Current assets	72,176	85,197	114,378
Non-current liabilities	354	49	–
Current liabilities	38,772	40,963	70,788
Net current assets	33,404	44,234	43,590
Net assets	33,370	44,567	44,552

For details of the fluctuation of the abovementioned items, please refer to the paragraph headed “Financial Information – Liquidity and Capital Resources – Net current assets” beginning on page 195 of this prospectus.

SUMMARY

Highlights of our consolidated statements of cash flows

	FY2015	FY2016	FY2017
	HK\$'000	HK\$'000	HK\$'000
Net cash generated from operating activities	4,163	3,915	13,874
Net cash generated from/(used in) investing activities	2,090	(150)	(181)
Net cash used in financing activities	(4,994)	(4,471)	(6,006)
Net increase/(decrease) in cash and cash equivalents	1,259	(706)	7,687
Cash and cash equivalents at beginning of year	26,436	27,695	26,989
Cash and cash equivalents at end of year	27,695	26,989	34,676

For FY2015, FY2016 and FY2017, our operating cash flow before changes in working capital amounted to approximately HK\$19.6 million, HK\$22.6 million and HK\$7.8 million, respectively. The decrease in our operating cash flow before changes in working capital by HK\$14.8 million from HK\$22.6 million in FY2016 to HK\$7.8 million in FY2017 was primarily resulted from the decrease in our profit before tax by HK\$13.4 million in FY2017, as compared with the same in FY2016, which was mainly due to (i) the decrease in gross profit by HK\$5.9 million, and in particular, as two IT infrastructure solutions services projects from the retail, distribution and trading sector that completed in FY2016 were non-recurring in FY2017; (ii) the increase in administrative and general expense by HK\$5.8 million, and in particular, the increase in staff costs as our Group hired several new staff in FY2017; and (iii) the increase in the non-recurring listing expenses by HK\$1.3 million in FY2017, as compared with the same in FY2016. For details of our Group's cash flow, please refer to the paragraph headed "Financial Information – Liquidity and Capital Resources – Cash flows" beginning on page 193 of this prospectus.

Selected financial ratios

	Year ended/as at 31 December		
	2015	2016	2017
Gross profit margin (%)	19.6	23.6	20.7
Net profit margin (%)	8.4	9.3	3.3
Return on equity (%)	47.2	38.6	13.4
Return on total assets (%)	21.7	20.1	5.2
Current ratio	1.9	2.1	1.6
Gearing ratio	N/A	N/A	N/A
Net debt to equity ratio	N/A	N/A	N/A

Our gross profit margin decreased from 23.6% for FY2016 to 20.7% for FY2017, primarily attributable the decreased gross profit margins for IT infrastructure solutions services and IT maintenance and support segments.

Our net profit margin decreased from 9.3% for FY2016 to 3.3% for FY2017, primarily attributable to the increase in cost of sales and staff costs under administrative and general expenses.

For further details of the key financial ratios, please refer to the paragraph headed "Financial Information – Key financial ratios" beginning on page 205 of this prospectus.

RECENT DEVELOPMENT

Our business model has remained unchanged and our revenue and cost structure has remained stable since 31 December 2017.

SUMMARY

As at the Latest Practicable Date, we had 91 contracts in our backlog (including the ongoing contracts and awarded contracts that have yet to commence) with a total contract sum of approximately HK\$121.5 million. Among these contracts, revenue of approximately HK\$54.6 million had been recognised during the Track Record Period and up to the Latest Practicable Date.

We have entered into a tenancy agreement in 28 December 2017 pursuant to which we rent a premises in Kwun Tong (the “**New Premises**”) as a tenant which is used as our new headquarters. As at the Latest Practicable Date, the New Premises has completed renovation and we have moved from the previous headquarters in Quarry Bay to the New Premises in March 2018. There was an increase in the monthly rental expenses with respect to the lease of the New Premises compared to the previous lease after the rent-free period ended on 15 May 2018 due to the larger area of the property. For further details relating to the New Premises, please refer to the paragraph headed “Business – Properties” in this prospectus.

We currently expect that our financial results for FY2018 will be negatively impacted by the non-recurring Listing expenses to be recognised as expenses in our consolidated statements of profit or loss and other comprehensive income. For further details regarding our Listing expenses, please refer to the paragraph headed “Listing Expenses” in this section and the paragraph headed “Financial information – Listing Expenses” on page 208 of this prospectus.

Prospective investors should note that our financial information subsequent to the Track Record Period is unaudited and may not reflect the full year results for FY2018 and may be subject to adjustments based on the audit. Save as disclosed in “Recent development” and “Listing expenses” in this section, our Directors confirm that, since 31 December 2017 and up to the date of this prospectus, (i) there had been no material adverse change in the market conditions or the industry and environment in which we operate that materially and adversely affect our financial or operating position; (ii) there was no material adverse change in the trading and financial position or prospects of our Group; and (iii) no event had occurred that would materially and adversely affect the information shown in the Accountants’ Report set out in Appendix I to this prospectus.

REASONS FOR THE LISTING AND THE SHARE OFFER

Our Directors believe that our Group has strong reasons to pursue for Listing and raise capital from equity market to fund and support our business expansion:–

- 1. The Listing could strengthen our corporate profile, credibility and competitiveness:** Our Group is a well-established IT services provider with about 20 years of experience in the IT industry. As we developed, we have been trying to use our own internal funding and resources to further develop our business in order to keep pace with the development in the industry and yet we have formidable hurdles to achieve our business strategies without the necessary resources. We believe that the Listing could help us to have a breakthrough of these hurdles and bring us the necessary resources to achieve our goals. Firstly, our current cash and cash equivalent could only support our current daily operation and thus we need capital to support our business development. Secondly, we believe that the Listing could help us to bring in necessary talents to execute our business plans. Thirdly, we believe that the Listing could help us to compete with other listed IT services providers and secure more complex and larger projects. Fourthly, we believe that the Share Offer and the Listing could bring us the necessary funding and give us access to the equity financing platform to support our continuous development in the long run.
- 2. Strong and genuine business needs to raise capital from equity capital market to fund our business strategies and business expansion:** Our Directors believe that our Group needs to raise funds by equity financing pursuant to the Share Offer and to gain access to a platform for future fundraising by pursuing the Listing to meet our capital requirements for our business strategies and to keep us abreast of the fast-paced evolving IT industry.

SUMMARY

Our IT solutions services tailored for finance and insurance sectors generated relatively high gross profit margin for our Group during the Track Record Period and our revenue generated from these sectors increased significantly during the Track Record Period. Currently, we do not have any technical staff who have industry-specific knowledge and skills in these sectors. We plan to recruit one industry domain technical specialist for each of these industries who will mainly be responsible for designing the enterprise information technology architecture for our IT solutions such as fintech and cloud technology which caters for these industries specifically. We believe that leveraging on the specific knowledge and experience of the specialists who we plan to hire by applying the net proceeds of the Share Offer, we could attract new clients from the finance and insurance sectors and foster a more effective communication with them and better understand their needs and market prospect. Also, it is expected that the recruitment of the industry domain technical specialists allows us to take on more projects which involve provision of more complicated IT solutions that require specific knowledge of IT applications for operations in these industries. Our Directors also believe that this justifies a higher price to be charged by our Group as a result.

As the IT industry is a fast-paced evolving industry, we believe that it is essential for our Group to keep pace with the technological advancement and equip ourselves with new techniques to formulate new product and service ideas. We commenced to undertake projects for provision of cloud computing and IoT solution services in 2017. We have gained experience in providing cloud computing and IoT solution services and have been able to collaborate with some cloud service providers through our involvement in these projects. Our management, in particular our chief partnership officer Mr. Luk Yeung Sing and our chief strategy officer Mr. Wu Chi Cheong Frederick have relevant experience in cloud computing and IoT products development. However, currently we do not have any in-house specialist to assist our management to execute the business strategies in designing and building cloud computing and IoT solution services. We plan to hire one specialist specialising in software development and one technician specialising in hardware development, and we plan to purchase new equipment for developing cloud and IoT products.

As we grow, we intend to engage in larger and more complex projects. As at the Latest Practicable Date, the total estimated contract sum of 16 potential projects for finance and insurance sectors that we had identified on our pipeline amounted to around HK\$22 million. Our Directors are of the view that departments of the Hong Kong Government, public bodies and multinational enterprises are more willing to choose IT service providers which are listed companies in larger and more complex projects. As such, we have genuine business needs to pursue the Listing to maintain our competitiveness. Moreover, in order to undertake larger and more complex projects, we would require more substantial amounts of capital and start-up costs including labour costs, research and development costs, payment of procurement and subcontracting fees. In addition, we believe that currently our cash outflow position limits our capability to take on larger and more complex projects. The duration and payment terms of large scale projects are generally longer. Our Group in the past had turned down a few potential large scale projects as we had already taken on a few other projects of larger size during the same period, which strained our financial, human and other operational resources. Therefore, capital raised from the Share Offer could allow us to take on more complex projects of larger size.

- 3. Gaining access to additional financing sources for our capital requirements:** We adopted a relatively conservative liquidity management approach which had contributed to our relatively high level of cash and cash equivalents with no bank borrowings during the Track Record Period. We consider it is necessary to maintain sufficient working capital as we generally rely on cash inflow from our clients to meet our payment obligations to our suppliers and from time to time there is a mismatch in the cash inflow from clients and cash outflow to our suppliers. Moreover, as an IT service provider, we are an asset-light business and we have difficulty to obtain bank borrowings as the banks usually have difficulty to assess our financing needs and business savvy and we do not have any material amount of fixed assets available for security for banking facilities. Therefore, we believe that the Listing will offer us more flexibility to finance our operation.

SUMMARY

- 4. Diversifying shareholder base and enhancing liquidity in trading of our Shares:** We believe that the highly liquid Hong Kong stock market allows us to expand and diversify our capital base and shareholders base as institutional funds and retail investors in Hong Kong can participate in the equity of our Company, through which the true value of our Group can also be reflected.
- 5. Enhancing our staff morale and loyalty:** Our Directors believe that the business development and potential business growth of our Group generated by the funds raised from the Share Offer could help us to keep our employees with us and to attract new talents to join our Group.

The net proceeds from the Listing, assuming the Offer Price of HK\$0.265 per Offer Share (being the indicative mid-point of the Offer Price range) and after deducting the Listing expenses, are estimated to be approximately HK\$29.2 million. We intend that the net proceeds shall be applied as follows:–

Business strategy	Total HK\$ (in million)	Approximate % of net proceeds
Develop IT solutions services tailored for finance and insurance sectors	6.08	20.9%
Expand the application of ERP system in our IT development solutions services	1.00	3.4%
Maintain fund for performance bond and contract deposit	2.00	6.9%
Provision of cloud computing and IoT products	7.84	26.8%
Develop technical support centre to enhance our service quality	2.50	8.6%
Strengthen our marketing efforts	2.00	6.9%
Enhance the expertise of our professional team	1.50	5.1%
Enhance our Group's management information system	4.44	15.2%
Working capital and other general corporate purposes	1.84	6.2%
Total	29.20	100.0%

In particular, out of the total net proceeds of approximately HK\$29.2 million, we plan to utilise approximately HK\$10.5 million for recruitment of new specialists for the relevant business strategies as disclosed in the paragraph headed “Business – Our Business Strategies” in this prospectus. We intend to use over 40% of the net proceeds from Listing to recruit more specialists and pay for performance guarantees of public sector projects.

STATISTICS OF SHARE OFFER

	Based on the Offer Price of HK\$0.23 per Share	Based on the Offer Price of HK\$0.30 per Share
Market capitalisation at the Offer Price (<i>Note 1</i>)	HK\$184 million	HK\$240 million
Unaudited pro forma adjusted net consolidated tangible assets per Share (<i>Note 2</i>)	HK\$0.09	HK\$0.11

Notes:

- The calculation of market capitalisation is based on 800,000,000 Shares expected to be in issue immediately upon completion of the Share Offer and the Capitalisation Issue.
- The unaudited pro forma adjusted consolidated net tangible assets per Share has been prepared with reference to certain estimation and adjustment. Please refer to Appendix II to this prospectus for further details.

SUMMARY

LISTING EXPENSES

Assuming a Offer Price of HK\$0.265 per Share (being the mid-point of the indicative Offer Price range) and that the Offer Size Adjustment Option is not exercised, our total Listing expenses are estimated to be approximately HK\$23.8 million, of which HK\$8.0 million is directly attributable to the issue of new Shares and to be accounted for as a deduction from the equity, and the remaining amount of HK\$15.8 million has been or will be reflected in our consolidated statements of comprehensive income. Listing expenses of HK\$3.0 million and HK\$4.3 million, in relation to services already performed by relevant parties, were reflected in our consolidated statements of comprehensive income for FY2016 and FY2017, respectively, and an additional of HK\$8.5 million is expected to be recognised in our consolidated statements of comprehensive income subsequent to the Track Record Period and upon Listing. As such, our results of operations for FY2018 is expected to be adversely affected by the Listing expenses incurred in the period.

DIVIDENDS

During the Track Record Period, dividends of HK\$4.7 million, HK\$6.0 million and HK\$6.0 million were declared, respectively. As at the Latest Practicable Date, such dividend had been fully settled with respect to the relevant Shareholders by our cash flow generated from operations and set off against amounts due from a director in lieu of cash payment. We do not have a fixed dividend payout ratio and do not intend to determine any expected dividend payout ratio since our priority is to use our earnings for business development and expansion of client base in the interest of our Shareholders as a whole. 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 us in the future. For details, please refer to the paragraph headed “Financial Information – Dividends” beginning on page 207 in this prospectus.

RISK FACTORS

There are risks relating to an investment in the Offer Shares. We believe that the following are some of the major risks. You should read the entire “Risk Factors” section starting on page 25 carefully.

- We rely on Supplier B’s hardware and software for our provision of IT infrastructure and development solutions services, and any shortage or delay in the supply of hardware and software from its authorised distributor(s) or any deterioration of business relationship with Supplier B and/or its authorised distributor(s) may materially and adversely affect our results of operations
- Our operations may be affected by concentrating on few key suppliers. Should there be any loss of key suppliers or disruption in their supply, our business and results of operations could be materially and adversely affected
- Our Group is exposed to credit risk of our clients
- We may encounter cost overruns or delays in our IT infrastructure and development solutions projects and our business, financial position and results of operation may be materially and adversely affected
- We are unable to control the quality of the hardware and/or software provided by our suppliers. Should the products provided by our suppliers be defective or fail to meet the required standards, our business and reputation may be adversely affected

DEFINITIONS

Unless the context otherwise requires, the following expressions have the following meanings in this prospectus. Certain other terms are explained in the section headed “Glossary of Technical Terms”

“Application Form(s)”	the WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s), individually or collectively, as the context may require, any of them to be used in connection with the Hong Kong Public Offering
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company conditionally adopted on 22 June 2018 and effective on the Listing Date, as amended or supplemented from time to time
“ASL”	Aztex Solutions Limited (formerly known as We-givefun.com Limited), a company incorporated in Hong Kong with limited liability on 23 August 2000, which is owned as to 71.43% by Mr. Yu and 28.57% by Mr. Lam
“Board” or “Board of Directors”	the board of directors of our Company
“business day”	any day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for normal banking business to the public
“BVI”	the British Virgin Islands
“BVIL”	Broad Vision Investment Limited (宏迅投資有限公司), a company incorporated in Hong Kong with limited liability on 1 December 2000, which is owned as to 100% by Mr. Yu
“Cayman Companies Law” or “Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961) of the Cayman Islands, as amended or supplemented from time to time
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant

DEFINITIONS

“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
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented from time to time
“Company” or “our Company”	Kinetix Systems Holdings Limited (捷冠控股有限公司) (formerly known as Kinetix Holdings Limited (捷冠控股有限公司)), a company incorporated in the Cayman Islands as an exempted company with limited liability on 16 September 2016
“Controlling Shareholders”	has the meaning ascribed thereto under the GEM Listing Rules, and for the purpose of this prospectus, refers to Mr. Yu and VKL
“Deed of Indemnity”	the deed of indemnity dated 22 June 2018 and executed by the Controlling Shareholders in favour of the Company (for itself and as trustee for each of its present subsidiaries) with particulars set forth in the paragraph headed “Statutory and General Information – Other Information – 13. Estate duty, tax and other indemnities” in Appendix IV to this prospectus
“Directors” or “our directors”	the directors of our Company
“Frost & Sullivan”	Frost & Sullivan International Limited, an industry consultant engaged to prepare an industry report, details of which are set out in the section headed “Industry Overview” in this prospectus
“Frost & Sullivan Report”	an independent research report commissioned by our Company and prepared by Frost & Sullivan for the purpose of Listing

DEFINITIONS

“FY2015”	the financial year ended 31 December 2015
“FY2016”	the financial year ended 31 December 2016
“FY2017”	the financial year ended 31 December 2017
“FY2018”	the financial year ending 31 December 2018
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended or supplemented from time to time
“ GREEN Application Form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider designated by our Company
“Group”, “we”, “our” or “us”	our Company and its subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“ HK eIPO White Form ”	the application for Hong Kong Offer Shares in the applicant’s own name by submitting applications online through the designated website of HK eIPO White Form at www.hkeipo.hk
“ HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by our Company, as specified on the designated website at www.hkeipo.hk
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards
“HKICPA”	Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of 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

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited, our branch share registrar and transfer office in Hong Kong
“Hong Kong Government”	the government of Hong Kong
“Hong Kong Legal Counsel”	Mr. Harrison C.H. Cheung, barrister-at-law of Hong Kong
“Hong Kong Offer Shares”	20,000,000 new Shares being initially offered by the Company for subscription pursuant to the Hong Kong Public Offering, subject to reallocation as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Hong Kong Public Offering”	the offer by the Company of the Hong Kong Offer Shares to the public in Hong Kong for subscription at the Offer Price, on and subject to the terms and conditions set out in this prospectus and the Application Forms, as further described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering named in the paragraph headed “Underwriting – Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated 29 June 2018 relating to the Hong Kong Public Offering entered into by, among others, our Company and the Hong Kong Underwriters
“independent third party(ies)”	a person who, as far as our Directors are aware after having made all reasonable enquiries, is not a connected person of our Company (within the meaning of the GEM Listing Rules)
“Internal Control Consultant”	Moore Stephens Advisory Services Limited, the internal control consultant of our Group
“Joint Bookrunners”	Cinda International Capital Limited and I Win Securities Limited
“Joint Lead Managers”	Cinda International Capital Limited, I Win Securities Limited, HF Securities and Futures Limited and Mouette Securities Company Limited

DEFINITIONS

“KL”	Kinetix Limited, a company incorporated in the BVI with limited liability on 14 September 2016, which is a wholly-owned subsidiary of our Company
“KSL”	Kinetix Systems Limited (捷冠科技有限公司), a company incorporated in Hong Kong with limited liability on 23 October 1998, which is an indirect wholly-owned subsidiary of our Company
“Latest Practicable Date”	20 June 2018, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
“Listing”	the listing of the Shares on GEM
“Listing Date”	the date expected to be on or around 16 July 2018, on which the Shares are first listed and from which dealings in the Shares are permitted to take place on GEM
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company conditionally adopted on 22 June 2018 and effective on the Listing Date, as amended or supplemented from time to time
“Mr. Lam”	Mr. Lam Tai Wai David (林大為), the chief operating officer of our Group
“Mr. Yu”	Mr. Yu Pak Lun Larry (余柏麟), chairman of the Board, chief executive officer of our Group, an executive Director and one of our Controlling Shareholders
“Non-Competition Agreement”	the deed of non-competition executed by each of our Controlling Shareholders in favour of our Company on 22 June 2018, details of which are set out in the paragraph headed “Relationship with our Controlling Shareholders – Non-Competition Agreement” in this prospectus
“Offer Price”	the final price for each Offer Share (excluding brokerage, Stock Exchange trading fee and SFC transaction levy), which will not be more than HK\$0.30 per Offer Share and expected to be not less than HK\$0.23 per Offer Share, such price to be fixed on or before the Price Determination Date
“Offer Share(s)”	the Hong Kong Offer Shares and the Placing Shares

DEFINITIONS

“Offer Size Adjustment Option”	the option to be granted by our Company to the Underwriters exercisable by the Joint Bookrunners (for themselves and on behalf of the Underwriters), at their sole and absolute discretion under the Underwriting Agreements to require our Company to issue up to an additional 30,000,000 Shares, representing up to 15% of the number of the Offer Shares at the Offer Price, details of which are set out in the section headed “Structure and Conditions of the Share Offer” of this prospectus
“Placing”	the conditional placing of the Placing Shares by the Underwriters on behalf of our Company for cash at the Placing Price as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Share”	the 180,000,000 Shares being offered at the Placing Price for subscription pursuant to the Placing, together with, where relevant, any additional Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option subject to the terms and conditions as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Underwriters”	the underwriters of the Placing, who are expected to enter into the Placing Underwriting Agreement
“Placing Underwriting Agreement”	the placing underwriting agreement relating to the Placing and to be entered into by, among others, our Company and the Placing Underwriters on or about the Price Determination Date, particulars of which are summarised in the section headed “Underwriting”
“PRC” or “China”	the People’s Republic of China, excluding for the purposes of this prospectus only, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan

DEFINITIONS

“Price Determination Date”	the date expected to be on or around 6 July 2018 or such later date or time as may be agreed by the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company, and in any event no later than 7 July 2018, on which our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) determine the Placing Price for the purpose of the Share Offer
“Reorganisation”	the reorganisation of our Group in preparation for the Listing, details of which are set out in “History, Development and Reorganisation” in this prospectus
“RTL”	Rise Talent Limited (傑昇有限公司), a company incorporated in Hong Kong with limited liability on 10 May 2002, which is an indirectly wholly-owned subsidiary of our Company
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.01 each in the share capital of our Company
“Shareholder(s)”	holder(s) of our Shares
“Share Offer”	collectively, the Placing and the Hong Kong Public Offering
“Sole Sponsor”	Cinda International Capital Limited, a licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers issued by the SFC, as amended or supplemented from time to time
“Track Record Period”	FY2015, FY2016 and FY2017
“Underwriters”	the Hong Kong Underwriters and the Placing Underwriters

DEFINITIONS

“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the Placing Underwriting Agreement
“U.S.” or “United States”	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
“VKL”	Vigorous King Limited, a company incorporated in the BVI with limited liability on 16 August 2016, which is owned as to 100% by Mr. Yu
“WHITE Application Form(s)”	the application form(s) for use by the public who require such Hong Kong Offer Shares to be issued in the applicant’s own name(s)
“YELLOW Application Form(s)”	the application form(s) for use by the public who require such Hong Kong Offer Shares to be deposited directly in CCASS
“%”	per cent

In this prospectus, unless the context otherwise requires, the terms “associate”, “close associate”, “connected person”, “connected transaction”, “controlling shareholder”, “core connected person”, “subsidiary” and “substantial shareholder” shall have the meanings given to such terms in the GEM Listing Rules, unless the context otherwise requires.

For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in this prospectus in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail. English translations of company names and other terms from the Chinese language are marked with “” and are provided for identification purposes only.*

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this prospectus in connection with our Company and our business. These terminologies and their given meanings may not correspond to those standard meanings and usage adopted in the industry.

“CAGR”	compound annual growth rate
“Cloud” or “Cloud products”	an internet-based computing in which large group of remote servers are networked to allow centralised data storage and there can be online access to computer services or resources
“ERP system”	enterprise resource planning system, an IT system which help organisations integrate and manage core business processes
“GDP”	gross domestic product (all reference to GDP growth rates are to real as opposed to nominal rates of GDP growth)
“fintech”	financial technology, referring to the application of information technology to the provision of financial services
“hardware”	physical elements that constitute a computer system, such as central processing unit, monitor, mouse, keyboard, hard disk, etc.
“IoT” or “internet-of-things”	a type of network that realises intelligent identification, positioning, tracking, monitoring and management of targeted objects achieved by exchange of information and communication between such targets and internet via intelligent terminal products under pre-determined protocol
“ISO”	International Organization for Standardization, a non-governmental organisation that develops and publishes international standard
“IT”	information technology
“IT development”	the assessment, system analysis and design, software development and implementation of IT solutions
“IT infrastructure”	the composite IT systems, network, facilities and related equipment required to serve as the foundation for building an enterprise IT environment

GLOSSARY OF TECHNICAL TERMS

“IT system”	for the purposes of this document, an integrated set of hardware and software components for computing usage
“software”	any set of machine-readable instructions that directs a computer’s processor to perform specific operations
“SOA” or “Standing Offer Agreement(s)”	standing offer agreement(s) entered or to be entered into between the Hong Kong Government and a tenderer whose tender is accepted by the Hong Kong Government in respect of a continuing offer by the Hong Kong Government for the sale and purchase of hardware, software and other related services for various government departments in Hong Kong
“SOA-PC Bulk”	standing offer agreement in respect of the supply of personal computer equipment and the provision of related services to various government departments
“SOA-QPS”	standing offer agreement for quality professional services
“SOA-Server Bulk”	standing offer agreement in respect of the supply of network products and server systems and the provision of related services to various government departments
“TOGAF”	The Open Group Architecture Framework, a framework for enterprise architecture that provides an approach for designing, planning, implementing, and governing an enterprise information technology architecture
“TMT”	technology, media, telecommunications

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. The forward-looking statements are contained principally in the sections headed “Summary”, “Risk Factors”, “Industry Overview”, “Business”, “Financial Information” and “Statement of Business Objectives and Use of Proceeds” in this prospectus. These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed under 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 strategies and operating plans;

our capital expenditure and expansion plans;

our ability to identify and successfully take advantage of new business development opportunities;

our dividend policy; and

our profit estimate and other prospective financial information.

The words “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “seek”, “will”, “would” and the negative of these terms and other similar expressions, as they relate 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:

any changes in the laws, rules and regulations of the government relating to any aspect of our business or operations;

general global economic, market and business conditions;

inflationary pressures or changes or volatility in interest rates, foreign exchange rates or other rates or prices;

various business opportunities that we may pursue; and

the 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 we 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 forth in this section as well as the risks and uncertainties discussed in the section headed “Risk Factors” in this prospectus.

RISK FACTORS

Prospective investors should consider carefully all the information set forth in this prospectus and, in particular, should consider the following risks and special considerations in connection with an investment in our Company before making any investment decision in relation to our Company. The occurrence of any of the following events may have a material adverse effect on the business, results of operations, financial conditions and prospects of our Group. The trading price of the Shares could decline due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

We rely on Supplier B's hardware and software for our provision of IT infrastructure and development solutions services, and any shortage or delay in the supply of hardware and software from its authorised distributors or any deterioration of business relationship with Supplier B and/or its authorised distributor(s) may materially and adversely affect our results of operations

During the Track Record Period, the IT services provided by us to our clients were mainly based on Supplier B's hardware and software and our purchase of Supplier B's hardware and software has been primarily made via Supplier A (which is Supplier B's authorised distributor). Approximately 79.8%, 73.8% and 57.5% of our cost of sales was attributable to Supplier B's products and services during the Track Record Period. Furthermore, we had entered into business partner agreements with Supplier B, governing our provision of its hardware, software and services to our clients. Pursuant to the business partner agreements, we are approved to supply certain Supplier B hardware and software and to provide IT services which add on the function and capability of Supplier B products to our clients. As at the Latest Practicable Date, we were also the platinum partner of Supplier B. As such, our business relationship with Supplier B is pivotal to the provision of our IT services to our clients.

Our Directors expect that our purchase of Supplier B's hardware and/or software from its authorised distributors in association with our provision of IT infrastructure and development solutions services will continue to be significant in the foreseeable future. However, there is no assurance that there will be no deterioration in our relationship with Supplier B and it will not terminate any of the business partner agreements with our Group in the future.

Our results of operations may be materially and adversely affected by any shortage of or delay in the supply of hardware and/or software of Supplier B from its authorised distributors. Therefore, our Group's business, financial position and results of operations may be materially and adversely affected if we are unable to procure Supplier B's hardware and software from its distributors, or if any of the business partner agreements is terminated by Supplier B.

RISK FACTORS

Our operations may be affected by concentrating on a few key suppliers. Should there be any loss of key suppliers or disruption in their supply, our business and results of operations could be materially and adversely affected

Owing to the nature of the IT solutions industry, each IT product may only be offered by a handful of vendors or distributors. We rely on a limited number of suppliers for supply of hardware and/or software essential to our IT development solutions and IT infrastructure solutions. Approximately 86.5%, 80.6% and 76.8% of our total cost of sales for FY2015, FY2016 and FY2017, respectively, were accounted for by our five largest suppliers. In particular, approximately 67.8%, 67.5% and 49.5% of our total cost of sales for the same periods was attributable to Supplier A, our largest supplier during the Track Record Period.

It generally involves several risks when there is a concentration on a few key suppliers, including the possibility of defective products from a supplier, loss of market share of supplier's products, failure of supplier's products to maintain their competitiveness because of changing IT standards or clients' preference, a shortage of product supply and loss of such suppliers.

We may not be able to meet the delivery schedules or may encounter delays in our projects if we are unable to maintain our relationships with our key suppliers or our key suppliers fail to supply the hardware and/or software to us in a timely manner and under acceptable terms. If there is any disruption in their supply of hardware and/or software to us and we are unable to identify an alternative source of supply with competitive prices and terms and satisfactory quality in a timely manner, our business and results of operations may be adversely affected.

Our Group is exposed to credit risk of our clients

We are subject to credit risk of our clients and our profitability and cash flow are dependent on our receipt of timely payments from our clients. If there is any delay in payment by our clients, our profitability, working capital and cash flow may be adversely affected. There is no assurance that we will be able to collect all or any of our trade receivable in a timely manner, or at all. As at 31 December 2015, 31 December 2016 and 31 December 2017, our trade receivables amounted to approximately HK\$25.9 million, HK\$40.2 million and HK\$22.6 million, respectively. In addition, our trade receivable turnover days increased from 31.6 days for FY2015 to 65.5 days for FY2016, and remained relatively stable at 63.3 days for FY2017. If any of our clients faces unexpected situations, including but not limited to, financial difficulties or deterioration in credit worthiness, we may not be able to receive full or any payment of uncollected sums or enforce any judgment debts against such clients. In addition, there may be a risk of delay in payment by our Group's clients from their respective credit period, which in turn may also result in an impairment loss provision. There is no assurance that we will be able to fully recover our trade and unbilled receivables from the clients or that they will settle our trade and unbilled receivables in a timely manner. In the event the settlements from the clients are not made on a timely manner or at all, the financial position, profitability and cash flow of our Group may be adversely affected.

RISK FACTORS

We may encounter cost overruns or delays in our IT infrastructure and development solutions projects and our business, financial position and results of operation may be materially and adversely affected

In providing IT infrastructure and development solutions services to our clients, we are normally required by the terms of such services to complete a project at a fixed price. In this connection, in order to determine the quotations to our clients, we estimate the time and cost needed for the implementation of these IT solutions.

There may be various factors affecting the actual time taken and cost incurred by us in completing the projects, including, among others, integration with third party suppliers' products, technical difficulties, documentation readiness and other unforeseeable problems and circumstances. Delay in project completion or cost overruns could be caused by any one of these factors. It cannot be assured that the actual time taken and cost incurred would not exceed our estimation. We expect to continue bidding on fixed price projects and this increases the possibility of exposing us to cost overruns and resulting in lower profits or losses in a project.

Some of our projects are subject to specific completion schedules, and if we do not meet the schedules some of our clients are entitled to claim liquidated damages from us. There is typically a limit on liquidated damages to the total fees we charge for the projects. Failure to meet the schedules of the projects may result in liquidated damages claims, other liabilities and disputes with our clients or even termination of relevant projects.

We cannot guarantee that we would not encounter cost overruns or delays in our current and future projects. Our business, financial position and results of operations would be materially and adversely affected if such problems occur.

We are unable to control the quality of the hardware and/or software provided by our suppliers. Should the products provided by our suppliers be defective or fail to meet the required standards, our business and reputation may be adversely affected

The IT solutions provided by our Group involve a variety of hardware and/or software supplied by our suppliers. However, the quality of those hardware and/or software is not under our control. Coding defects or errors that may impair our clients' ability to use our solutions may be found in such products. Similarly there may be design or manufacturing defects that could cause malfunctions in the hardware we assemble for our clients in connection with our solutions. The software and hardware we source from our suppliers and our clients' existing IT infrastructure may also involve compatibility issues.

There is no assurance that all such defects and issues would be detected and resolved to meet our clients' required standards. We may also be subject to legal proceedings initiated by the clients in relation to the product defects. In such event, there may be material adverse effects on our reputation and financial conditions as we may need to incur additional cost to settle or defend these claims or legal actions.

RISK FACTORS

Part of our works are subcontracted to subcontractors. Our operations and financial results may be adversely affected by any delay or defects in their work

We from time to time will subcontract to subcontractors certain work in our provision of IT development solutions services such as preparation of feasibility studies and conducting security risk assessment and audit services and web page design that requires specialised expertise and/or large labour force. For FY2015, FY2016 and FY2017, our subcontracting cost amounted to approximately HK\$30.8 million, HK\$24.0 million and HK\$29.2 million, respectively, which accounted for approximately 16.4%, 13.0% and 16.1%, respectively, of our revenue for the relevant periods. Please refer to the paragraph headed “Business – Subcontracting” in this prospectus for details of our reasons of such subcontracting and our selection and control system over our subcontractors.

If our subcontractors fail to meet our requirements, the quality of our IT infrastructure and development solutions may be adversely affected, thereby damaging our business reputation, hindering our opportunity to secure future projects, and potentially exposing us to litigation and damages claims from our clients. In addition, when our needs for outsourcing arise, our subcontractors may not always be readily available.

There is no assurance that we would be able to maintain such relationships in the future. Our subcontractors are not obliged to provide services to us on our future projects on similar terms and conditions. We cannot assure that we would be able to find alternative subcontractors with the requisite knowledge, expertise, experience and capability that meet our project needs and work requirements and timely complete our projects in accordance with the project terms with competitive prices. Our ability to complete projects on time and with effective cost could be impaired, thereby damaging our business reputation and adversely affecting our operations and financial results if we are unable to engage such suitable alternative subcontractors.

It may be difficult for us to maintain our high business partnership rankings with the IT products vendors and distributors

As at the Latest Practicable Date, in Hong Kong, we were the platinum business partner of Supplier B, the gold partner of Vendor H and the gold partner of Supplier G. The following sets out certain information relating to the incentives, resources and technical support which we, as a business partner, may obtain from Supplier B, Vendor H and Supplier G:–

Supplier B: As a platinum business partner of Supplier B, we enjoy privileges such as education and training vouchers and sponsorship discounts for event packages, unlimited contacts for digital content marketing and first priority for Supplier B’s competitive sales support and business partner locator. During the Track Record Period, almost all of the incentives we received were related to Supplier B’s products and they are predominately related to the incentive programme where we were awarded with cash rebate if we identified new customer opportunities for certain eligible products and sell such products to clients. The list of eligible products are updated monthly. In calculating the incentive fees, a specific fee percentage which varies across different types of eligible products will be applied to the sales

RISK FACTORS

amount of each eligible product and there is no cap on the amount of incentive fees that can be earned. During the Track Record Period, we recognised cash incentives in relation to Supplier B's products of approximately HK\$6.0 million, HK\$7.1 million and HK\$1.2 million, respectively.

Vendor H: As a gold partner of Vendor H, we enjoy privileges such as technical pre-sales & deployment services, internal use rights cloud services and on-premises software. We also are entitled to enrol in the incentives programme and receive the incentives if the requirements under the relevant incentive programme, such as the ability to provide new solutions to clients, are satisfied. During the Track Record Period, we did not receive any cash incentives from Vendor H.

Supplier G: As a gold partner of Supplier G, we enjoy privileges such as partner business centres, access to attend and exhibit at the partner forum, telephone-based partner management support. We are also entitled to enrol in the incentives programmes and receive the incentives if the requirements under the relevant incentive programme, such as the ability to provide new solutions to clients, are satisfied. During the Track Record Period, we did not receive any cash incentives from Supplier G.

In order to maintain our high business partnership rankings with the IT products vendors and distributors which allow us to obtain the abovementioned benefits, we are required to meet certain criteria and keep ourselves abreast with the updated software and/or hardware provided by our key suppliers. If necessary, we are required to obtain the new certifications relating to the new software and/or hardware each year. For further details relating to the criteria to be eligible as business partners of these suppliers and the benefits which can be obtained from the partnership programmes, please refer to the paragraphs headed "Business – Our Suppliers – Business partnership programmes" and "Business – Our Suppliers – Incentive programme" in this prospectus.

Such benefits are available to our competitors which also obtain the business partnership of the same ranking of the relevant suppliers. If we fail to maintain our business partnership with the IT products vendors and distributors, the resources, support and favourable rates given by such suppliers on an on-going basis may reduce and our cost of sales may increase. This may accordingly adversely affect our competitive edge, business, results of operations and profitability.

Our current Standing Offer Agreement with the Hong Kong Government will expire in July 2021. There is no assurance that we will continue to provide quality professional services as an approved contractor of the Hong Kong Government and its statutory bodies

A considerable portion of our total revenue were derived from IT projects awarded by the Hong Kong Government and non-government public bodies in Hong Kong during the Track Record Period. For FY2015, FY2016 and FY2017, our revenue generated from projects of the Hong Kong Government and the non-government public bodies accounted for approximately 38.2%, 30.1% and 27.1% of our total revenue, respectively. Contractors on the approved

RISK FACTORS

contractor list are awarded a significant number of the IT projects from the Hong Kong Government by way of tender. Since 2005, Our Group has been an approved contractor of the Hong Kong Government for supplying quality professional services. Our current Standing Offer Agreement with the Hong Kong Government for supplying quality profession services of all four categories will expire in July 2021.

There is no assurance that we will continue to be the Hong Kong Government's approved contractor. Our business, results of operations and profitability may be adversely affected in the event that we fail to secure business from the Hong Kong Government or there is a significant reduction of business from the Hong Kong Government in the future.

It may be difficult for us to recruit, train and retain capable and experienced sales staff and highly skilled technical staff. If there is any shortfall in our workforce or increase in labour cost, our business operations may be materially impeded and our financial results may be adversely affected

Our business and success depend heavily on the services provided by our staff, particularly on our sales and technical staff. Hence, our ability to recruit, train and retain our capable and experienced sales and highly skilled technical staff is of great importance to our business operation. Since we cannot prevent those staff we currently employed from terminating their respective contracts in accordance with the relevant agreed conditions nor can we prevent them from leaving and setting up business in competition with us, we cannot assure you that we will be able to retain them. Further, as the number of such eligible staff is fairly limited in the market, especially those with experience in IT infrastructure and IT development solutions, in the event that we need to replace any of our current sales and technical staff or make any additional hire to expand our workforce, we cannot assure you that we will be able to successfully attract and train competent and experienced sales staff and highly skilled technical staff. Accordingly, if there is any significant increase in the turnover rate of our sale and technical staff, coupled with our inability to recruit eligible staff for replacement expeditiously, there may be a shortfall in our workforce and result in a material adverse impact on our business and operations.

Our direct labour cost contributed to approximately 7.4%, 11.0% and 8.4% of our cost of sales for FY2015, FY2016 and FY2017, respectively. Due to the keen competition for IT professionals, we were compelled to offer competitive remuneration to our staff to maintain a steady workforce. Further, there has been an increase in the salaries of IT professionals in Hong Kong in the last few years. According to the Frost & Sullivan Report, the average annual salary of IT professionals has increased at a CAGR of 4.3% from 2012 to 2017 and is expected to continue to rise at a CAGR of 4.6% between 2018 to 2022. For further details, please refer to the paragraph headed "Industry Overview – IT Consulting Services in Hong Kong – Average annual salary of IT professionals in Hong Kong's IT consulting services industry" in this prospectus. Since most of our projects are charged at a fixed price, in the event that there is an increase in our labour cost, our Group may not be able to transfer the increase of labour cost to our clients. Accordingly, our financial results may be adversely affected.

RISK FACTORS

Our business may be adversely affected if we fail to retain certain key executives and senior management or find suitable replacements since our performance relies heavily on them

Our operating performance, growth and success rely significantly on the contributions, experiences, continued services and performance of our key executives and senior management, in particular, Mr. Yu, our chief executive officer and an executive Director. Together with members of our senior management, Mr. Yu, Mr. Lam, Mr. Wu Chi Cheong Frederick and Mr. Luk Yeung Sing, have considerable experience in the IT solutions industry. There is no assurance that the employment of these key executives and members of senior management with us will not be terminated. The loss of any such key personnel without a timely and suitable replacement could be detrimental to our business and operations as we operate in a highly competitive industry.

We are exposed to potential liabilities for damages as a result of our negligent acts or omissions in our services

Our IT infrastructure and development solutions normally run through service test or user acceptance test (as the case may be) before final launch. Nonetheless, there is no assurance that all the bugs, errors or flaws in our solutions, if any have been detected and corrected. Some of our IT infrastructure solutions and development projects require us to indemnify our clients from any claim, loss and damages, attributable to our negligent acts or omissions and may result in any loss of property, infringement of intellectual property right, or leakage of confidential information.

We may be vicariously liable for the acts or omissions of our staff and face claims or legal actions brought by our clients for damages as a result of the negligent conduct or fault of our staff

Our staff may be required to work at our clients' premises for a certain period of time. Although our staff may be working under the supervision of our clients, we may still be vicariously liable for their acts or omissions while they carry out their responsibilities entrusted to them by our clients. Our clients may bring claims or legal actions brought against us for damages caused by any negligent conduct or fault of our staff. In such event, additional cost may be incurred to settle or defend these claims or legal actions against our Group, and there may be adverse effect on our results of operations.

During the implementation of IT infrastructure and development solutions projects, we may record net cash outflows. If we take up too many significant projects in the future, we may not have sufficient working capital, which may affect our financial position

We may record net cash outflows during the implementation of IT infrastructure and development solutions projects since we are required to pay project expenditures before the actual receipt of the full payments from our clients. The cash outflows may further increase, which will place the burden on our working capital as the projects progress. We may also be

RISK FACTORS

required by our clients to provide performance securities in the form of performance bond or contract deposit to ensure our due performance during the term of the contract and the bond will not be released until a certain period after the completion of the project. As at 31 December 2015, 31 December 2016, 31 December 2017 and the Latest Practicable Date, we had seven, three, eight and ten outstanding performance bonds with an aggregated sum of approximately HK\$1.3 million, HK\$0.4 million, HK\$0.8 million and HK\$1.0 million, respectively, given by banks in favour of our clients and we had three, six, eight and eight outstanding contract deposits paid directly to our clients with an aggregated sum of approximately HK\$1.4 million, HK\$1.8 million, HK\$2.2 million and HK\$2.8 million, respectively. In the event that we take up too many projects which require us to pay performance securities during a particular period of time and we do not have sufficient working capital to pay project expenditures or the bond is not released to us, our financial condition, including our operating cash flow may be adversely affected.

The project basis of our IT projects create uncertainty as to our future revenue streams

Our sales and marketing activities, bidding in open tenders, invitations for bid, recurring clients and referrals are the various means through which our IT infrastructure and development solutions projects are identified. Our IT infrastructure and development solutions services are conducted on a project-by-project basis and this is not recurrent in nature. Subsequently, our clients may engage us in enhancement work or conducting upgrades for the IT infrastructure integrated by us in previous projects. We may also be engaged by our clients to provide new IT infrastructure/development solutions services after the retirement of outdated IT infrastructure or for new IT infrastructure/development solutions services projects undertaken by them. However, after completion of projects, there is no assurance that our clients will continue to provide us with new businesses.

Apart from IT infrastructure and development solutions services, we also provide maintenance and support services to our clients. We are unable to guarantee that the maintenance and support service agreements will be renewed in the future nor can we guarantee that we shall be able to enter into new agreements with our clients.

There is uncertainty as to future revenue streams as our IT infrastructure and development solutions services are on project basis. Our business and future revenue will likely be adversely affected in the event that we are unable to secure new engagements with our new clients or our existing clients do not continue to engage us.

Our business and our financial performance may be adversely affected by any infringement of our intellectual property rights or any infringement by us of the intellectual property rights of others, in particular our clients

Should there be any unauthorised use of our brand name or domain name by our competitors in their corporate names or brands, our image could be affected and our competitive advantages may be eroded. The steps taken by us may not effectively prevent infringement of our intellectual property rights and it is difficult to keep track of unauthorised use of our proprietary rights. Significant legal cost may be incurred if we have to resort to litigation to enforce our intellectual property rights.

RISK FACTORS

There is also a risk that we may infringe the intellectual property rights of others, including our clients. The measures we have implemented to protect us against unauthorised leakage of confidential information, such as requiring our employees to enter into agreements imposing non-disclosure obligations, may not be adequate. In addition, in the development, deployment, testing, and operation or during the course of our services, a number of open source software and third party software may have been used. Therefore, for the use of such open source software and third parties' software, we may have to obtain licences and comply with the terms and restrictions therein.

There can be no assurance that we will not be alleged to have used any of our clients' or third party's source codes or software or breached any terms and restrictions under any licence or other obligations. Defending against any of those claims could be costly, time consuming and may divert the attention of our management from operating our business. Should there be an adverse determination in any such litigation or proceedings to which we may become a party, we could be subjected to significant liability to third parties, be required to seek licences from third parties, pay ongoing royalties or redesign our solutions and services, or be subjected to injunctions prohibiting the sale of our solutions and services. Our clients or potential clients could defer, reduce or cancel their procurement of our solutions as a result of protracted litigation. We may be required to pay substantial damages, incur additional expenditures to develop or deploy non-infringing alternatives or to obtain the licence to use the infringing properties if we become liable to third parties for infringing their intellectual property rights.

There may be adverse impact on our reputation and business operations in the event of leakage or misappropriation of confidential information handled by us

We may have access to and be entrusted with information that is confidential in nature, such as information that relates to our clients' systems, operations, raw data or affairs during the course of our services. There is no assurance that by taking the steps, we will successfully prevent any leakage or misappropriation of confidential information of our clients. We could be exposed to complaints or claims of our clients if there is any leakage or misappropriation of confidential information of our clients, which may have a material and adverse effect on our reputation and business operations.

Our success hinges on our ability to keep pace with the rapid changes in IT technology and to provide innovative solutions, services and products in response to rapidly evolving market demand. Our business, financial conditions and result of operations may be adversely impacted if we fail to do so

Rapid technological improvements, evolving industry standards, changing client preferences and frequent introduction of new solutions, services and products characterise the IT solutions industry. In light of the continuing development and progress of IT technologies, preferences on IT infrastructure and development solutions changed dramatically in the last few years and may continue to change rapidly in the future. Our existing solutions and services may be made obsolete or less relevant if we fail to predict accurately future development trends, and such changes may deviate from our strengths. Our brand image and reputation in

RISK FACTORS

the market and our future success will continue to hinge on our ability to anticipate these changes accurately and to develop innovative solutions and services to meet our clients' evolving needs. Further, substantial time and costs may be required to (i) adjust our scope of service in response to such rapid changes; (ii) provide updated technical training to our staff; and (iii) identify new suppliers.

We cannot assure that we may keep ourselves abreast with the latest technology. In the event that we are unable to accurately predict market trends or adapt to evolving market demand, our ability to innovate and meet client needs will suffer and our revenues and profitability as well as our reputation may be materially and adversely affected. If we fail to address these developments, there may also be a material adverse impact on our competitiveness and our ability to meet our growth targets.

We are subject to various risks relating to the development of cloud computing and IoT solutions

As part of our business strategies, we intend to expand our business with respect to cloud computing and IoT products. In order to achieve this strategy, we are required to incur a substantial amount of our Listing proceeds in recruitment of new staff and acquisition of additional hardware and software.

There is no guarantee that we will be able to recruit new specialist and technician with suitable experience and qualification. Nor can we guarantee that the cloud computing and IoT products developed or acquired by us would gain market acceptance or become popular among our clients. In addition, our clients may consider leasing the IT software or systems from us for a specific period of time instead of setting up a permanent in-house infrastructure establishment, which may reduce the demand of the hardware or other related products traditionally procured from us. Further, there may be other competitors in the market with greater financial, technical and marketing resources which also offer cloud computing and IoT solutions. They may enjoy significant competitive advantages over us if they have stronger expertise or experience in the development of such technologies. If we fail to compete against such competitors, we may lose our major clients and future clients.

In the event that we cannot realise the benefits we expect from the development of cloud computing and IoT solutions, our business prospect, operating results and financial conditions could be materially and adversely affected.

We may not be able to successfully implement our strategies, or achieve our business objectives

Our business objectives as set out in this prospectus are based on our existing plans and intentions. However, the objectives are based on prevailing circumstances and the development trend of the IT consulting services industry currently known to our Directors. We intend to expand our existing business in accordance with the objectives. We have to recruit additional employees with the necessary skills and knowledge to achieve our planned expansion. Our

RISK FACTORS

Directors believe that competition for skilled IT professionals is intense in Hong Kong. As a result, we may encounter shortages of skilled and competent personnel, which may hamper our ability to implement our strategies in the future. In addition, the planned expansion may result in significant capital expenditures incurred by us, which may or may not be recoverable, and may divert management's attention from other business concerns. There is no assurance that we will successfully implement our strategies or that our strategies, even if implemented, will result in us achieving our objectives. Our business, operating results and financial positions may be materially and adversely affected if our business objectives are not achieved.

We may not be adequately insured against losses and liabilities arising from our operations

We recognise that our operation and business are susceptible to potential losses and our exposure to liability arising from claims of various nature set out in the risk factors above. Our Group has purchased various insurance policies, including employees' compensation insurance, office insurance, professional indemnity and medical insurance for our employees, which we believe is in line with common industry practice. Please see the paragraph headed "Business – Insurance" for further details of our insurance coverage.

However, the current coverage of our insurance policies may not be adequate to fully compensate for the full extent of the losses suffered by us. Further, any compensation is contingent upon the assessment of the relevant insurance companies in accordance with the terms of the relevant insurance policies. There is no guarantee that we will be indemnified in part or in full in any given case. In the event that we suffer from any losses, damages or liabilities in the course of our business operations which our insurance does not cover, we may not have sufficient funds to cover such losses, damages or liabilities. The resulting payment to cover such losses, damages or liabilities may have a material adverse effect on our business, operating results and financial position.

We have not registered the tenancy agreement in respect of the lease of the premises in Kwun Tong

As at the Latest Practicable Date, we have entered into a tenancy agreement for a term of 48 months with respect to the premises in Kwun Tong, which we use as our new headquarters, and such tenancy agreement has not been registered in the Land Registry due to the non-cooperation of the landlord. Under Section 3(2) of the Land Registration Ordinance (Chapter 128 of the Laws of Hong Kong), such tenancy agreement shall be registered in the Land Registry, otherwise such lease shall, as against any subsequent bona fide purchaser or mortgagee for valuable consideration of the relevant premises, be absolutely null and void to all intents and purposes and our Group may lose possession of the relevant premises to such subsequent bona fide purchaser or mortgagee. However, we will not be subject to any penalty or fine by any governmental authority due to the failure to register such tenancy. If due to the non-registration, this lease is considered to be unenforceable against any bona fide third parties, we may be required to relocate to another place within a short period of time at our costs, which may disrupt our business operation. We estimate that the relocation cost to be

RISK FACTORS

approximately HK\$0.5 million. It is further estimated that the relocation can be completed within two weeks and during such time, our employees can continue to work by way of remote access. For further details relating to the leased premises in Kwun Tong, please refer to the paragraph headed “Business – Properties” in this prospectus.

RISKS RELATING TO OUR INDUSTRY

Our results of operations and financial conditions are prone to changes in the political, economic and social conditions in Hong Kong

During the Track Record Period, we performed our services primarily in Hong Kong. Our business operation in Hong Kong is subject to economic, political and social developments in Hong Kong. Any unfavourable changes in political, economic or social conditions could have led to social instability and uncertainty and adverse impacts on the economic and trading activities in Hong Kong. These could, in turn, affect demand for our Group’s services, resulting in deteriorated financial performance of our Group.

For FY2015, FY2016 and FY2017, approximately 61.8%, 69.9% and 72.9% of our revenue, respectively, were generated from services rendered to the private sector and approximately 38.2%, 30.1% and 27.1% of our revenue, respectively, were generated from services rendered to the public sector (namely the Hong Kong Government and the non-government public bodies).

Clients’ expenditure on IT solutions, especially in the private sector, is largely affected by business growth potential and future outlook. Adverse changes in political, economic and social conditions in Hong Kong may lead to negative business sentiment and future prospect, thus causing business enterprises in the private sector to reduce spending on IT solutions. Such adverse changes may also cause delays in the tender awarding process of the Hong Kong Government and other statutory bodies and lead to decrease in their procurement. Accordingly, our business, financial condition and results of operation may be adversely affected.

We may not be able to keep up with rapid technological changes and may be driven out of competition

The IT consulting services industry is characterised by rapidly changing technology, evolving industry standards, frequent introductions and enhancements of new products and services, and changing client demands. The introduction of new technology and the emergence of new industry standards may render our services obsolete and uncompetitive. Accordingly, our future success will depend on our ability to adapt to rapidly changing technologies, adapt our services to the evolving industry standards and continually improve the know-how of our staff in response to evolving demands of the market place. Failure to adapt to such changes would have a material adverse effect on our business and results of operation.

RISK FACTORS

The IT industry is highly competitive, eroding the profits of the market players

The market for IT services is highly competitive. There is a large supply of IT services in the market which are similar to those offered by us. Further, we compete with both local and international service providers. This intense competition may result in competitive pricing, which may have an adverse impact on our operating performance and profitability.

RISKS RELATING TO THE SHARE OFFER

There has been no prior public market for the Shares

There has been no prior public market for our Shares. If an active trading market for our Shares does not develop, the price of our Shares may be adversely affected and may decline below the Offer Price.

Prior to the Share Offer, there was no public market for our Shares. The Offer Price was the result of negotiations between us and the Joint Bookrunners (for themselves and on behalf of the Underwriters), and the Offer Price may differ significantly from the market price for the Shares following the Share Offer.

In addition, we cannot assure you that an active trading market will develop or be maintained following the completion of the Share Offer, or that the market price of our Shares will not decline below the Offer Price.

The liquidity and market price of our Shares following the Share Offer may be volatile

The price and trading volume of our Shares may be highly volatile. Factors such as variations in our revenues, earnings, cash flows, new products/services/investments, changes in senior management and general economic conditions could cause the market price of our Shares to change substantially. Any such development may result in large and sudden changes in the volume and price at which our Shares will trade.

The Shareholders' interests in our Company may be diluted as a result of additional equity fund raising

We may issue additional Shares to raise additional funds in the future to finance our business expansion. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company, other than on a pro rata basis to existing Shareholders, then (a) the shareholding percentage of those existing Shareholders may be reduced, and they may experience subsequent dilution, and/or (b) such newly issued securities may have rights, preferences or privileges superior to those of the Shares of the existing Shareholders.

RISK FACTORS

Sale or perceived sale of substantial amounts of the Shares in the public market after the Share Offer could adversely affect the prevailing market price of the Shares

The Shares beneficially owned by our Controlling Shareholders are subject to certain lock-up periods under the GEM Listing Rules. There is no assurance that our Controlling Shareholders, whose interests may be different from those of other Shareholders, will not dispose of their Shares following the expiration of the lock-up periods. Sale of substantial amounts of the Shares in the public market, or the perception that such sale may occur, could adversely affect the prevailing market price of the Shares.

RISKS RELATING TO STATEMENTS MADE IN THIS PROSPECTUS AND FROM OTHER SOURCES

Certain statistics and facts in this prospectus are derived from various official government sources and publications or other sources and have not been independently verified

This prospectus includes certain statistics and facts that are extracted from official government sources and publications or other sources. We believe that such statistics and facts are prepared by the relevant sources after having taken reasonable care. Whilst our Company believes that it is prudent for us to rely on such statistics and facts, there is no assurance that such statistics and facts are free from error or mistake. The statistics and facts from these sources have not been independently verified by our Company, our Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters, or any of their respective directors, affiliates or advisers or any other party involved in the Share Offer and no representation is given as to their accuracy and completeness. Due to the possibility of flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics from official government publications referred to or contained in this prospectus may be inaccurate or may not be comparable to statistics produced for other economies and should not be relied upon. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to, or place on, such statistics or facts.

Forward-looking statements in this prospectus may prove inaccurate

This prospectus contains certain forward-looking statements relating to the plans, objectives, expectations and intentions of our Directors. Such forward-looking statements are based on numerous assumptions as to the present and future business strategies of our Group and the development of the environment in which our Group operates. These statements involve known and unknown risks, uncertainties and other factors, which may cause the actual financial results, performance or achievements of our Group to be materially different from the anticipated financial results, performance or achievements of our Group expressed or implied by these statements. The actual financial results, performance or achievements of our Group may differ materially from those discussed in this prospectus.

RISK FACTORS

We strongly caution you not to place any reliance on any information contained in press articles, media coverage and/or research analyst reports regarding us, our industry or the Share Offer

There may be press articles, media coverage and/or research analyst reports regarding us, our industry or the Share Offer, which may include certain financial information, financial projections and other information about us that do not appear in this prospectus. We have not authorised the disclosure of any such information in the press, media or research analyst report. We do not accept any responsibility for any such press articles, media coverage or research analyst report or the accuracy or completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this prospectus is inconsistent or conflicts with the information contained in this prospectus, we disclaim it. Accordingly, prospective investors should not rely on any such information. In making your decision as to whether to purchase our Shares, you should rely only on the financial, operational and other information included in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

- (i) the information contained in this prospectus is accurate and complete in all material respects and is neither misleading nor deceptive;
- (ii) there are no other matters the omission of which would render any statement herein or this prospectus as a whole misleading; and
- (iii) all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are considered fair and reasonable.

UNDERWRITING OF OFFER SHARES

This prospectus is published solely in connection with the Share Offer which is sponsored by the Sole Sponsor and managed by the Joint Bookrunners. The Offer Shares will be fully underwritten by the Underwriters pursuant to the Underwriting Agreements. For further information about the Underwriters and the underwriting arrangements, please refer to the section headed “Underwriting” of this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company at or before 5:00 p.m. on 6 July 2018, or such later date or time as may be agreed by the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company. The Offer Price is currently expected to be not more than HK\$0.30 per Offer Share and not less than HK\$0.23 per Offer Share. The Joint Bookrunners (for themselves and on behalf of the Underwriters) may reduce the indicative Offer Price range stated in this prospectus at any time prior to the Price Determination Date. In such a case, a notice of the reduction of the indicative Offer Price range will be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.kinetix.com.hk.

If the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price at or before 5:00 p.m. on 7 July 2018, or such later date or time as may be agreed between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company, the Share Offer will not become unconditional and will not proceed.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

An announcement of the level of indication of interest in the Placing, the level of applications of the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares is expected to be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.kinetix.com.hk on or before 13 July 2018.

SELLING RESTRICTIONS

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

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 and the Application Forms. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in relation to the Share Offer in any jurisdiction or, in any circumstance in which such an offer or invitation is not authorised, or to any person to whom it is unlawful to make such an offer or invitation.

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

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

INFORMATION ON THE SHARE OFFER

The Offer Shares are offered solely on the basis of the information contained, and the representations made in this prospectus. No person is authorised in connection with the Share Offer to give any information, or to make any representation, not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or employees or any other persons involved in the Share Offer.

APPLICATION FOR LISTING ON GEM

Application has been made to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on GEM.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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

Under Section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment or transfer made in respect of any offering of the Offer Shares will be void if permission for the listing of, and dealing in, the Shares on GEM is refused before the expiration of three weeks from the date of closing of the Share Offer or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to 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 total number of issued Shares of our Company in the hands of the public.

PROFESSIONAL TAX ADVICE RECOMMENDED

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

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on GEM and our Company complies with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date, or on any other date HKSCC chooses.

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

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

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

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

HONG KONG BRANCH SHARE REGISTRAR AND STAMP DUTY

All the Shares will be registered on the register of members of our Company in Hong Kong to be maintained in Hong Kong by our branch share registrar, Tricor Investor Services Limited. Dealings in the Shares registered on our Company's register of members maintained in Hong Kong will be subject to Hong Kong stamp duty. Dealings in the Shares registered on our principal register of members in the Cayman Islands will not be subject to Cayman Islands stamp duty unless our Company holds an interest in land in the Cayman Islands.

REGISTER OF MEMBERS

Our fully-paid Shares are freely transferable. The Shares may be registered on the principal register of members in the Cayman Islands or on the branch register of members of our Company in Hong Kong.

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

COMMENCEMENT OF DEALING IN THE SHARES

Dealing in the Shares on GEM is expected to commence on 16 July 2018 under the GEM stock code 8606. Shares will be traded in board lot of 10,000 Shares each.

Our Company will not issue any temporary document of title.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Details of the structure and conditions of the Share Offer are set out in the section headed "Structure and Conditions of the Share Offer" of this prospectus.

EXCHANGE RATE CONVERSION

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

LANGUAGE TRANSLATION

The English language version of this prospectus has been translated into the Chinese language and English and Chinese versions of this prospectus are being published separately. If there should be any inconsistency between the English and Chinese versions, the English version shall prevail.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

ROUNDING

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

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Residential Address	Nationality
<i>Executive Directors</i>		
Mr. Yu Pak Lun Larry (余柏麟)	House A1, 2-4 Lai Wo Lane, Ville de Cascade, Sha Tin, New Territories Hong Kong	Chinese
Mr. Wong Tsun Ho Ian (黃俊豪)	Flat 4 8/F Block A Flora Garden No. 50 Cloud View Road North Point Hong Kong	Chinese
Mr. Law Cheung Moon (羅章滿)	35, 5th Street, Section C Fairview Park Yuen Long New Territories Hong Kong	Chinese
Mr. Leung Patrick Cheong Yu (梁昌豫)	Flat A 12/F Block 5 Park Island Ma Wan New Territories Hong Kong	Chinese
Mr. Wong Chun Pan Dennis (黃振斌)	Flat A 9/F Billionnaire Royale 83 Sa Po Road Kowloon City Kowloon Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Mr. Yeung Wai Keung (楊偉強)	Flat B, 23/F, Tower 2 Hillsborough Court 18 Old Peak Road Hong Kong	Chinese
Mr. Lam Yau Hin (林佑顯)	Flat C, 5/F, Nanchang House, Tsuen Wan Centre, Tsuen Wan, N.T.	Chinese
Mr. Cheung Wah Kit Jason (張華傑)	House 6 No. 1 Shouson Hill Road East Shouson Hill Hong Kong	British

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

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor

Cinda International Capital Limited

45th Floor, COSCO Tower
183 Queen's Road Central
Hong Kong

(a licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities)

Joint Bookrunners

Cinda International Capital Limited

45th Floor, COSCO Tower
183 Queen's Road Central
Hong Kong

I Win Securities Limited

Room 1916 Hong Kong Plaza
188 Connaught Road West
Sai Wan
Hong Kong

Joint Lead Managers

Cinda International Capital Limited

45th Floor, COSCO Tower
183 Queen's Road Central
Hong Kong

I Win Securities Limited

Room 1916 Hong Kong Plaza
188 Connaught Road West
Sai Wan
Hong Kong

HF Securities and Futures Limited

Room 1606, South Tower
Concordia Plaza
1 Science Museum Road
Tsim Sha Tsui
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Mouette Securities Company Limited

Flat 1301, 13/F
Tung Wai Commercial Building
109-111 Gloucester Road
Wanchai
Hong Kong

Co-lead Manager

Alpha Financial Group Limited

Room A, 17/F, Fortune House
61 Connaught Road Central
Hong Kong

Hong Kong Underwriters

Cinda International Capital Limited

45th Floor, COSCO Tower
183 Queen's Road Central
Hong Kong

I Win Securities Limited

Room 1916 Hong Kong Plaza
188 Connaught Road West
Sai Wan
Hong Kong

HF Securities and Futures Limited

Room 1606, South Tower
Concordia Plaza
1 Science Museum Road
Tsim Sha Tsui
Hong Kong

Mouette Securities Company Limited

Flat 1301, 13/F
Tung Wai Commercial Building
109-111 Gloucester Road
Wanchai
Hong Kong

Alpha Financial Group Limited

Room A, 17/F, Fortune House
61 Connaught Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Legal adviser to our Company	<i>As to Hong Kong law</i> Li & Partners 22/F, World-Wide House Central Hong Kong
	<i>As to Cayman law</i> Appleby 2206-19 Jardine House 1 Connaught Place Central Hong Kong
Legal adviser to the Sole Sponsor and the Underwriters as to Hong Kong law	Deacons 5/F Alexandra House 18 Chater Road Central Hong Kong
Auditors and Reporting Accountants	Moore Stephens CPA Limited 801-806 Silvercord, Tower 1 30 Canton Road Tsimshatsui, Kowloon Hong Kong
Compliance Adviser	Cinda International Capital Limited 45th Floor, COSCO Tower 183 Queen's Road Central Hong Kong
Industry Consultant	Frost & Sullivan International Limited Unit 08, 26/F No. 9 Queen's Road Central Hong Kong
Receiving banker	The Bank of East Asia, Limited 10 Des Voeux Road Central Hong Kong

CORPORATE INFORMATION

Registered office in the Cayman Islands	P.O. Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Headquarters and principal place of business in Hong Kong	Room 2702 Rykadan Capital Tower 135 Hoi Bun Road Kwun Tong Hong Kong
Company secretary	Ms. Lam Wai Yan (林惠茵), <i>HKICPA</i> Flat J, 4/F Lai Yee Court/Tower 2 17 Nam Hong Street Shaukeiwan Plaza Shan Kei Wan, Hong Kong
Compliance officer	Mr. Leung Patrick Cheong Yu (梁昌豫) Flat A 12/F, Block 5 Park Island Ma Wan, New Territories
Members of the audit committee	Mr. Lam Yau Hin (林佑顯) (<i>Chairman</i>) Mr. Yeung Wai Keung (楊偉強) Mr. Cheung Wah Kit Jason (張華傑)
Members of the remuneration committee	Mr. Yeung Wai Keung (楊偉強) (<i>Chairman</i>) Mr. Yu Pak Lun Larry (余柏麟) Mr. Lam Yau Hin (林佑顯) Mr. Cheung Wah Kit Jason (張華傑)
Members of the nomination committee	Mr. Cheung Wah Kit Jason (張華傑) (<i>Chairman</i>) Mr. Yu Pak Lun Larry (余柏麟) Mr. Yeung Wai Keung (楊偉強) Mr. Lam Yau Hin (林佑顯)

CORPORATE INFORMATION

Authorised representatives	Mr. Yu Pak Lun Larry (余柏麟) House A1 Ville de Cascade 2-4 Lai Wo Lane Sha Tin New Territories Hong Kong Ms. Lam Wai Yan (林惠茵), <i>HKICPA</i> Flat J, 4/F Lai Yee Court/Tower 2 17 Nam Hong Street Shaukeiwan Plaza Shan Kei Wan, Hong Kong
Principal share registrar and transfer office in the Cayman Islands	Estera Trust (Cayman) Limited P.O. Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Principal bankers	The Bank of East Asia, Limited 10 Des Voeux Road Central Hong Kong The Hongkong and Shanghai Bank Corporation Limited 1 Queen's Road Central Hong Kong
Company website^(Note)	www.kinetix.com.hk

Note: The information on the website of our Company does not form part of this prospectus.

REGULATORY OVERVIEW

HONG KONG LAWS AND REGULATIONS

There is a general legal requirement for applying and obtaining valid business registration certificate under the Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong) us to carry on for business in Hong Kong, and there is a licensing requirement for strategic commodities as further detailed in the paragraph titled “strategic commodities” below. Further, there are the general statutory provisions applicable to us for carrying on businesses involving the sales of goods and supply of services.

Business registration

The Business Registration Ordinance requires that every person carrying on any business shall make application to the Commissioner of Inland Revenue in the prescribed manner for the registration of that business. The Commissioner of Inland Revenue must register each business for which a business registration application is made and as soon as practicable after the prescribed business registration fee and levy are paid and issue a business registration certificate or branch registration certificate for the relevant business or the relevant branch as the case may be.

Supply of goods

The Sales of Goods Ordinance (Chapter 26 of the Laws of Hong Kong) which aims to codify the law relating to the sale of goods provides that:

- (a) under section 15, where there is a contract for the sale of goods by description, there is an implied condition that the goods shall correspond with the description;
- (b) under section 16, where a seller sells goods in the course of a business, there is an implied condition that the goods supplied under the contract are of merchantable quality, except that there is no such condition (i) as regards defects specifically drawn to the buyer’s attention before the contract is made; or (ii) if the buyer examines the goods before the contract is made, as regards defects which examination ought to reveal; or (iii) if the contract is a contract for sale by sample, as regards defects which would have been apparent on a reasonable examination of the sample; and
- (c) under section 17, where there is a contract for sale by sample, there are implied conditions that (i) the bulk shall correspond with the sample in quality, (ii) the buyer shall have a reasonable opportunity of comparing the bulk with the sample, and (iii) the goods shall be free from any defects, rendering them unmerchantable, which would not be apparent on reasonable examination of the sample.

REGULATORY OVERVIEW

Where any right, duty or liability arises under a contract of sale of goods by implication of law, it may (subject to the Control of Exemption Clauses Ordinance (Chapter 71 of the Laws of Hong Kong)) be negated or varied by express agreement, or by course of dealings between the parties, or by usage if the usage is such as to bind both parties to the contract.

Supply of services

The Supply of Services (Implied Terms) Ordinance (Chapter 457 of the Laws of Hong Kong) which aims to consolidate and amend the law with respect to the terms to be implied in contracts for the supply of services (including a contract for the supply of a service whether or not goods are also transferred or to be transferred, or bailed or to be bailed by way of hire under the contract) provides that:

- (a) where the supplier is acting in the course of a business, there is an implied term that the supplier will carry out the service with reasonable care and skill; and
- (b) where the supplier is acting in the course of a business, the time for service to be carried out is not fixed by the contract, is not left to be fixed in a manner agreed by the contract or is not determined by the course of dealing between the parties,

there is an implied term that the supplier will carry out the service within a reasonable time.

Where a supplier is dealing with a party to a contract for supply of service who deals as a consumer, the supplier cannot, by reference to any contract term, exclude or restrict any liability of his arising under the contract by virtue of the Supply of Services (Implied Terms) Ordinance. Otherwise, where any right, duty or liability would arise under a contract for the supply of a service by virtue of the Supply of Services (Implied Terms) Ordinance, it may (subject to the Control of Exemption Clauses Ordinance) be negated or varied by express agreement, or by the course of dealing between the parties, or by such usage as binds both parties to the contract.

Control of exemption clauses

The Control of Exemption Clauses Ordinance, which aims to limit the extent to which civil liability for breach of contract, or for negligence or other breach of duty, can be avoided by means of contract terms and otherwise, among others, provides that:

- (a) under section 7, a person cannot by reference to any contract term or to a notice given to persons generally or to particular persons exclude or restrict his liability for death or personal injury resulting from negligence and in the case of other loss or damage, a person cannot exclude or restrict his liability for negligence except in so far as the term or notice satisfies the requirements of reasonableness.

REGULATORY OVERVIEW

- (b) under section 8, as between contracting parties where one of them deals as consumer or on the other's written standard terms of business, as against that party, the other cannot by reference to any contract term (i) when himself in breach of contract, exclude or restrict any liability of his in respect of the breach, or (ii) claim to be entitled to render a contractual performance substantially different from that which was reasonably expected of him, or (iii) claim to be entitled in respect of the whole or any part of his contractual obligation, to render no performance at all, except in so far as the contract term satisfies the requirement of reasonableness.
- (c) under section 9, a person dealing as a consumer cannot by reference to any contract term be made to indemnify another person (whether a party to the contract or not) in respect of liability that may be incurred by the other for negligence or breach of contract, except in so far as the contract term satisfies the requirement of reasonableness; and
- (d) under section 11, as against a person dealing as consumer, the liability for breach of the obligations arising under sections 15, 16 and 17 of the Sales of Goods Ordinance cannot be excluded or restricted by reference to any contract term, and as against person dealing otherwise than as consumer, the liability arising under sections 15, 16 and 17 of the Sales of Goods Ordinance can be excluded or restricted by reference to a contract term, but only in so far as the terms satisfy the requirement of reasonableness.

Sections 7, 8 and 9 of the Control of Exemption Clauses Ordinance do not apply to, among others, any contract so far as it relates to the creation or transfer of a right or interest in any patent, trade mark, copyright, registered design, technical or commercial information or other intellectual property, or relates to the termination of any such right or interest.

In relation to a contract term, the requirement of reasonableness for the purpose of the Control of Exemption Clauses Ordinance is satisfied only if the court or arbitrator determines that the term was a fair and reasonable one to be included having regarded to the circumstances which were, or ought reasonably to have been, known to or in the contemplation of the parties when the contract was made.

Strategic commodities

The Import and Export Ordinance (Chapter 60 of the Laws of Hong Kong) requires that the import and export of the articles contained in the schedules to the Import and Export (Strategic Commodities) Regulations (the “**Regulations**”) must be covered by valid licences issued by the Director-General of Trade and Industry. Encryption products with a symmetric key length in excess of 56-bits which we sourced from our suppliers during the Track Record Period are articles contained in the schedules of the Regulations and are therefore subject to the licensing control.

REGULATORY OVERVIEW

Licence applications should be made for the import and export of the strategic commodities and be submitted to the Strategic Trade Controls Branch of the Trade and Industry Department. On issuing of a licence, apart from the standard licence conditions, the Director-General of Trade and Industry may, depending on circumstances of individual cases, impose special and additional conditions on approved licences. For encryption products, one very common special licence condition is that no further re-export, resale, transfer, or disposal of the goods is allowed without prior notice to and approval from the Director-General of Trade and Industry.

Standing Offer Agreement for Quality Professional Services 4 (SOA-QPS4)

The Standing Offer Agreement for Quality Professional Services 4 (SOA-QPS4) enlarges the Government's delivery capacity for public services and accelerates the delivery of IT solutions to support the increasing demand of quality e-Government services. The SOA-QPS4 commenced on 31 July 2017 for a contract period of 48 months covering four service categories:

Category 1: Pre-implementation and independent programme/project management services;

Category 2: On-going services;

Category 3: Implementation and combined system development services; and

Category 4: Information security and independent testing services.

Categories 2 and 3 are further sub-divided into minor service group and major service group. Minor service group covers work assignments of contract value not exceeding HK\$3 million, while major service group covers work assignments of contract value over HK\$3 million but not exceeding HK\$15 million. For Categories 1 and 4, there is no subdivision into groups and the contract value of each work assignment shall not exceed HK\$15 million.

Government departments may invite proposals for individual work assignments from the contractors in the relevant categories and select suitable contractor to undertake the assignments.

The respective major criteria for obtaining each of the four service categories of SOA-QPS are as follows: (1) Experience: all service categories require a minimum of either one year or three years (for major service group for categories 2 and 3) of experience in providing relevant service types in the relevant category during the last five years. (2) Volume: all service categories require a minimum aggregate contract value of either HK\$2 million or HK\$15 million (for major service group for categories 2 and 3) in providing relevant service types during the last three years. (3) Insurance Policies: all service categories require suitable professional indemnity insurance to be effected and kept in force and renewed, and all such policies of insurance as required under the laws of Hong Kong to be effected and maintained. (4) Staff Requirement: for each category, staff is classified into certain categories, each with function/specialty and qualifications ranging from one to 15 years of relevant experience.

INDUSTRY OVERVIEW

This section contains certain information which is derived from a report we commissioned from Frost & Sullivan, an independent third party. We believe that the sources of the information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. While we have exercised reasonable care in compiling and reproducing such information, it has not been independently verified by our Company, our Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any of their affiliates or advisers or any other parties involved in the Share Offer (except Frost & Sullivan). No representation is given as to the accuracy of the Frost & Sullivan Report. After taking reasonable care, our Directors confirm that there has been no adverse change in the market information since the date of the Frost & Sullivan Report up to the date of this prospectus which may qualify, contradict or have a material impact on the information in this section.

SOURCES OF INFORMATION

The Frost & Sullivan Report

We have commissioned Frost & Sullivan to undertake research on the IT consulting services industry in Hong Kong, including IT infrastructure solutions services, IT development solutions services and other services at a fee of HK\$500,000. Frost & Sullivan is an independent global consulting firm founded in 1961 with over 40 global offices and more than 2,000 industry consultants, market research analysts, technology analysts and economists. It offers industry research, marketing strategy, growth consulting and corporate training services.

Methodology and assumptions

The Frost & Sullivan Report was undertaken through both primary and secondary research obtained from various sources using intelligence collection methodologies. Primary research involved discussing the status of the industry with certain leading industry participants. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research. In estimating market size, Frost & Sullivan adopted a forecasting methodology by plotting historical data against macroeconomic data with consideration to the above-mentioned industry key drivers. In particular, Frost & Sullivan adopted the market engineering measurement-based system, integrating critical market elements such as market drivers and restraints, market challenges, trends and econometric variables with their team's expertise to analyse the industry. The Frost & Sullivan Report has adopted the following assumptions that are based upon reliable market information:

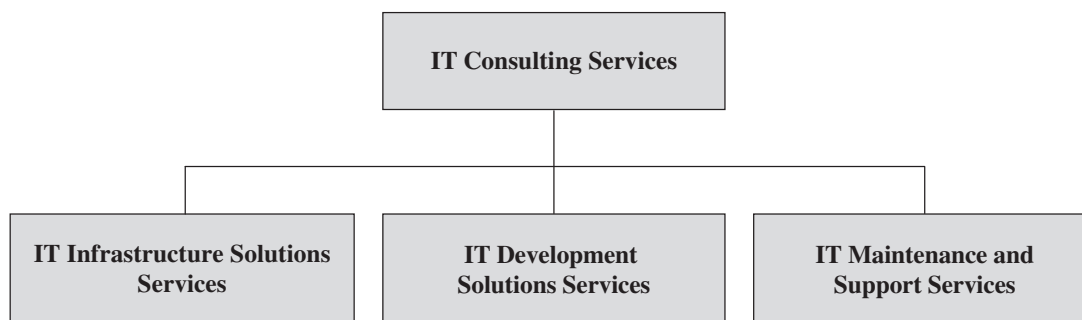
- the social, economic and political environment in Hong Kong and Macau are likely to remain stable in the forecast period; and
- related industry key drivers are likely to drive the market in the forecast period.

INDUSTRY OVERVIEW

OVERVIEW OF IT CONSULTING SERVICES INDUSTRY

Market Definition and Segmentation

The IT consulting services industry focuses on assisting clients to design technology strategies that align with their business and operational needs or plans. IT consulting service companies also provide architectural, operational, planning and implementation support services to clients to ensure the company's IT systems and infrastructure achieve their intended purposes. The diagram below illustrates the different business segments within the IT consulting services industry:



Source: Frost & Sullivan Report

IT CONSULTING SERVICES IN HONG KONG

Hong Kong's Macroeconomic Environment

The Hong Kong economy grew, with the nominal GDP rising at a CAGR of 4.4% from 2012 to 2017 driven by the rapid growth in many Asian economies, moderate recovery in Europe and the United States and the expansion of the domestic market due to increasing intra-regional production activities and growing number of tourists from Mainland China. According to the Census and Statistics Department of Hong Kong, the nominal GDP in Hong Kong grew from approximately HK\$2,037.1 billion in 2012 to approximately HK\$2,452.2 billion in 2016, and is estimated to have reached HK\$2,522.3 billion in 2017. It is expected that the nominal GDP in Hong Kong will reach HK\$3,154.2 billion in 2022, representing a CAGR of 4.5% from 2018 to 2022.

Riding on the nominal GDP growth, Hong Kong's per capita disposable income has increased at a CAGR of 3.3% between 2012 and 2017 and is expected to further grow to HK\$355.4 thousand by 2022 at a CAGR of 2.7% from 2018. The increase in per capita disposable income drives clients to focus more on the quality of services, which involves the use and adoption of new IT strategies for greater speed, efficiency and convenience. This includes use of services such as electronic payment technologies, which requires upgrades and further integration of supportive IT infrastructure, thereby developing opportunities within the IT consulting services industry.

IT consulting services market in Hong Kong

The IT consulting services industry in Hong Kong has been developing at a fast pace driven by IT expenditure and demand from the public and private sectors, especially in the finance and insurance industries. In order to further strengthen Hong Kong's role as a global financial centre, the Hong Kong Government is putting more efforts to promote the use of advanced information technology in various sectors including finance and insurance industry, which boosts the demand for IT consulting services in these areas. For instance, the Hong Kong Government has taken proactive initiatives to develop the Fintech industry in Hong Kong, providing supports for start-ups as well as major e-commerce and technology firms, alongside

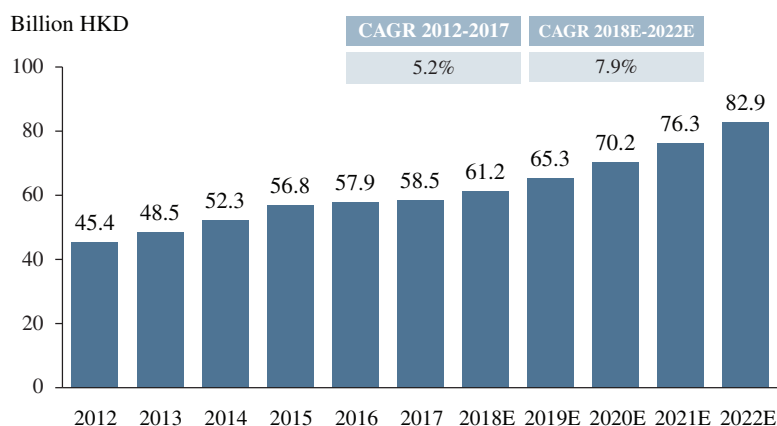
INDUSTRY OVERVIEW

incumbent financial institutions. According to the Financial Services Development Council of Hong Kong, InsurTech (insurance technology) is one of the focused areas of the development of Fintech industry. The development of Fintech involves the establishment of a larger and highly sophisticated tech-based financial management and operation mechanism, which could involve every stakeholder in the value chain such as insurance and banking institutions as well as the customers, indicating a significant demand for IT consulting services.

Between 2012 and 2017, the total market revenue for IT consulting services grew from HK\$45.4 billion to HK\$58.5 billion at a CAGR of 5.2%. The growth trend is expected to continue from 2018 to 2022 at a higher CAGR of 7.9%, reaching approximately HK\$82.9 billion in 2022.

Although there is a large number of IT consulting services providers in Hong Kong, providers which could offer tailor-made solutions are in short supply in the public and private sectors, especially in the finance and insurance industries. Hence, IT consulting services providers will pay more attention to IT development solutions and the industry is expected to develop and grow in the coming decades.

IT Consulting Services Industry Market Size by Revenue (Hong Kong), 2012-2022E



Source: Frost & Sullivan Report

Cloud computing and IoT

Cloud computing is a type of Internet-based computing that provides ubiquitous, on-demand access to a shared pool of configurable computing resources. IoT is the networking of physical devices, vehicles, buildings and other items that enables these objects to collect and exchange real-time data.

Cloud computing and IoT are mutually complementary and help to improve operation and management in many areas.

Benefits of the development of cloud computing and IoT to IT services providers

The emerging development of cloud computing and IoT has also stimulated the IT consulting services industry in Hong Kong.

Cloud computing is used to drive the automation of different work streams. It involves significant amount of data traffic and the establishment and operation of data centers would require the deployment of IT infrastructure products and related services. In addition, in order to customise the cloud computing products to the business needs and operating requirements of the organisations, IT development solutions services are required to facilitate an efficient data transition and interactions across various platforms. On the other hand, organisations

INDUSTRY OVERVIEW

adopting IoT systems are required to build an IT infrastructure which can enable efficient information and data exchange across various devices or platforms to ensure the interoperability and connectivity among them. This would require the use of IT infrastructure solutions services as well as IT development solutions services. In addition, IoT creates value by facilitating the joint functioning of various devices or platforms, which involves a significant amount of private user information and it is important to create a sophisticated information security mechanism to protect such information from inappropriate and/or unauthorised use. The establishment of such security management system would require the deployment of the IT infrastructure solution and IT development solution services as well.

By leveraging cloud computing and IoT techniques, there are opportunities for the IT consulting services providers to provide more extensive client support and provide more tailored supply chain management solutions for the clients. It is expected that it will be a future trend for the companies to lease IT software or systems with the aid of the cloud technology from IT solutions providers for the use in their business operations and pay service fees on a periodic basis instead of developing their own IT software or systems by making a substantial investment upfront. The shift from capital expenditure to operational expenditure model in respect of IT investments as mentioned above provides a number of advantages to the clients, for example, (i) alleviating the need to incur a large amount of investment costs at one time; (ii) providing flexibility for clients to procure the rental services on an as-needed basis and to switch to other systems in light of any change in their business operations or advancement in technology; and (iii) saving the maintenance costs, staff costs and other administrative expenses in relation to the operation of the IT systems. The abovementioned advantages arising from the shift to operational expenditure model encourages the companies to upgrade their IT software or systems, which brings more business opportunities to the IT services providers. At the same time, the operational expenditure model provides a relatively more stable and sustainable source of income to IT services providers as they would be engaged in provision of ongoing services to its clients rather than a one-off project of non-recurring nature.

Risks of the development of cloud computing and IoT to IT services providers

With the aid of cloud and IoT technologies, customers may consider leasing the IT software or systems from the IT services providers for a specific period of time instead of setting up a permanent in-house infrastructure establishment. This may reduce the demand of the hardware or other related products traditionally procured from the IT services providers.

Market outlook

With the development of internet technology, cloud servers are gaining more popularity by an increasing number of industries as it can facilitate more flexible and convenient way for data exchanges. For example, cloud computing and IoT could improve correlation, accuracy and timeliness of traffic information systems operated by the Hong Kong government, and encourage companies in the insurance and finance industries to shift services online which increases flexibility and convenience in handling business. The development of these technologies ensures greater demand for IT consulting services.

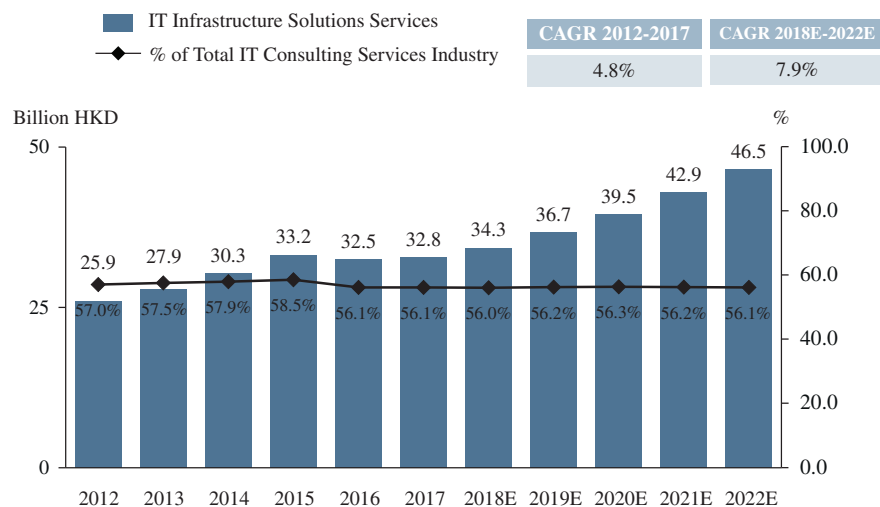
In addition, business digitalisation with the integration of the latest information technology can help enterprises to simplify their operation and management process, enhance operation flexibility and efficiency, reduce operational costs, and facilitate multi-dimensional communication with a larger customer base. By combining digitalised methods with the conventional business forms such as introducing cloud-based service solution or delivering services with the aid of online platform, enterprises are able to capture more business opportunities. Accordingly, it is a current trend that enterprises are making more efforts on their business digitalisation process which in turn leads to substantial demand for cloud computing and IoT products.

INDUSTRY OVERVIEW

IT Infrastructure Solutions Services in Hong Kong

Due to the overall growth of the IT consulting solutions services industry, the demand for IT infrastructure solutions has increased steadily since 2011. The market size by revenue of IT infrastructure solutions services grew from HK\$25.9 billion in 2012 to HK\$32.8 billion in 2017, representing a CAGR of 4.8%. The market is expected to grow from 2018 to 2022 at a CAGR of 7.9%, reaching HK\$46.5 billion by 2022.

IT Infrastructure Solutions Services Market Size by Revenue (Hong Kong), 2012-2022E

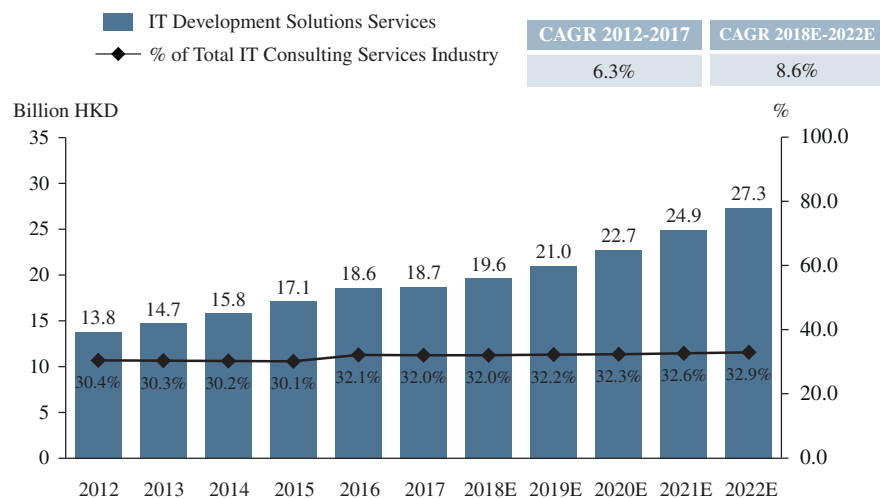


Source: Frost & Sullivan Report

IT Development Solutions Services in Hong Kong

The segment of IT development solutions market grew from 2012 to 2017 at a CAGR of 6.3%, reaching a market value of HK\$18.7 billion in 2017. Clients in Hong Kong are strongly aware of the need to upgrade IT and related infrastructure facilities to expand their business with greater flexibilities and convenience in functionality. With supportive government policies and the development of cloud computing and IoT, the market size of IT development solutions by revenue is expected to reach HK\$27.3 billion by 2022 at a CAGR of 8.6%.

IT Development Solutions Services Market Size by Revenue (Hong Kong), 2012-2022E



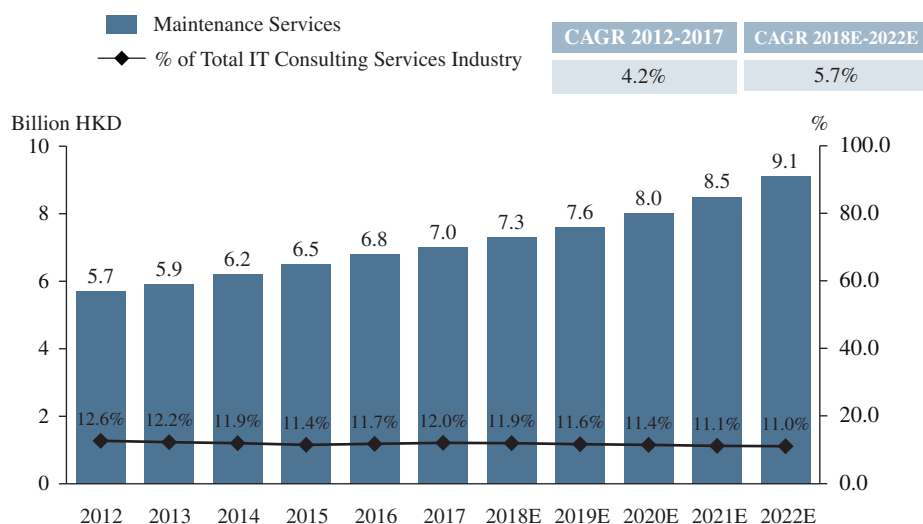
Source: Frost & Sullivan Report

INDUSTRY OVERVIEW

IT Maintenance and Support Services in Hong Kong

With greater attention of companies on systems and hardware maintenance, many companies have outsourced the maintenance operations to IT consulting services providers to reduce their daily operations costs, driving market revenues from HK\$5.7 billion in 2012 to HK\$7.0 billion in 2017 at a CAGR of 4.2%. With the increasing IT expenditure from the public and private sectors, this market size is expected to reach HK\$9.1 billion by 2022 at a CAGR of 5.7% from 2018 to 2022.

IT Maintenance and Support Services Market Size by Revenue (Hong Kong), 2012-2022E



Source: Frost & Sullivan Report

Price index of Hong Kong IT software and hardware industry

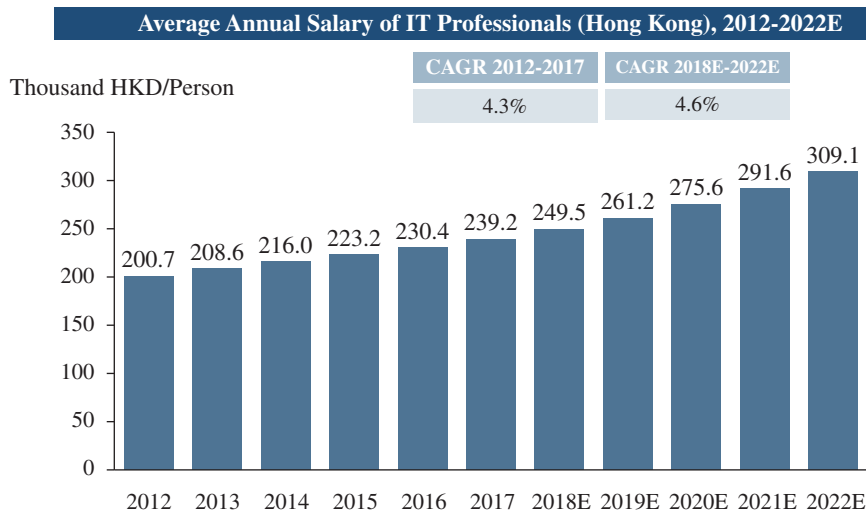
The IT software price index in Hong Kong has experienced steady growth since 2012 as government departments and businesses place greater emphasis on the establishment of management systems to achieve efficiency and lower operational costs. The price index of IT software is expected to continue to grow in Hong Kong in the next few years due to shortage of experienced professionals and increasing specific requirement. Comparatively, price index of IT hardware products in Hong Kong is projected to decline in the next five years. With the rapidly evolving technologies, the cost of IT hardware manufacturing has gradually fallen since 2013.

With the increasing importance of customised systems and platforms, the demand for professional IT development solutions is expected to continue growing in the next few years. However, the number of providers offering tailor-made IT development solutions cannot meet the market demand, in turn increases the price of IT development solutions services and the overall service price of IT consulting services industry.

The opposite price trends of the IT software and hardware are not expected to generate significant negative impacts on the prices of IT consulting services, as IT development services have been increasingly favoured by the clients from various industries with added value services such as tailor-made design, planning and installations other than merely providing the IT infrastructure products including hardware and software. The added-value services in the IT development segment would drive the IT consulting fee upward and strengthen the margins of the IT consulting services providers.

INDUSTRY OVERVIEW

Average annual salary of IT professionals in Hong Kong's IT consulting services industry



Source: Frost & Sullivan Report

The average annual salary of IT professionals have increased by a CAGR of 4.3% from HK\$200.7 thousand per person in 2012 to HK\$239.2 thousand per person in 2017 and is expected to continue to rise at a CAGR of 4.6% between 2018 to 2022, reaching HK\$309.1 thousand per person in 2022 due to intensifying competition for talent amongst IT consulting services providers.

Key clients and driving sectors of the IT consulting services industry

The public sector

The public sector in Hong Kong is going through a digitalisation process for better management efficiency and development of macro industry environment. In 2014, the Hong Kong Government launched a public consultation on a new blueprint for the Digital 21 Strategy, with five action areas to transform Hong Kong into a leading digital city. It is expected that the Hong Kong Government will invest more on IT as a role model to support authorities, departments and schools to better achieve their public objectives. In line with the objective of the Digital 21 Strategy, the Hong Kong Government has been actively developing its administrative procedures through IT means such as launching an official cloud platform named GovCloud in 2013 for hosting e-government services for use by various bureaux and departments, improving its electronic management system and aiming for a more cost-effective e-government infrastructure. This creates opportunities in the IT infrastructure and development solutions business segments. IT expenditure by the Hong Kong public sector grew from HK\$4.7 billion in 2012 to HK\$7.3 billion in 2016, and is estimated to have reached HK\$8.4 billion in 2017. It is expected that government spending on IT will continue to grow from HK\$9.3 billion in 2018 to HK\$12.5 billion in 2022 at a CAGR of 7.7%. The increasing IT expenditure is expected to be used for procurement of hardware facilities and software products, establishment of IT infrastructure as well as integration services, which boosts the demand for IT consulting services in Hong Kong.

The private sector

The rising use of computers amongst business establishments has driven demand for IT infrastructure solutions in industries ranging from retail, distribution and trading, TMT, transportation and logistics, banking and finance and insurance. Total IT expenditure in the private sector increased from HK\$50.7 billion in 2012 to HK\$58.5 billion in 2016, and has

INDUSTRY OVERVIEW

reached HK\$61.7 billion in 2017. The total IT expenditure in the private sector is expected to continue to grow to HK\$82.0 billion by 2022 at a CAGR of 5.9% from 2018, due to IT infrastructure upgrades leveraging the advancements achieved in sectors such as cloud computing, internet of things for the purpose of improving business management, flexibility and compatibility in system functionality.

The finance industry

The continuous popularity of new technologies, such as cloud computing and Fintech, has created demand for the establishment of IT facilities and related integration services. The total IT expenditure of Hong Kong's finance industry has grown steadily from HK\$12.1 billion in 2012 to HK\$14.1 billion in 2016, and has reached HK\$14.9 billion in 2017, which is expected to grow from HK\$15.8 billion in 2018 to HK\$20.4 billion by 2022 with a higher CAGR of 6.6%. As banking and financial entities are expected to invest in upgrading their IT establishments, IT expenditure in the finance industry is expected to grow.

The insurance industry

The insurance industry is competitive. Insurance companies have started outsourcing non-core IT related operations to improve efficiency and reduce daily operation expenses. The total IT expenditure of Hong Kong's insurance industry has steadily grown from HK\$3.1 billion in 2012 to HK\$3.8 billion in 2016, and has reached HK\$4.0 billion in 2017, showing a CAGR of 5.2% from 2012 to 2017. The total IT expenditure for the industry is projected to grow at a CAGR of 8.2% to HK\$5.9 billion by 2022 from 2018.

Key suppliers

Key suppliers of the industry are mainly IT products vendors which are mostly large, multinational companies such as IBM, Cisco, Oracle and Microsoft, its resellers or distributors. IT consulting services providers usually order products directly from IT products vendors or authorised distributors who can provide technical knowledge and value-added services such as personnel training, product customisation and regular maintenance.

Supplier B, one of the abovementioned large multinational companies, is a global leading technology company providing IT products and services as well as enterprise and business IT solutions for clients worldwide from various industries including but not limited to medical, engineering, art and finance, with workforce of approximately 380,000 employees globally. Supplier B creates value for clients through integrated solutions and products that leverage: data, information technology, deep expertise in industries and business processes, and a broad ecosystem of partners and alliances. Moreover, Supplier B has a strong research and development capability, with more than 8,000 patents granted in 2016 and more than 97,000 patents granted since 1993.

IT consulting services market in Macau

The Macau IT consulting services industry has experienced a moderate growth from MOP10.6 billion in 2012 to MOP13.7 billion in 2017, representing a CAGR of 5.3% due to the increased expenditure in the gambling industry and finance industry and sustained expenditure in Macau's public sector. Each of these three industries and sector accounted for 15.3%, 20.0% and 40.0% of Macau's total IT spending in 2017, respectively.

With the development of technologies such as cloud computing and Fintech, total revenue of Macau IT consulting services industry is expected to grow due to expected spending of the finance industry on updating its IT systems. Furthermore, the gambling industry, as a core composing part of Macau's economy, is going through an upgrading and industry optimising process in recent years to attract more clients, which has continued to stimulate the development of IT consulting services industry. Total revenue for IT consulting services is therefore expected to reach MOP19.3 billion by 2022, representing a CAGR of 7.8% from 2018.

INDUSTRY OVERVIEW

COMPETITIVE ANALYSIS OF IT CONSULTING SERVICES INDUSTRY IN HONG KONG AND MACAU

Ranking and market share of IT consulting services in Hong Kong

The IT consulting services market in Hong Kong is highly fragmented, particularly in the business segment of IT development solutions. There were over 4,000 consulting services providers at the end of 2017, whereby the 10 largest service providers accounted for approximately 15.1% of total revenue of the IT consulting services industry in Hong Kong. For the IT development solutions business segment, the 10 largest players only accounted for approximately 12.6% of the total segment revenue. As for the IT infrastructure solutions business segment, the 10 largest players accounted for 17.4% of the total segment revenue due to their strong research and development capability required for hardware development and their ability to leverage on their reputation as an authorised partner.

In terms of total revenue in 2017, our Group ranked eighth in the overall IT consulting services industry. Details of other key industry players and their market positions are set out in the table below:–

	Principal business	Major attributes & certifications (Note)	Overall IT consulting services industry market share by revenue in 2017		Sub-industry Segments						
			Revenue HK\$ (million)	Ranking	IT infrastructure solutions services market share by revenue in 2017		IT development solutions services market share by revenue in 2017		Revenue HK\$ (million)	Ranking	Ranking
					Revenue HK\$ (million)	Ranking	Revenue HK\$ (million)	Ranking			
Company A	A company listed on the Stock Exchange providing (i) IT infrastructure solutions services such as data centres and (ii) IT development solutions services such as cloud, system integration, application development, testing and software products, in Hong Kong, Macau, PRC and Taiwan	<ul style="list-style-type: none"> SOA-QPS4 contractor covering one service category (i) Hong Kong Government contractor 	3,802.5	6.50%	1	2,138.6	6.52%	1	1,071.5	5.73%	1
Company B	A company listed on the Stock Exchange providing (i) IT infrastructure solutions service covering the full spectrum of business needs from Enterprise Data Center to those of SMEs and (ii) IT development solutions services such as security solutions, in Hong Kong, Macau, PRC, Taiwan, Thailand and Singapore	<ul style="list-style-type: none"> SOA-QPS4 contractor covering 3 service categories (i), (iii), (iv) Hong Kong Government contractor 	1,474.2	2.52%	2	852.8	2.60%	4	585.3	3.13%	2
Company C	A company listed on the Stock Exchange providing (i) IT infrastructure solutions services, (ii) IT development solutions services and (iii) maintenance services, in Hong Kong	<ul style="list-style-type: none"> Hong Kong Government contractor SOA-QPS4 contractor 	1,152.5	1.97%	3	954.5	2.91%	2	102.9	0.55%	5
Company D	A company listed on the Stock Exchange providing (i) IT infrastructure solutions services such as data centres and IT facilities, (ii) IT development solutions services such as system management, secure system development, cloud and wireless network and (iii) maintenance services, in Hong Kong	<ul style="list-style-type: none"> Data Centre Service Provider Award by IT magazine Computer World Hong Kong 	1,053.0	1.80%	4	915.1	2.79%	3	136.5	0.73%	4

INDUSTRY OVERVIEW

	Principal business	Major attributes & certifications <i>(Note)</i>	Overall IT consulting services industry market share by revenue		Sub-industry Segments			IT infrastructure solutions services market share by revenue		IT development solutions services market share by revenue	
			Revenue	Ranking	Revenue	Ranking	Revenue	Ranking	Revenue	Ranking	
			HK\$ (million)	in 2017	HK\$ (million)	in 2017	HK\$ (million)	in 2017	HK\$ (million)	in 2017	
Company E	A company listed on the Stock Exchange providing (i) IT infrastructure solutions services, (ii) IT development solutions services such as IT application and solutions development and (iii) maintenance services, in Hong Kong and the PRC	<ul style="list-style-type: none"> Hong Kong Outstanding Enterprises 2015 IBM Choice Award 2016 – Top Business Partner Greater China 	392.0	0.67%	5	187.0	0.57%	6	202.0	1.08%	3
Company F	A company listed on the Stock Exchange providing (i) IT infrastructure solutions and (ii) IT development solutions services, in Hong Kong and Macau	<ul style="list-style-type: none"> Hong Kong Government contractor 	263.3	0.45%	6	262.4	0.80%	5	-	-	-
Company G	A company listed on the Stock Exchange providing (i) IT infrastructure solutions services such as computer networks, system platforms and system and network integration, (ii) IT development solutions services such as solutions design and implementation, software development and online e-Services and (iii) maintenance services, in Hong Kong and the PRC	<ul style="list-style-type: none"> SOA-QPS4 contractor covering three service categories (ii), (iii), (iv) 	251.6	0.43%	7	134.5	0.41%	7	95.4	0.51%	6
Our Company	See section headed “Business” in this prospectus	<ul style="list-style-type: none"> SOA-QPS4 contractor covering four service categories (i), (ii), (iii), (iv) Best District Partner in Greater China 2014 of Supplier B 	181.0	0.31%	8	121.9	0.37%	8	36.2	0.19%	9
Company H	A company listed on the Stock Exchange providing (i) IT infrastructure solutions service such as telecommunications infrastructure solution services and (ii) IT development solutions services such as network and system integration, in Hong Kong and the PRC	<ul style="list-style-type: none"> No notable certificate awarded 	175.5	0.30%	9	118.1	0.36%	9	52.4	0.28%	7
Company I	A subsidiary of a company listed in India (i) IT infrastructure solutions services, (ii) IT development solutions services such as system integration and application development and (iii) maintenance services, in Hong Kong	<ul style="list-style-type: none"> Certificated partner of Cisco in Hong Kong 	81.9	0.14%	10	36.1	0.11%	10	31.8	0.17%	10

Note: A SOA-QPS4 contractor can provide services to the departments of Hong Kong Government covering up to four categories: (i) pre-implementation and independent programme and project management services; (ii) on-going services; (iii) implementation and combined system development services; and (iv) information security and independent testing services. A Hong Kong Government contractor is an authorised supplier of microcomputers equipment, network products and enterprise server systems, mobile workplace services, IT contract staff services and government public cloud services.

Source: Frost & Sullivan Report

INDUSTRY OVERVIEW

Key success drivers of the IT consulting services industry

- **Quality supplier and stable client relationships:** Sound relationships with quality suppliers will assist IT consulting services providers in receiving client trust and business opportunities especially in the IT infrastructure solutions business segment.
- **Reputation and industry recognition:** IT consulting services providers with good reputation and industry recognition are preferred by clients especially from the public sector as well as the finance and insurance industries as they highly value data security.
- **Research and development capability and expertise:** To meet clients' demand and to foster future business opportunities, IT consulting services providers have involved more in the research and development process of the client. The level of R&D expenditure grew consistently, from a total of HK\$7.2 billion in 2012 to HK\$9.5 billion in 2016. As the macroeconomic environment in Hong Kong is expected to grow from HK\$2,646.9 billion in 2018 to HK\$3,154.2 billion in 2022 at a CAGR of 4.5%, the need for IT consulting services by the public and private sectors is also expected to grow.
- **Favourable and supportive government policies:** The Digital 21 Strategy, the Innovation and Technology Fund and Incubation Programs have advanced the development of the IT consulting services industry in Hong Kong. Continuing supportive and favourable policies by the Hong Kong Government is a key market driver to sustain the industry's growth.

Entry barriers to the IT consulting services industry

- **Short supply of experienced IT professional.** IT professionals with comprehensive industry know-how about the different IT infrastructure products are in short supply as they prefer to work at large, well established IT services companies with higher wages and reputation. Deprivation of human capital undermines new entrants' ability to compete.
- **Business relationship with renowned IT products vendors.** Close relationship with renowned IT products vendors, developers and service providers is critical in assisting IT consulting services providers to procure high quality software and hardware in a timely manner and at reasonable prices. However, such relationships requires substantial amount of time and investment, which poses a barrier for new entrants.
- **Client loyalty.** During the process of establishing IT infrastructure, IT consulting services providers are often exposed to client's confidential information, which discourages existing clients to change their IT services providers. The downtime and costs involved in such transfers and the rigorous learning process of adapting to new products hinders clients from shifting to new entrants.

Opportunities and trends

With the increasing popularity of mobile internet and devices, traditional infrastructures and software traditionally may not be easily applied to mobile terminals with the desired compatibility. This is an area of cyber security, which potentially exposes companies to information leakage. Companies will rely more on IT consulting services providers to apply software and IT infrastructure to safeguard such information.

The well-established IT infrastructure mechanism not only helps clients to facilitate daily communication, data processing and storage of their routine businesses, but it also provides information on users' behaviour, allowing clients to optimise its resource allocation. By leveraging big data and cloud computing techniques, there are opportunities for IT consulting services providers to provide more extensive client support and tailored supply chain management solutions.

Our competitive strengths

Our Directors believe that our competitive strengths have contributed to our success in the IT consulting services industry. Some of our competitive strengths include our ability to offer comprehensive and quality tailor-made IT solutions, our qualification as an authorised prime contractor of SOA-QPS of the Hong Kong Government, and our well-established relationship with renowned IT products vendors. Please see the paragraph headed "Business – Our Competitive Strengths" in this prospectus for further details.

HISTORY, DEVELOPMENT AND REORGANISATION

BUSINESS HISTORY

Our Company was incorporated in the Cayman Islands on 16 September 2016 as an exempted company with limited liability under the Companies Law. Our Company became the holding company of our Group since completion of the Reorganisation with our business conducted through our subsidiaries.

Since our establishment in 1998, we have become a well-established IT services provider in Hong Kong. We principally engage in providing IT infrastructure solutions services, IT development solutions services and IT maintenance and support services.

The key milestones of our business development are as follows:-

Year	Business Achievement
1998	<ul style="list-style-type: none">• KSL was established in Hong Kong
1999	<ul style="list-style-type: none">• We obtained our first contract from Client G
2002	<ul style="list-style-type: none">• RTL was established in Hong Kong
2005	<ul style="list-style-type: none">• We became an authorised prime contractor of the Standing Offer Agreement for quality professional services of the Hong Kong Government – Category 3
2009	<ul style="list-style-type: none">• We became an authorised prime contractor of the Standing Offer Agreement for quality professional services of the Hong Kong Government – Category 1, Category 2 and Category 3
2013	<ul style="list-style-type: none">• We became an authorised prime contractor of the Standing Offer Agreement for quality professional services of the Hong Kong Government – Category 1, Category 2, Category 3 and Category 4• We were awarded “partnership network” by Vendor H
2014	<ul style="list-style-type: none">• We were awarded “best district partner in Greater China” by Supplier B• We were awarded “top contributor award – industry solution” by Supplier B
2015	<ul style="list-style-type: none">• We were awarded “top contributor award – software value partner” by Supplier B
2017	<ul style="list-style-type: none">• We were awarded “business partner excellence award” in Greater China by Supplier B

HISTORY, DEVELOPMENT AND REORGANISATION

Year	Business Achievement
	<ul style="list-style-type: none">• We were awarded “collaboration solutions award” by Supplier B• We became an approved contractor under categories A and B of the Standing Offer Agreement in respect of the supply of personal computer equipment and the provision of related services to various government departments

CORPORATE DEVELOPMENT

Our history started in 1998 when Mr. Yu, being founder of our Group, established KSL with another independent third party. Mr. Yu financed the contribution to KSL by his own resources.

The following describes the corporate history of our Company and our subsidiaries.

Our Company

Our Company was incorporated in the Cayman Islands on 16 September 2016 as an exempted company with limited liability with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each and is the holding company of our subsidiaries.

On the date of incorporation, one Share was allotted and issued at par to the initial subscriber. The one Share was transferred by the initial subscriber to VKL at a consideration of HK\$0.01. On the same date, 99 Shares were allotted and issued at par to VKL. Our Company has been owned as to 100% by VKL, which in turn was wholly owned by Mr. Yu since the date of its incorporation.

OUR SUBSIDIARIES IN THE BVI AND HONG KONG

BVI

KL

KL was incorporated in the BVI on 14 September 2016 as a limited liability company with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. On 31 October 2016, one share of and in KL was allotted and issued at par to our Company.

Accordingly, KL has been owned as to 100% by our Company since 31 October 2016. It serves as an intermediate holding company in our Group.

HISTORY, DEVELOPMENT AND REORGANISATION

Hong Kong

KSL

KSL was incorporated in Hong Kong on 23 October 1998 as a limited liability company. KSL commenced its business in around November 1998. KSL principally engages in IT infrastructure solutions services, IT development solutions services and IT maintenance and support services. As at the date of incorporation of KSL, Mr. Yu and another independent third party held 9,999 shares and 1 share of KSL respectively. On 4 February 2004, the independent third party transferred his 1 share of KSL to Mr. Yu at the then par value of HK\$1. After the said transfer, Mr. Yu became the sole shareholder of KSL.

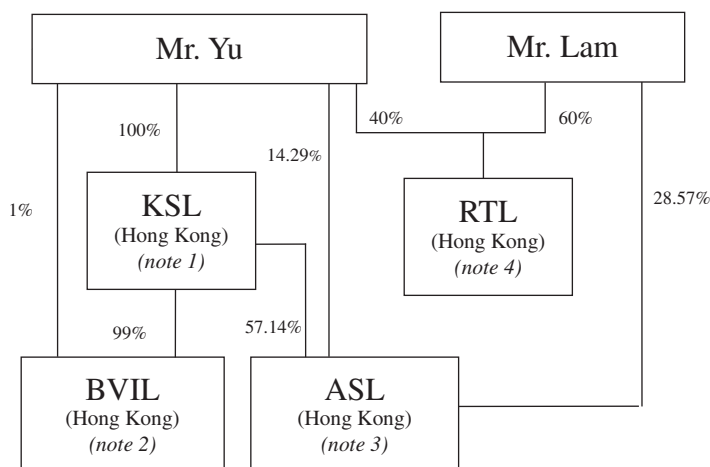
RTL

RTL was incorporated in Hong Kong on 10 May 2002 as a limited liability company. RTL commenced its business in around May 2002. RTL principally engages in IT maintenance and support services. Since 1 January 2015 (being the commencement date of the Track Record Period and immediately before the Reorganisation), 6,000 shares (representing 60% issued share capital of RTL) and 4,000 shares (representing 40% issued share capital of RTL) have been owned by Mr. Lam and Mr. Yu respectively.

SHAREHOLDING AND CORPORATE STRUCTURE

Prior to the Reorganisation

The following charts set out the shareholding and corporate structure of our Group immediately before the Reorganisation:



Notes:

- (1) KSL was owned as to 100% (10,000 shares) by Mr. Yu.
- (2) BVIL was owned as to 99% (4,950 shares) by KSL and as to 1% (50 shares) by Mr. Yu.
- (3) ASL was owned as to around 57.14% (4,000 shares) by KSL, as to around 28.57% (2,000 shares) by Mr. Lam, and as to around 14.29% (1,000 shares) by Mr. Yu.

HISTORY, DEVELOPMENT AND REORGANISATION

- (4) RTL was owned as to 60% (6,000 shares) by Mr. Lam and as to 40% (4,000 shares) by Mr. Yu. Mr. Yu and Mr. Lam got acquainted with each other in the Hong Kong University of Science and Technology during their studies in computer science. As disclosed in the section headed “Directors and Senior Management” in this prospectus, Mr. Lam was first employed as a managing consultant of our Group in February 2000, when he started his 17-year working relationship with Mr. Yu. Mr. Lam is currently a member of the senior management of our Group. For further information, please see the biography of Mr. Lam in the section headed “Directors and Senior Management” in this prospectus. In September 2010, Mr. Yu acquired RTL (which by then principally engaged in computer services), and as an incentive to Mr. Lam, Mr. Yu transferred shares of RTL to Mr. Lam. In June 2016, all shares of and in RTL were transferred to KSL as part of the Reorganisation.

In preparation for the Listing, we underwent the Reorganisation which involved a series of steps. The principal steps involved in the Reorganisation are summarised as below:

1. Transfer of shares in RTL

Given that the operation of RTL during the Track Record Period was not substantial, and subsequent to arm’s length negotiation between the parties, on 30 June 2016, Mr. Lam transferred his 60% interest in RTL to KSL at the consideration of HK\$100,024.80, and Mr. Yu transferred his 40% interest in RTL to KSL at the consideration of HK\$66,683.20. The considerations were determined with reference to the net asset value (which they consider the fair value in view of the insignificant amount of the revenue contribution) of RTL at the date of the said transfers. In FY2015 and FY2016, RTL’s revenue were approximately HK\$1.2 million and HK\$0.7 million respectively, and if the acquisition of RTL had been completed on 1 January 2015, for FY2015 and FY2016, RTL’s revenue would have accounted for only approximately 0.7% and 0.3% of our Group’s revenue respectively.

The considerations were settled by cheque. Accordingly, RTL was owned as to 100% by KSL.

2. Incorporation of VKL

On 16 August 2016, VKL was incorporated in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. On the date of incorporation, one share of VKL was allotted and issued to Mr. Yu for a consideration of US\$1.00. Accordingly, VKL has been owned as to 100% by Mr. Yu since its incorporation.

3. Incorporation of our Company

On 16 September 2016, our Company was incorporated in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. On the date of incorporation, one Share was allotted and issued at par to the initial subscriber. The one Share was transferred by the initial subscriber to VKL on the same date. On the same date, 99 Shares were allotted and issued at par to VKL. Accordingly, our Company has been owned as to 100% by VKL since the date of its incorporation.

HISTORY, DEVELOPMENT AND REORGANISATION

4. *Incorporation of KL*

On 14 September 2016, KL was incorporated in the BVI as a limited liability company with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. On 31 October 2016, one share of and in KL was allotted and issued at par to our Company. Accordingly, KL has been owned as to 100% by our Company since 31 October 2016.

5. *Transfer of shares in KSL*

On 31 October 2016, Mr. Yu transferred his entire interest in KSL to KL at an aggregate consideration of HK\$36,763,018, which was determined with reference to the net asset value of KSL at the date of transfer. The consideration was settled by KL allotting and issuing its one ordinary share to our Company at the instruction of Mr. Yu. Accordingly, KSL and RTL became indirect wholly owned subsidiaries of our Company.

6. *Transfer of shares in ASL and BVIL*

(a) Transfer of shares of and in ASL by way of nominal consideration

On 30 November 2016, KSL transferred its 57.14% interests in ASL to Mr. Yu for a nominal consideration of HK\$1.00. Accordingly, ASL was owned as to 71.43% by Mr. Yu and as to 28.57% by Mr. Lam. ASL has been dormant throughout the Track Record Period and up to the Latest Practicable Date.

(b) Transfer of shares of and in BVIL by way of nominal consideration

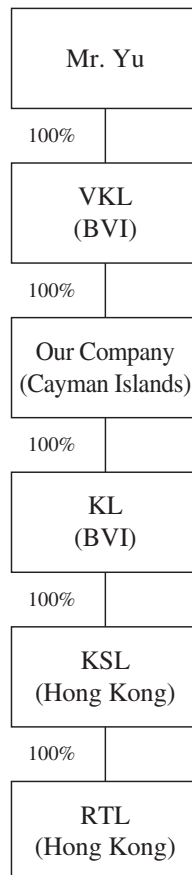
On 30 November 2016, KSL transferred its 99% interest in BVIL to Mr. Yu for a nominal consideration of HK\$1.00. Accordingly, BVIL was owned as to 100% by Mr. Yu.

Since ASL is currently dormant and BVIL has not carried on any substantive business except for the purpose of signing the office tenancy agreement and subscribing for telecommunication services during the Track Record Period, they are excluded from our Group. For details, see “Reasons For Excluding Businesses From Our Group” below.

HISTORY, DEVELOPMENT AND REORGANISATION

Prior to Capitalisation Issue and Share Offer

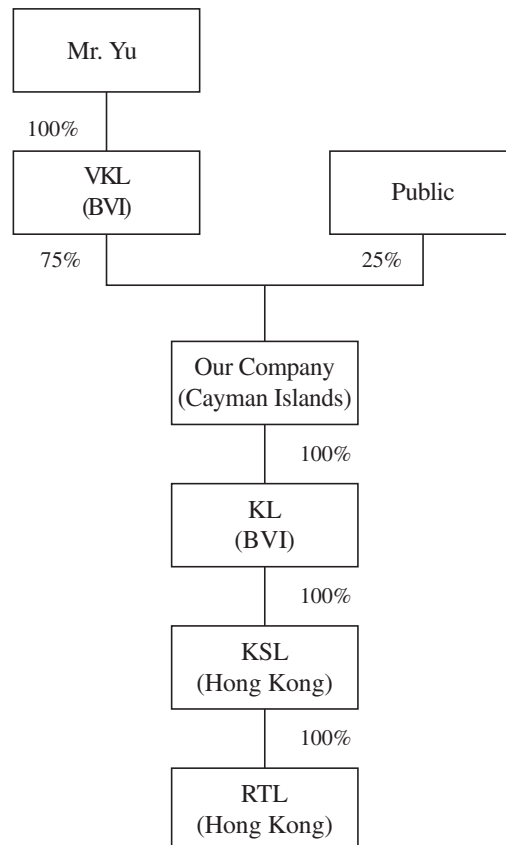
The following chart sets out the shareholding and corporate structure of our Group immediately after completion of the Reorganisation and before completion of the Capitalisation Issue and Share Offer (without taking into account any Shares which may be allotted and issued upon any exercise of the Offer Size Adjustment Option or options which have been or may be granted under the Share Option Scheme):



HISTORY, DEVELOPMENT AND REORGANISATION

Capitalisation Issue and the Share Offer

The following chart sets forth the corporate structure and shareholding structure of our Group upon completion of the Capitalisation Issue and Share Offer (without taking into account any Shares which may be allotted and issued upon any exercise of the Offer Size Adjustment Option or options which have been or may be granted under the Share Option Scheme):



REASONS FOR EXCLUDING BUSINESSES FROM OUR GROUP

Pursuant to the Reorganisation, Mr. Yu holds certain interest in ASL and BVIL which were excluded from or not included as part of our Group (the “**Excluded Group**”). Since ASL is currently dormant and BVIL has not carried on any substantive business except for the purpose of signing the office tenancy agreement and subscribing for the telecommunication services during the Track Record Period, they will not be included in our Group in order to simplify the group structure.

BUSINESS

OVERVIEW

Established in 1998, we are currently a well-established IT services provider with business portfolio including provision of IT infrastructure solutions services, IT development solutions services, and IT maintenance and support services, with approximately 19 years of experience in the IT consulting services industry in Hong Kong. Our principal businesses include:–

- (i) **IT infrastructure solutions services:** We assess our clients' needs and their existing IT infrastructure and provide IT infrastructure solutions services to our clients by advising them the hardware and/or software that their IT systems would require and procuring the relevant hardware and/or software, such as servers, storage systems, security systems, networking equipment, application server, email system and relational database management system from a number of authorised distributors or third party suppliers and integrating them with our clients' IT systems. The provision of IT infrastructure solutions services was our major source of revenue during the Track Record Period.
- (ii) **IT development solutions services:** Our provision of IT development solutions services generally includes system analysis and design, software development and technology consultancy. We provide IT development solutions services on a project basis.
- (iii) **IT maintenance and support services:** Following the completion of our provision of the aforesaid IT services, our clients may engage us to provide on-going maintenance and support services under a separate engagement. Some clients also engage us for providing maintenance and support services on hardware and/or software purchased or developed from third party suppliers.

During the Track Record Period, the revenue of our Group amounted to approximately HK\$187.3 million, HK\$184.2 million and HK\$181.0 million, respectively. A breakdown of our Group's revenue by business segment is set out below:–

	Year ended 31 December					
	2015		2016		2017	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
IT infrastructure solutions services	146,481	78.2	135,874	73.7	121,927	67.4
IT development solutions services	30,728	16.4	35,500	19.3	36,197	20.0
IT maintenance and support services	10,125	5.4	12,873	7.0	22,846	12.6
Total	187,334	100.0	184,247	100.0	180,970	100.0

BUSINESS

During the Track Record Period, we completed over 1,120 IT infrastructure solutions projects, IT development solutions and IT maintenance and support services projects with an aggregate contract sum of over HK\$560 million. As at 31 December 2017, we had over 100 ongoing IT infrastructure solutions projects, IT development solutions and IT maintenance and support services projects awarded by over 50 clients with an aggregate contract sum of over HK\$120 million.

The following table sets out the summary of contracts completed by our Group during the Track Record Period:–

	Year ended 31 December								
	2015			2016			2017		
	Number of contracts undertaken	Total contract sum	Revenue recognised	Number of contracts undertaken	Total contract sum	Revenue recognised	Number of contracts undertaken	Total contract sum	Revenue recognised
	<i>HK\$'000</i>			<i>HK\$'000</i>			<i>HK\$'000</i>		
Number of clients	138			121			128		
Number of completed contracts	398			338			385		
Contract sum of HK\$10,000,000 or above	2	34,268	29,957	3	41,018	29,932	2	41,562	11,660
Contract sum below HK\$10,000,000 but at or above HK\$1,000,000	61	150,402	88,521	63	156,270	102,043	62	178,079	106,425
Contract sum below HK\$1,000,000 but at or above HK\$100,000	202	70,899	62,605	187	59,394	47,027	218	71,047	56,602
Contract sum below HK\$100,000	189	6,772	6,251	171	6,235	5,245	213	7,570	6,283
Total	454	262,341	187,334	424	262,917	184,247	495	298,258	180,970

Our clients include government and public bodies, local and multinational enterprises covering various industries ranging from retail, distribution and trading, TMT, transportation and logistics, banking and finance and insurance. During the Track Record Period, nearly all of our services were provided in Hong Kong and only approximately 0.1%, 2.0% and 1.9% of our revenue was generated from services provided to our clients in Macau, respectively.

BUSINESS

We started to provide basic system support, design and development services to a government authority of the Hong Kong Government in 1999 and became an authorised prime contractor of one of the categories of the Standing Offer Agreement for Quality Professional Services of the Hong Kong Government (“**SOA-QPS**”) in 2005. In 2013, we became an authorised prime contractor of all four categories of the SOA-QPS, which allowed us to take on different types of IT projects of the Hong Kong Government. As at the Latest Practicable Date, we had remained as an authorised prime contractor of all four categories of the SOA-QPS and an approved contractor of categories A and B in supplying personal computer equipment and providing related services to various government departments of the Hong Kong Government under the SOA (“**SOA-PC Bulk**”). In 2017, 94 Standing Offer Agreements have been awarded to 49 companies under the SOA-QPS4. During the Track Record Period, our provision of services to the Hong Kong Government included IT infrastructure solutions services, IT development solutions services, and IT maintenance and support services. The details of the categories of SOA-QPS, SOA-Server Bulk and SOA-PC Bulk are set out in the paragraph headed “Our Competitive Strengths – We are a recognised and short-listed Hong Kong Government IT services provider with long service records” in this section below.

For a majority of our projects during the Track Record Period, we were normally engaged to provide our services to end-users (excluding other IT services providers) directly. For the remaining projects, we were engaged by intermediaries, such as other IT services providers and/or as the subcontractor which we were typically assigned part of the main contractors’ obligations under the main contract for the project and were mainly responsible for part of the IT solution works. To the best knowledge and information of our Directors, we were engaged as subcontractors when such IT services providers had difficulty in providing certain specialised IT services in-house.

As a business partner of a number of well-known IT products vendors, our clients are able to procure a variety of hardware and software directly from us for integration into their IT systems. During the Track Record Period, our suppliers mainly consist of IT products vendors and their resellers or distributors in Hong Kong. As at the Latest Practicable Date, we were the platinum business partner of Supplier B, the gold partner of Vendor H and the gold partner of Supplier G. We were able to achieve such rankings mainly due to our abilities to meet certain benchmarks set by the IT products vendors such as (i) our actual sales volume each year; (ii) our technical capabilities and knowledge demonstrated by passing competency assessments of such vendors; and (iii) our relationship with clients. For further details, please refer to the paragraphs headed “Our Suppliers – Business partnership programmes” and “Our Relationship with Supplier B” in this section below.

Our suppliers also consist of other IT services providers which are engaged by us to act as our subcontractors to provide assistance to our provision of IT services. During the Track Record Period, we subcontracted certain work in our provision of IT development solutions services such as feasibility studies, security risk assessment and audit services and web page design in order to minimise our need to employ a large labour force or specialised expertise and to increase our flexibility and cost effectiveness in our resource management. During the Track Record Period, our subcontracting cost amounted to approximately HK\$30.8 million, HK\$24.0

BUSINESS

million and HK\$29.2 million, respectively, which accounted for approximately 20.4%, 17.0% and 20.4%, respectively, of our total cost of sales, for the relevant year. For further details, please refer to the paragraph headed “Subcontracting” in this section below.

Going forward, we expect that we will strengthen and expand our existing IT infrastructure and development solutions business. We will specifically focus our resources on developing our IT services in serving banking, finance and insurance industry and government bodies in Hong Kong with an aim to becoming a domain expert in such industries. We will also continue to enhance our research and development to cope with the technology advancement.

OUR COMPETITIVE STRENGTHS

Our Directors believe that we have the competitive strengths described below:-

We are able to offer comprehensive and tailor-made and quality IT solutions services to cater for our clients’ needs

We have been in the IT consulting services industry since 1998. We offer a wide range of IT services ranging from providing software licences to comprehensive, tailor-made one-stop IT solutions services which may encompass (i) consultation and assessment; (ii) procurement of hardware and/or software; (iii) design and implementation; and (iv) on-going support and maintenance. Leveraging on our good business relationships with various IT products vendors, we are able to offer IT related project management as well as a wide range of solution offerings to help our clients minimising the chance of encountering IT crisis or solution problems. As IT technology advances rapidly, when our clients subscribe for a new system, they need a bridging between their existing old system and the new system. In this connection, we have extensive experience in providing tailor-made architecture services which involve integration of different IT systems of our clients. We also provide rule-based engine solutions under which we help our clients to store and manipulate knowledge to interpret information in a useful way so as to enhance their operation efficiency. Due to our in-depth knowledge and experience in providing IT infrastructure and development solutions, our clients also engage us to provide testing services on their systems. To offer flexibility and efficiency to our clients, we also offer nursing period (as part of our IT infrastructure or development solutions) and/or secondment services to our clients where our staff will be stationed at our client’s office to serve them exclusively.

To ensure the service quality and security of our IT solutions, we also apply ISO20000 (Information technology service management) as standard of our internal workflows and quality control. For details of our quality control, please refer to the paragraph headed “Quality Control” in this section below. We believe that our ability to provide our clients with convenience, flexibility and efficiency at a reasonable cost allows us to build long term business relationships with our clients. As at the Latest Practicable Date, we have maintained business relationship ranging from three to 19 years with our five largest clients during the Track Record Period.

We have a wide and solid client base

We have a solid client base consisting of government and non-government public bodies, local and multinational enterprises covering various industries ranging from retail, distribution and trading, TMT, banking and finance, insurance, transportation and logistics. With a diversified client base, we do not rely on any single client and in case of a downturn in any particular industry, our Directors believe that the impact on the business and financial position of our Group could be reduced. We served over 120 clients per year for FY2015, FY2016 and FY2017. Since most of our clients are well-known enterprises and government and statutory bodies, from time to time, we receive sophisticated and complicated requests which may involve modification and integration of different IT hardware and/or software. During the Track Record Period, we were able to fulfil our clients' requirements to their satisfaction and had not received any material complaints so far.

Our Directors consider that due to our strong technical skills and IT knowledge and ability to deliver comprehensive and tailor-made IT solutions, we have established stable business relationships with our major clients.

We believe we have developed and maintained good reputation among our clients as a result of our ability to deliver complex IT solutions in a timely manner at a reasonable cost.

We are a recognised and short-listed Hong Kong Government IT services provider with long service records

Our commitment in quality and professionalism has been highly recognised, witnessed by the repeated award of the authorised prime contractor of SOA-QPS of the Hong Kong Government since 2005.

As at the Latest Practicable Date, we were capable to provide SOA-QPS services covering all four service categories, namely (1) pre-implementation and independent programme and project management services; (2) on-going services; (3) implementation and combined system development services; and (4) information security and independent testing services, to the Hong Kong Government, which allowed us to take on different types of IT projects of the Hong Kong Government. For service categories 2 and 3, the projects are classified into minor service group and major service group. The projects in the minor service group cover those with work assignment value not exceeding HK\$3 million, while the projects in the major service group cover those with work assignment value over HK\$3 million but not exceeding HK\$15 million. For service categories 1 and 4, there are no subdivision and the value of each service contract shall not exceed HK\$15 million. As at the Latest Practicable Date, there were only five companies in Hong Kong (including our Group) which have obtained all four service categories of the SOA-QPS.

BUSINESS

In 2017, 94 Standing Offer Agreements have been awarded to 49 companies under the SOA-QPS4. During the Track Record Period, our Hong Kong Government projects included “Departmental Information Technology Planning cum Information Systems Strategy Review for the Census and Statistics Department” awarded in November 2017 under category 1; “System Maintenance and Support for Case Monitoring System for the Land Administration Office of Lands Department” awarded in October 2016 under category (2 – minor service); “Combined System Development Services Of the Computer Aided Personal Interview System for the Census and Statistics Department” awarded in January 2015 under category (3 – major service); and “Independent Testing Services for the Asbestos Control Work Information Management System for the Environmental Protection Department” awarded in January 2016 under category 4.

We became one of the approved contractors under categories A and B of SOA-PC Bulk in January 2017. Category A of SOA-PC Bulk refers to the supply, delivery, installation, commissioning and maintenance of computer equipment, software items, printers, other peripherals and support services, while category B of SOA-PC Bulk refers to the provision of add-on software. During the Track Record Period, we have undertaken a total of 66, 61 and 67 contracts awarded under the Standing Offer Agreements of the Hong Kong Government with an aggregate contract sum of approximately HK\$52.3 million, HK\$42.8 million and HK\$36.7 million, respectively. During the Track Record Period, our revenue attributable to the Standing Offer Agreement amounted to approximately HK\$28.0 million, HK\$21.6 million and HK\$13.4 million, respectively.

During the third generation of the SOA-QPS (i.e. SOA-QPS3) from August 2013 to August 2017, we had undertaken IT projects with a total contract sum of approximately HK\$64.4 million out of the total contract value of over HK\$1.3 billion awarded by the Hong Kong Government to various IT services providers. The Hong Kong Government has announced that the total contract value of SOA-QPS4 is estimated to be over HK\$1.5 billion. With the increasing investment by the Hong Kong Government in IT infrastructure and systems, it is expected that we will also benefit by being awarded with more projects and/or projects of larger contract sum, thereby increasing the revenue and profits of our Group during the 48-month period of SOA-QPS4. For further details relating to the major criteria for obtaining each of the four service categories of SOA-QPS, please refer to the paragraph headed “Awards and Qualifications” in this section below.

We believe being one of the prime contractors of the Hong Kong Government offers us an unparalleled advantage over other IT solutions and services companies.

We have well-established relationships with major international IT products vendors

Due to our strong technical skills and project management experience, our Group has well-established long term relationships with major international IT products vendors, in particular, Supplier B. As at the Latest Practicable Date, we were the platinum business partner of Supplier B, the gold partner of Vendor H and the gold partner of Supplier G. Please refer to the paragraph headed “Our Suppliers – Business partnership programmes” in this section

BUSINESS

below for further details. Our Directors are of the view that we had been able to achieve such rankings mainly due to our ability to meet certain benchmarks set by the IT products vendors such as (i) our actual sales volume each year; (ii) our technical capabilities and knowledge demonstrated by passing competency assessments of such vendors; and (iii) our relationship with clients.

As one of the high ranking business partners, we are able to maintain our competitiveness in the market since we are able to obtain more resources and technical support. We are able to receive funding and technical support from the IT products vendors for organising marketing activities. We may also participate in trainings, workshops and forums given by them to equip our employees with the latest technical knowledge of the hardware, software and/or IT infrastructure solutions.

Our business partner status also enables us to participate in certain incentive programmes offered by the IT products vendors and their authorised distributors. Under such incentive programmes, upon fulfilling certain performance achievements, discounts may be directly granted to us or our cost of procuring hardware and software from the IT products vendors or distributors may be reduced by cash incentive depending on the programme. For further details, please refer to the paragraph headed “Our Suppliers – Incentive programme” in this section below.

Furthermore, due to our close collaboration with the IT products vendors, our extensive technical capabilities and in-depth understanding of IT requirements of different industries, we have been engaged to act as subcontractor to provide services to the IT products vendors.

Our Directors are therefore of the view that our well-established relationships with these IT products vendors have facilitated our capability to deliver customised and high quality IT services to meet the ever-changing IT requirements of our clients in a timely and cost-efficient manner and assisted our Group in attracting and retaining clients.

We have an experienced management team with in-depth business knowledge of our key clients and leading edge technical skills

We believe that the vision and extensive experience of our management team is fundamental to our success. Our management team is led by, among others, Mr. Yu, who has over 18 years of experience in information technology and business management and consists of members that specialise in different areas of business operation, for example, Mr. Wu Chi Cheong Frederick for formulating business strategy, Mr. Lam for overseeing sales team and operation team and Mr. Luk Yeung Sing for liaising with our IT product vendors and/or subcontractors. Please refer to the section headed “Directors and Senior Management” in this prospectus for the biographical details of our Directors and senior management.

As at the Latest Practicable Date, over 80% of our technical staff held tertiary education qualifications. By attending regular trainings offered by our IT product vendors and external parties, our technical team possesses in-depth knowledge in IT as well as a thorough

BUSINESS

understanding of the trends in IT industry. Up to the Latest Practicable Date, our sales and technical team obtained over 200 certifications and accreditations by completing the trainings and workshops given by the IT products vendors and professional/certification organisations. Coupled with our sales team who communicates closely with our clients to understand their business needs and actively seeks business opportunities, we believe that our Group will meet the ever-changing needs of the market demand and deliver IT solutions that best suit our clients.

OUR BUSINESS STRATEGIES

Our objective is to maintain our position as a well-established IT services provider in Hong Kong by pursuing the following strategies. For details of our implementation plan, please refer to the section headed “Statement of Business Objectives and Use of Proceeds” in this prospectus.

Develop IT solutions services tailored for finance and insurance sectors

We intend to explore more business opportunities in IT infrastructure and development solutions for finance and insurance industries in Hong Kong as these sectors generate relatively high gross profit margin for our Group during the Track Record Period.

According to the Frost & Sullivan Report, the total IT expenditure for finance and insurance industries in Hong Kong is expected to grow at a CAGR of 6.6% and 8.2% from 2018 to 2022, respectively. It is expected that these two industries will make further investment in enhancing their IT infrastructure and therefore create business opportunities for IT services providers. These segments generally require sophisticated IT systems and solutions for their business operation and it is a recent trend for companies in these segments to outsource non-core IT related operations so as to improve efficiency and reduce daily operation expenses.

In light of the increasing demand for IT services from the finance and insurance industries in the future as described above, we intend to capture such emerging business opportunities to further expand our service offerings and client base. As at the Latest Practicable Date we had 16 potential projects in the pipeline for such IT services with a total estimated contract sum of around HK\$22 million (the “**Projects in Pipeline**”). However, we may not be able to outcompete the other market players in obtaining the relevant bid/contracts as we currently do not have any technical staff who have industry-specific IT knowledge and skills. Therefore, we will recruit industry domain technical specialists who possess the relevant skills and experience in provision of IT services specific to the operations of the relevant industries. We plan to recruit one industry domain technical specialist for each of the finance industry and insurance industry who are expected to possess a degree or above in information technology or equivalent with over seven years of relevant industry experience. In addition, they are expected to have, among others, the following knowledge and qualification:

1. architecture and design of middleware and database applications with good knowledge of data tools in the area of business intelligence, extract, transform, load (ETL) and reporting;

BUSINESS

2. good knowledge of service-oriented architecture, architecture documentation methods, and enterprise application integration and cloud/virtualisation; and
3. TOGAF 9 Certification or equivalent and Cloud Computing Applications.

Currently, our existing staff does not possess sufficient knowledge/experience in relation to the abovementioned aspects and the requisite qualification. Such specialists will mainly be responsible for designing the enterprise information technology architecture for our IT solutions such as fintech and cloud technology which caters for finance and insurance industries specifically. We believe that by leveraging on the specific knowledge and experience of these specialists, we can maintain a more effective communication with our clients and help us to better understand our client's needs and the market prospect. It is expected that the recruitment of the industry domain technical specialists, coupled with our existing knowledge, experience and reputation in industry as well as the Listing status, would enhance our competitive edge and increase our chance of being awarded the Projects in Pipeline mentioned above and to obtain more projects which involve provision of more complicated IT solutions that require specific knowledge of IT applications for operations in these industries, as compared to the general/basic IT solutions provided by us to these industries in the past. In particular, our Directors believe that the qualifications of the industry domain technical specialists can assist us in the preliminary assessment of the needs of such clients and proactively providing recommendations for the clients in relation to the IT architecture specific to the business operation of the finance and insurance companies for the Projects in Pipeline and any future projects. They would also oversee the implementation of various stages of the Projects in Pipeline and ensure the smooth delivery of our services. In addition, certain of the Projects in Pipeline may involve cloud and IoT technology, an area which we also wish to further develop as part of our expansion plan. As the new industry domain technical specialists to be hired would also possess the relevant qualifications and experience in cloud computing, we believe that they can also help identify suitable solutions in this aspect for our clients in the relevant Projects in Pipeline. Our Directors believe that the abovementioned factors justify a higher price to be charged by our Group for such IT solutions provided to these industries.

Each of the abovementioned industry domain technical specialists is expected to have monthly salary of approximately HK\$127,000 which, according to the Frost & Sullivan Report, is in line with the prevailing market rates of the range of around HK\$136,000 to HK\$142,000. We intend to utilise up to approximately HK\$6.1 million, representing approximately 20.9% of the net proceeds of the Listing, for the recruitment of industry domain technical specialists.

Expand the application of ERP system in our IT development solutions services

According to the Frost & Sullivan Report, the application of ERP system allows easier tracking of workflow across various departments, reduces operational costs and unifies a single reporting system for analysis of real-time business data, which is beneficial to clients in various sectors. Our Directors believe that by enhancing our expertise in this area we can improve our gross profit margin in the IT development solutions services provided by us.

BUSINESS

We aim to achieve this by recruiting an additional supplier product specialist, whose qualification and knowledge of particular products would assist our sales team in promoting the ERP related products and assist our professional services team in the product delivery and implementation. It is expected that such supplier product specialist possesses the relevant certification in relation to ERP system which our existing staff does not have and that they have extensive experience in ERP system development and implementation. By engaging this specialist, our Directors believe that they can increase the chance of securing new businesses from clients for ERP related products and ensure smooth execution of such projects.

Such supplier product specialist is expected to possess a degree or above in computer science or related area and three to five years of relevant industry experience with expected monthly salaries of approximately HK\$41,000 which, according to the Frost & Sullivan Report, is in line with the prevailing market rates of around HK\$43,000. We intend to utilise up to approximately HK\$1.0 million, representing approximately 3.4% of the net proceeds of the Listing, for the recruitment of supplier product specialist.

Maintain fund for performance bond and contract deposit

In some occasions, we are required to provide performance securities in the form of performance bond or contract deposit to the client to ensure our due performance during the contract term and the security sum will only be released upon completion of the project. As at 31 December 2015, 31 December 2016, 31 December 2017 and the Latest Practicable Date, we had outstanding performance bonds with an aggregated sum of approximately HK\$1.3 million, HK\$0.4 million, HK\$0.8 million and HK\$1.0 million, respectively, and contract deposits paid directly to our clients with an aggregated sum of approximately HK\$1.4 million, HK\$1.8 million, HK\$2.2 million and HK\$2.8 million, respectively. According to the Frost & Sullivan Report, it is common in the industry that performance bond is still required for listed companies in project tendering. Hence, if we want to commit to more projects or projects of larger scale, we need to maintain and strengthen our liquidity position to ensure we have sufficient working capital for our business operations. We intend to apply approximately HK\$2.0 million, representing approximately 6.9% of the net proceeds of the Listing, as security sum for financing our engagement in these projects. According to the Frost & Sullivan Report, IT expenditure by the Hong Kong public sector grew from HK\$4.7 billion in 2012 to HK\$8.4 billion in 2017, representing a CAGR of 12.3%, and is expected to continue to grow to HK\$12.5 billion in 2022 at a CAGR of 7.7%. In addition, the Hong Kong Government has announced that the total contract value of SOA-QPS4 is estimated to be over HK\$1.5 billion. With the increasing investment by the Hong Kong Government in IT infrastructure and systems, we expect that we can secure more government contracts and/or government contracts with larger contract sum in the future following the award of SOA-QPS4 to us in July 2017. As at the Latest Practicable Date, we have been awarded 18 projects under SOA-QPS4 with a total contract sum of approximately HK\$16.4 million.

Provision of cloud computing and IoT products

As the IT industry is a fast-pace evolving industry, we believe that it is essential for our Group to keep pace with the technological advancement and equip ourselves with new techniques and skill sets to formulate new product and service ideas. In particular, we intend to expand our business with respect to cloud computing and IoT products.

According to the Frost & Sullivan Report, with the development of internet technology, cloud servers and IoT grow in popularity in an increasing number of industries as they can facilitate more flexible and convenient way for data exchanges; clouding computing and IoT could also improve correlation, accuracy and timeliness of traffic information services, and shift services online which increases flexibility and convenience in handling business. These two technologies can complement each other and help achieve intelligent operation and management of various aspects of business. The development of these technologies creates demand for IT consulting services, which arises from the need of system integration, upgrade, and installation of communication infrastructure in relation to such technologies. Such development is further promoted by the Hong Kong Government's supportive policies and initiatives, for example, the Digital 21 Strategy and the launch of an official cloud platform of the Hong Kong Government named GovCloud in 2013.

In addition, according to the Frost & Sullivan Report, it is expected that it will be a future trend for the companies to lease IT software or systems with the aid of the cloud technology from IT services providers for the use in their business operations and pay service fees on a periodic basis instead of developing their own IT software or systems by making a substantial investment upfront.

According to the Frost & Sullivan Report, the shift from capital expenditure to operational expenditure model in respect of IT investments as mentioned above provides a number of advantages to the clients, for example, (i) alleviating the need to incur a large amount of investment costs at one time; (ii) providing flexibility for clients to procure the rental services on an as-needed basis and to switch to other systems in light of any change in their business operations or advancement in technology; and (iii) saving the maintenance costs, staff costs and other administrative expenses in relation to the operation of the IT systems. The abovementioned advantages arising from the shift to operational expenditure model encourage the companies to upgrade their IT software or systems, which brings more business opportunities to the IT services providers. At the same time, our Directors believe that the operational expenditure model provides a relatively more stable and sustainable source of income to our Group as we would be engaged in provision of ongoing services to our clients rather than a one-off project of non-recurring nature.

Further, according to the Frost & Sullivan Report, business digitalisation with the integration of the latest information technology can help enterprises to simplify their operation and management process, enhance operation flexibility and efficiency, reduce operational costs, and facilitate multi-dimensional communication with a larger customer base. By combining digitalised methods with the conventional business forms such as introducing

BUSINESS

cloud-based service solution or delivering services with the aid of online platform, enterprises are able to capture more business opportunities. Accordingly, it is a current trend that enterprises are making more efforts on their business digitalisation process which in turn leads to substantial demand for cloud computing and IoT products.

For further details relating to the market outlook and benefits of the development of cloud computing and IoT to the IT services providers like us, please refer to the paragraph headed “Industry Overview – IT Consulting Services in Hong Kong – Cloud computing and IoT” in this prospectus. In light of the increasing popularity of cloud computing and IoT products in both public and private sectors, we plan to further expand our business in this market in order to broaden the range of our services and thereby maintain our competitive edge in the IT industry.

We plan to provide cloud computing and IoT products either by (i) developing our own cloud computing and IoT products based on available IT resources in the market or (ii) acquiring such cloud computing and IoT products readily available in the market, depending on the cost, the then market perception and acceptance to the pricing of such products.

To achieve the above, we plan to hire one specialist specialising in software development and one technician specialising in hardware development. They are expected to possess a bachelor’s degree or above in computer science or related technical field and over five years of experience in the IT industry and project management. They are also expected to have extensive knowledge and experience in cloud technologies, storage technologies, business continuity and disaster recovery solutions, and analytical problem solving skills, etc. The software development specialists should possess certificate in relation to cloud computing while the hardware development specialists should have the requisite expertise to qualify for the cloud data centre specialist designation. Currently, our existing staff does not possess sufficient knowledge/experience in relation to the abovementioned aspects. Such specialists will be responsible for designing and building systems for monitoring and managing the cloud infrastructure, as well as developing the related tools for back up and disaster recovery solutions. With the extensive knowledge of the software and hardware development specialists on cloud computing and IoT products, our Directors believe they can also assist our sales team in promoting such products to our clients and designing the implementation plan for the use of such products in the IT infrastructure of our clients to be executed by our technical team.

The abovementioned new specialist and technician are expected to have monthly salary of approximately HK\$41,000 which, according to the Frost & Sullivan Report, is in line with the prevailing market rates in the range of around HK\$43,000 to HK\$46,000. We will also acquire IT resources such as application development tools, application platform and database to develop the cloud computing and IoT products.

We intend to utilise approximately HK\$7.8 million, representing approximately 26.8% of the net proceeds of the Listing, for our provision of cloud products and IoT projects, among which approximately HK\$1.9 million is expected to be used for recruitment of new staff and approximately HK\$5.9 million is expected to be used for acquisition of new equipment.

BUSINESS

The table below sets out the breakdown of costs of IT resources to be acquired for developing cloud and IoT products:–

	<i>HK\$'</i> <i>(million)</i>
Infrastructure	
Hardware (e.g. server, application, database)	0.3
Software (e.g. tooling, operating system, database)	0.4
IT connectivity (e.g. routers, switches, firewall, bandwidth)	0.1
Cloud subscription	
Two-year annual subscription fee	3.5
System	
Software solution development – implementation fee	1.3
Software solution development – annual maintenance service fee	<u>0.3</u>
Total	<u><u>5.9</u></u>

Our Directors believe that the net proceeds from the Listing allows us to develop our own cloud and IoT solutions, which require capital resources as well as available talents in order to stay abreast of the market trends in our industry. In addition, our Directors believe that we can derive income from our intellectual property rights in relation to such cloud and IoT solutions with relatively less human resources compared to traditional IT solutions projects which tend to be more labour-intensive, and thus generating relatively higher profit margin. Our Directors also believe the trend of transition from capital expenditure to operational expenditure model in IT investments with the aid of cloud technology provides a stable and sustainable source of recurring income to us, which would have a positive impact on the future growth of our business.

During FY2017 and up to the Latest Practicable Date, we had seven contracts on hand for provision of cloud computing and IoT solution services. We have gained experience in providing cloud computing and IoT solution services and have been able to collaborate with some cloud service providers through our involvement in these projects. Our management, in particular our chief partnership officer Mr. Luk Yeung Sing and our chief strategy officer Mr. Wu Chi Cheong Frederick have relevant experience in cloud computing and IoT products development. However, currently we do not have any in-house specialist to assist our management to execute the business strategies in designing and building cloud computing and IoT solution services and we do not have in-house infrastructure (such as server, tooling and operation system, etc.) for cloud computing and IoT development and we do not have long-term cloud subscription as we rely on third party service providers for such infrastructure and cloud subscription. We also plan to engage our newly hired industry domain technical specialists in our expansion plan to offer training to our existing technicians to enrich their know-how in this area. With our experience in providing cloud computing and IT solution services, together with the software specialist and hardware technician and the necessary infrastructure that we plan to hire and acquire using the net proceeds of the Listing, our

BUSINESS

Directors believe that we would be able to capture the market growth in cloud computing and IoT products. For details relating to the associated risks faced by us in relation to the development of cloud computing and IoT, please refer to the paragraph headed “Risk Factors – We are subject to various risks relating to the development of cloud computing and IoT solutions” in this prospectus.

Develop technical support centre to enhance our service quality

Our Group intends to develop a technical support centre for our IT infrastructure and development solutions so that when our clients have queries about the function and capabilities of our IT infrastructure and development solutions, we can demonstrate how to utilise our solutions physically at the technical support centre and respond to our clients’ queries directly. We plan to set up the technical support centre by redesignating a particular area of our headquarters in Kwun Tong, Hong Kong. It is expected that approximately HK\$0.5 million, representing 1.7% of the net proceeds of the Listing, will be used for renovation of the technical support centre and approximately HK\$2.0 million, representing approximately 6.9% of the net proceeds of the Listing, will be used for acquiring the relevant hardware, software and equipment. Further, we plan to allocate around one to two of our existing employees to be responsible for the operation of the technical support centre. We believe the technical support centre will offer a well-equipped place where we can provide demonstrations, trainings, workshops and proof of concepts services to our clients.

Strengthen our marketing efforts

We aim to promote our Group and increase our Group’s exposure by participating in IT industry exhibitions and IT award competitions and organising marketing events. It is also our plan to organise seminars for professional parties and potential clients as well as client relationship events so as to expand and strengthen our client base. Independent public relations firm will also be engaged to enhance our brand image. We plan to incur (i) approximately HK\$1.75 million for engaging an independent public relations firm; and (ii) approximately HK\$0.25 million for participating in IT industry exhibitions and IT award competitions and organising marketing events. In total, we intend to utilise approximately HK\$2.0 million, representing approximately 6.9% of the net proceeds of the Listing, for our aforesaid plans in strengthening our marketing efforts.

Enhance the expertise of our professional team

We believe that human resources are of paramount importance to our business operation and therefore we intend to deploy sufficient resources to hire and cultivate experienced and well-trained members of our professional team. We will provide subsidies to our Group’s professional team on continuing education programme and offer internal and external continuous professional training programmes to our staff so that our staff can keep pace with the technological changes and industry standard. We intend to utilise approximately HK\$1.5 million from the net proceeds of the Listing, representing approximately 5.1% of net proceeds of the Listing, to provide training and recruitment of professional team members.

BUSINESS

Enhance our Group's management information system

We will strengthen and continue to develop our management information system so as to ensure the quality of our services and products. The function of the Group's existing management information system is to record the resources used, the manpower costs and the schedule of delivery of our services and products for our projects in the form of work-breakdown structure, which is a model that the entire job is subdivided into manageable work elements.

We plan to recruit one specialist specialising in software quality assurance with expected monthly salaries of approximately HK\$41,000 which, according to the Frost & Sullivan Report, is in line with the prevailing market rates of around HK\$44,000 to assist in enhancing the system to improve areas such as overall system usability on mobile devices, data collection, analysis and updates, trend and forecast analysis, and system integration. In particular, we wish to (i) speed up the data collection and analysis process; (ii) enhance users' convenience to allow access to the system on mobile devices; (iii) improve the data accuracy with the aid of real-time data update; (iv) link up with users in different departments to improve the effectiveness of workflow and data accuracy via integration with other systems; (v) speed up the month-end closing process in accounting; and (vi) generate different types of reports for management review and analysis. Such specialist is expected to possess a degree or above in computer science or related area and have over five years of work experience in quality assurance and eight years of work experience in IT industry. The specialist is also expected to have obtained certification in relation to project management and/or quality assurance, and have experience in establishing and improving quality assurance processes for software services and/or products. Currently, our existing staff does not possess sufficient knowledge/experience in relation to the abovementioned aspects.

Our Group will commit ourselves to the enhancement of the quality information management system by adopting other industry standards and continue to carry out the improvement work for our internal control system. We intend to utilise approximately HK\$4.4 million, representing approximately 15.2% of the net proceeds of the Listing, to strengthen our information management system, among which (i) approximately HK\$2.9 million will be used to enhance the system by purchasing appropriate software and hardware and if required, procuring services from other IT services provider(s); and (ii) approximately HK\$1.5 million will be used to recruit the specialist for software quality assurance mentioned above.

The table below sets out the breakdown of costs of software and hardware to be acquired for enhancing the system:–

	<i>HK\$'</i> <i>(million)</i>
Infrastructure	
Hardware and software (e.g. computers, firewall, routers)	0.1
Cloud subscription	
Three-year annual subscription fee	2.2
System	
Software solution development – implementation fee	0.3
Software solution development – annual maintenance service fee	0.3
Total	2.9

OUR PRINCIPAL BUSINESS

The business model of each of our Group's business segments is summarised below:–

IT infrastructure solutions services

Scope of services: We assess our clients' needs and their existing IT infrastructure and provide IT infrastructure solutions services to our clients by advising them the hardware and/or software that their IT systems would require and procuring the relevant hardware and/or software, such as servers, storage systems, security systems, networking equipment, application server, email system and relational database management system from a number of authorised distributors or third party suppliers. We configure and customise the hardware and software in accordance with our clients' requirements and specifications and then integrate them with our clients' IT systems. Thereafter, we perform data migration, updating of our clients' existing IT systems and testing to ensure compliance with our clients' specifications. Separately, we may also conduct privacy impact assessment and privacy compliance audit for IT systems built by other third party IT services providers.

During the Track Record Period, we provided, among other things, the following IT infrastructure solutions to our clients:

- Virtualisation: the use of software to virtualise physical devices or resources, such as servers, storage devices, desktops or networks, allowing multiple operating systems and applications to run on the same server at the same time;
- Cloud computing: the delivery of on-demand computing resources (such as servers, networks, storage and applications), everything from applications to data centres over the internet;
- E-mail and collaboration: we design and integrate the email, calendar and contact features in personal computers and/or mobile devices;
- Mobile device management: the use of software to manage mobile devices and protect mobile application data reside on the devices; and
- Cyber security: the protection of computers data, network and programmes against unintended or unauthorised access, attack, change or destruction.

Payment and pricing: The service fee for our IT infrastructure solutions service contracts is generally a fixed fee, taking into account our clients' requirements, scope of work, costs for carrying out the contract with reference to the costs of procuring the relevant hardware and/or software and whether any sub-contractor is engaged. Our fee is payable either in one lump sum for sales of hardware and/or software after delivery or by installment after completion of specified progress milestone set out in the contract if other services are involved. For certain service contracts entered into with the Hong Kong Government and the non-government public bodies, we are required to provide performance securities in the form of performance bond or contract deposit. Our service is deemed to be completed once the clients accepted the result of the user acceptance test.

IT development solutions services

Scope of services: We generally provide tailor-made IT development solution services to our clients that cater for their own requirements. Our services usually entail system analysis and design, system development and technology consultancy. Depending on the project requirements and whether there is any hardware and/or software readily available from our suppliers, we may procure the relevant hardware and/or software from the IT products vendors and/or customise them on our own in order to fulfil our clients' needs.

We also provide system pre-implementation services such as conducting IT plan and feasibility and technical study to help our clients preparing project tender documents. If required, we would design a preliminary IT application solutions to check the feasibility of the project.

Our clients may also engage us, either as part of the IT development solutions provided or as a separate service engagement, to provide security risk assessment, audit services and security management design and implementation services, under which we will check whether the IT solutions have any security loopholes.

In certain circumstances, we may subcontract the feasibility study and security-related services to other IT services providers if we do not have adequate capacity or capability in the relevant areas.

BUSINESS

Payment and pricing: The contract fee for our IT development solutions service contracts is generally a fixed fee, taking into account the complexity and the scale of the project and manpower required. The service fee is payable according to the payment schedule where each installment is due after the completion of a specified progress milestone set out in the contracts. For certain service contracts entered into with the Hong Kong Government and the non-government public bodies, we are required to provide performance securities in the form of performance bond or contract deposit. Our service is deemed to be completed once the clients accepted the result of the user acceptance test.

IT maintenance and support services

Scope of services: the maintenance and support services provided by us entail ad-hoc technical services, IT system administration, maintenance and corrective services. We are also engaged by our clients to renew their licences for subscribing certain IT systems, hardware and software provided by the IT products vendors. Occasionally, our client may also request our technical staff on secondment basis to their office for the provision of this type of services.

Payment and pricing: We generally charge our clients a fixed fee for an agreed service period, taking into account our scope of work, required service level, complexity of the IT systems and the costs of procuring the required hardware and/or software. Our service fees are usually payable on a quarterly basis. For certain service contracts entered into with the Hong Kong Government and the non-government public bodies, we are required to provide performance securities in the form of performance bond or contract deposit. Our service is deemed to be completed once the contract period expires.

BUSINESS

A breakdown of our Group's revenue, gross profit and gross profit margin during the Track Record Period by business segments is set out below:–

	Year ended 31 December								
	2015			2016			2017		
	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin
	<i>HK\$'000</i>	<i>HK\$'000</i>	%	<i>HK\$'000</i>	<i>HK\$'000</i>	%	<i>HK\$'000</i>	<i>HK\$'000</i>	%
IT infrastructure solutions services	146,481	26,228	17.9	135,874	34,111	25.1	121,927	19,249	15.8
IT development solutions services	30,728	5,961	19.4	35,500	3,554	10.0	36,197	9,581	26.5
IT maintenance and support services	10,125	4,524	44.7	12,873	5,783	44.9	22,846	8,709	38.1
Total	187,334	36,713	19.6	184,247	43,448	23.6	180,970	37,539	20.7

A breakdown of our Group's revenue, gross profit and gross profit margin during the Track Record Period by sectors is set out below:–

	Year ended 31 December								
	2015			2016			2017		
	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin
	<i>HK\$'000</i>	<i>HK\$'000</i>	%	<i>HK\$'000</i>	<i>HK\$'000</i>	%	<i>HK\$'000</i>	<i>HK\$'000</i>	%
Public sector	71,507	17,770	24.9	55,534	11,461	20.6	49,041	15,398	31.4
Private sector	115,827	18,943	16.4	128,713	31,987	24.9	131,929	22,141	16.8
Total	187,334	36,713	19.6	184,247	43,448	23.6	180,970	37,539	20.7

BUSINESS

The following tables set out the breakdown by project type of the (i) average duration of projects, (ii) range of duration of projects and (iii) number of projects completed during the Track Record Period:–

	Year ended 31 December								
	2015			2016			2017		
	Average duration of projects <i>(Note 1)</i>	Range of duration of projects <i>(Note 1)</i>	Number of projects completed	Average duration of projects <i>(Note 1)</i>	Range of duration of projects <i>(Note 1)</i>	Number of projects completed	Average duration of projects <i>(Note 1)</i>	Range of duration of projects <i>(Note 1)</i>	Number of projects completed
IT development solutions services	438 days	12 days to 1,827 days	44	366 days	1 day to 1,373 days	46	320 days	1 day to 1,595 days	68
IT infrastructure solutions services	42 days	1 day to 838 days	309	44 days	1 day to 764 days	252	57 days	1 day to 1,826 days	263
IT maintenance and support services	407 days	2 days to 1,096 days	45	463 days	1 day to 1,827 days <i>(Note 2)</i>	40	414 days	1 day to 1,096 days <i>(Note 2)</i>	54

Notes:–

- (1) including both completed projects and ongoing projects during the relevant financial year.
- (2) certain IT maintenance and support services lasted for only one day as they were of ad hoc nature.

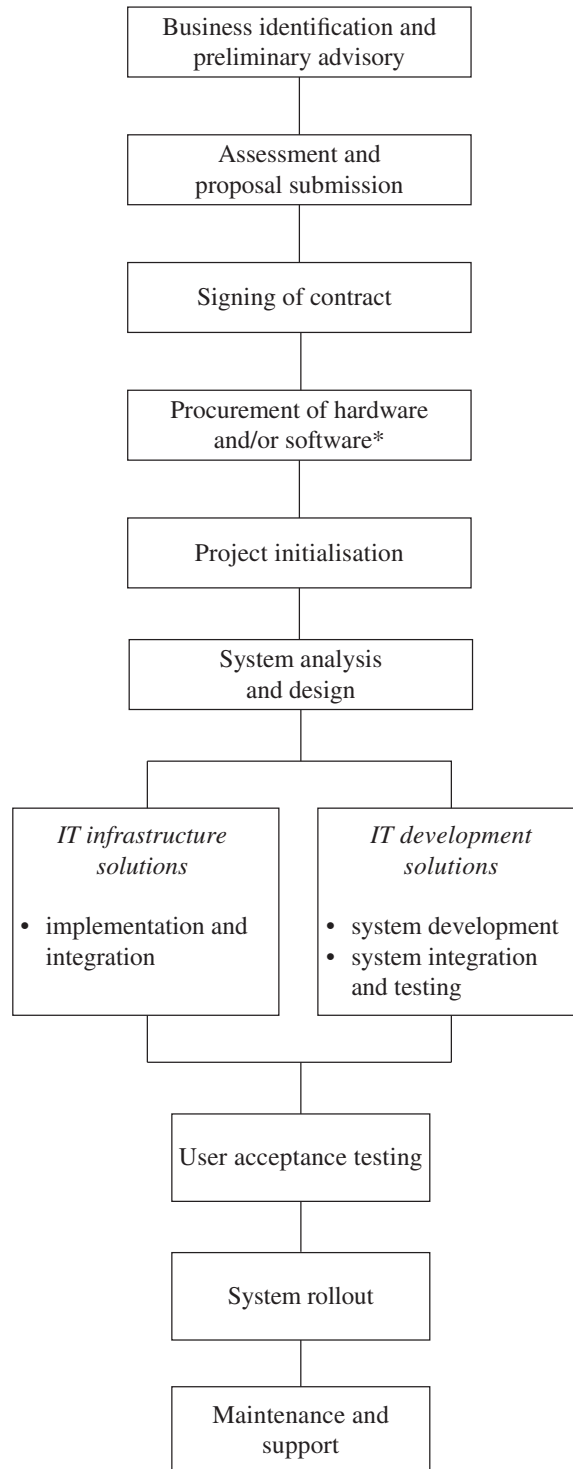
The following table sets out the breakdown by project type of (i) number of projects on hand, (ii) total contract sum of such projects and (iii) amount of unrecognised revenue of such projects as at the Latest Practicable Date:–

	Number of projects on hand	Total contract sum <i>HK\$'000</i>	Amount of unrecognised revenue <i>HK\$'000</i>
IT infrastructure solutions services	10	12,162	2,280
IT development solutions services	36	96,510	59,509
IT maintenance and support services	45	12,864	5,157

BUSINESS

OUR BUSINESS OPERATION FLOW

We offer a wide range of IT services. In some occasions, especially for our existing clients, after understanding their business needs and requirements, we may simply provide hardware and/or software to them which will not involve operation flow as below. Whether or not a project will involve all the steps in the operation flow below largely depends on our client's requirements.



* Depending on the requirements of each project, procurement of hardware and software is not always required.

BUSINESS

Business identification and preliminary advisory

Our contracts are identified mainly through (i) tendering (including open tender and invited tender); and (ii) direct engagement.

For public sector projects, there are generally two stages of the engagement process. After we are selected as one of the approved contractors through open tendering, we enter into a Standing Offer Agreement with the Hong Kong Government. During the Track Record Period, as we were on the approved list of contractors for SOA-QPS and SOA-PC Bulk, various departments and bureaus of the Hong Kong Government would invite quotations for separate IT assignments from the approved contractors on the list of SOA-QPS and SOA-PC Bulk. Taking into account factors such as (i) possession of certifications; (ii) relevant past experience; (iii) qualifications and technical skills of the employees; (iv) past performance; and (v) price, contracts will normally be awarded to the approved contractor which score the highest on the areas above. Occasionally we will also obtain government contracts through open tenders that are published on the Hong Kong Government gazette, government websites or email notifications. A brief description on the project's requirements and specifications and the estimated contract period will be included in the tender notices published by the Hong Kong Government. For private sector projects, we generally receive tender invitations or direct request for quotation and/or proposal from our existing clients or business referrals and we would provide our preliminary advice to our clients. For the Hong Kong Government projects, we would provide proposals which form part of the tender documents submitted by our Group.

The following table sets out a breakdown of our revenue attributable to contracts obtained through (i) tendering (except SOA); (ii) SOAs; and (iii) direct engagement during the Track Record Period:–

	Year ended 31 December					
	2015		2016		2017	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Tendering	24,770	13.2	12,036	6.5	9,478	5.2
SOA	27,979	14.9	21,565	11.7	13,408	7.4
Direct engagement	134,585	71.9	150,646	81.8	158,084	87.4
Total	187,334	100.0	184,247	100.0	180,970	100.0

Our sales team, in collaboration with our technical team, would also take the initiative to carry out pitching to potential clients from both private and public sectors.

Sometimes, we are approached by the main contractors of certain projects through the personal connection of our Directors and senior management to act as their subcontractors.

Assessment and proposal submission

Based on the project requirements and other relevant materials obtained from our clients and/or as listed in the tender documents, we will perform technical and financial assessment and preliminarily analyse the specifications and requirements of the projects and commence preliminary work such as considering the relevant hardware and/or software to be procured, IT products vendors to be lined up, workforce available, whether subcontractors should be engaged, etc.

For public sector projects, we will submit (i) a proposal as part of the tender documents containing the cost breakdown in terms of estimated man-hour of various professional staff categories required and their respective charging rate; and (ii) a technical proposal specifying, among others, the technical service provided by our Group, manpower estimation, work approach, payment schedule, use of licensed software, for the government department's consideration. A letter of acceptance will be awarded to us if our proposal is accepted.

For private sector projects, we may also submit our quotation to our clients for their consideration. The quotation generally includes, among others, (i) types of IT services to be provided; (ii) specifications of hardware and/or software involved; (iii) service period; (iv) unit price for each of the products and/or services provided; (v) payment terms; and (vi) validity period of quotation. We will be awarded with the contracts if our clients accept our quotation.

Signing of contract

For public sector projects, since our technical proposal has already specified the scope of our services, the payment schedule and other terms and conditions, once the Hong Kong Government has issued us the letter of acceptance, no separate contracts would be entered into between us and the Hong Kong Government and the tender document will become a legally binding document automatically. The Hong Kong Government will issue purchase order to us directly. Nevertheless, at times, we may be required to purchase a certain amount of performance bond or place contract deposit as a security sum to ensure our due performance during the contract term. For further details, please refer to paragraph headed "Performance Securities" in this section below.

For private sector projects, if the projects are relatively straightforward, our clients will either sign on the quotation or proposal for confirmation. If the job is project-based and more complex, to avoid misunderstanding and to better understand our clients' needs, normally we will go through the scope and requirements of the projects with our clients again. We will come up with a more detailed proposal regarding the IT infrastructure or development solutions services we can offer and seek our clients' confirmation.

BUSINESS

Our legally binding contracts typically contain the following salient terms:–

Duration:	Typically from 10 months to 48 months.
Payment:	We always provide our services and products on a fixed cost basis. For project-based work, our clients will usually pay us in accordance with the agreed payment schedule. Payment will only be made after the client accepts and signs off each payment milestone deliverable.
Credit term:	A credit period of 14 to 60 days upon the issuance of invoice will generally be granted to our clients.
Service range:	The scope of our services varies on a case by case basis.
Location for services:	Some of our contracts stipulate that whether the services will be provided offsite or not.
Nursing period:	Depending on our clients' requirements, we usually provide a nursing period of one month. As for the product warranty of the hardware, it will be warranted by the IT products vendor.
Intellectual property:	All rights, title and interest, including without limitation, all patents, copyrights, trademarks, service marks, software, trade secrets, know-how, and any other such intellectual property rights attached to the hardware/software developed by us belong to our clients.
Liability (<i>Note</i>):	Some of our contracts stipulate that we shall defend, indemnify and hold harmless the other party from and against any loss, liability or costs in connection with the agreement that:– <ul style="list-style-type: none">(i) arises from our negligence, wilful misconduct or breach of the agreement;(ii) is for injury or death of any person, loss of or damage to any property or damage to the environment; and(iii) arises from our breach of provisions of the agreement.

Note: During the Track Record Period, (i) most of the contracts we entered into with our clients in the public sector included liability clauses; and (ii) most of the contracts we entered into with the clients in the private sector did not contain such clause.

Procurement of hardware and/or software

For IT development solutions projects, hardware and/or software procurement may not be needed depending on the project specifications and the availability of the required hardware and/or software in the market. Our clients may request us to customise a system for them. As for IT infrastructure solutions projects, based on our clients' needs, we generally give advice to our clients as to which hardware and/or software best suits their purposes.

BUSINESS

If hardware and/or software procurement is needed, we will select the suitable IT products vendor and the hardware and/or software according to our clients' specifications. In a few occasions, our clients may specify certain products or certain brands of products to be procured. Although we are not liable for the product liability incurred from the defects of the hardware and/or software supplied by our IT products vendors, we are responsible for ensuring that the products sourced conform to the system requirements of our clients.

Project initialisation

For projects that may involve cooperation between different technical staff, we will usually form a project team with composition below after our client accepts our proposals. The size of the project team varies depending on the complexity and scale of the project:–

- | | |
|-----------------|--|
| Project manager | <ul style="list-style-type: none">• Responsible for the overall management of the project• Establish procedures and automated performance measurement capability to monitor the technical accomplishment and project progress• Develop project management plans and quality control parameters |
| System analyst | <ul style="list-style-type: none">• Responsible for system analysis and design• Manage the programmers• Collect and analyse user requirements• Conduct impact analysis and evaluate implementation options• Perform system sizing, calculating, physical design and database design/administration• Prepare and conduct system testing, user acceptance testing, training and quality assurance• Prepare various system/programme specifications and documentations in accordance with clients' requirements, if needed• Provide technical support during the nursing period (if any) |

BUSINESS

- | | |
|--------------------------|--|
| Analyst programmer | <ul style="list-style-type: none">• Responsible for developing prototype and programmes• Produce and maintain well documented programmes that adhere to standards and satisfy user requirements• Provide end-user support services• Assist in the system analysis and design• Conduct unit testing, function testing and system testing• Perform data conversion and migration• Provide technical support during the nursing period (if any) |
| User representative | <ul style="list-style-type: none">• The focal point of the users throughout the project• Confirm the user requirement of the project and verify it in the testing phase |
| Technical representative | <ul style="list-style-type: none">• Provide information of the existing technical infrastructure to the project team• Participate in technical discussion throughout the project if necessary |

System analysis and design

We will investigate and understand the operation of our client's existing system, infrastructure environment, functions, problems encountered and areas which need to be enhanced. Based on the system analysis, we will specify the user requirements and design the system functions and data model. As IT development solutions projects are in general more complex and require more customised services, we have to conduct the system analysis in greater details comparing to IT infrastructure solutions projects. Prototypes may be used to assist analysis and facilitate our discussion with our clients.

For projects that have more complex specifications and requirements, a system analysis and design report will then be compiled, in which we explore what function can fulfil our client's requirements, the hardware and software to be procured (if necessary), the detailed resource requirements and other implications of the proposed system. We also highlight the effects and the benefits of the proposed system on our clients' business as well as conducting a cost and benefit analysis to evaluate the cost effectiveness of the proposed system. The system analysis and design report will not only serve as an internal reference within our project team, but also be sent to our clients for their consideration. We will then schedule the implementation plan and seek technical approval or endorsement from clients.

(i) IT infrastructure solutions

Implementation and integration

Depending on the project size and complexity, we may conduct site preparation in accordance with our site preparation plan. If the IT infrastructure solutions project requires us to procure hardware and/or software from the IT products vendors, we will carry out configuration and reliability test to ensure the hardware and/or software procured are fit and proper. We then configure and customise the hardware and/or software in accordance with our clients' requirements and specifications. Thereafter, we perform functional and integration test to ensure the customised hardware and/or software will not crash and perform data migration and update for our client's existing IT systems.

(ii) IT development solutions

System development

System development will only be involved in IT development solutions projects. There are in general two types of system development: (i) projects that require us to ride on existing hardware and/or software, which means based on the basic framework of the hardware and/or software procured by our suppliers, we moderate, revise and formulate additional system that fits our clients' needs; and (ii) projects that require us to develop the system from scratch based on the project specifications.

After conducting system analysis and design, we implement the findings in the system analysis and design report. Physical system design will be planned. Programme code is written and/or modified based on the design, specifications and development standards. If changes are required with respect to the agreed scope and plan, a change request form will be sent to and agreed with our clients during the course of our projects with additional charge for any expanded scope of work. During the software development process, we also conduct unit testing, during which small testable parts of an application will be individually and independently scrutinised to ensure proper operation.

System integration and testing

We assemble different constituent parts of the system and develop the control procedures and conduct programme unit testing. Thereafter, we conduct system integration testing, during which various units that compose the system are tested together. We record and rectify any defects or issues encountered during the system integration testing.

The assembled system will be installed at our client's IT system to ensure that the assembled system satisfies our client's requirements and needs. Several tests including but not limited to installation test, simulation test, function test will be conducted to determine if the assembled system installed is operating in full and proper and whether such assembled system will crash with our client's system and meet the documented requirement. If any defects or problems are found during the tests, we will provide support and fix the defects.

User acceptance testing

During user acceptance testing, our clients will test the assembled system to determine whether it can handle the required tasks in their real-world business scenarios according to the specifications. The user acceptance test may need to be performed multiple times. The user acceptance testing ensures that the IT development solutions provided by us work for our client. Some of our clients will issue an user's acceptance report or other form of project completion document after our passing of the user acceptance test.

System rollout

The accepted system is then formally installed to our client's system. If required, we may provide training to our clients in respect of the system operation. Also, we can provide nursing period which generally runs for one month during which any problems found not owing to our clients' faults or product defects will be rectified by us.

IT maintenance and support service

We offer a wide range of maintenance and support service to our clients. For the IT infrastructure and development solutions provided by us, our clients will generally engage us to provide the on-going maintenance and support services under a separate maintenance and support agreement. Occasionally, our clients will also enter into separate maintenance agreements with us for providing maintenance and support service in relation to third party hardware and/or software.

If our clients encounter any problems with our solutions offered, they can contact us at our hotline and our technicians will answer their questions. If such problem cannot be resolved over the telephone or email, we may provide on-site support.

Our clients of maintenance and support services mainly include government bodies, financial institutions and general business corporations.

We normally stipulate our scope of work in our maintenance and support service agreement with our clients, the scope of which can be broadly categorised into the following:

Helpdesk service

Depending on clients' need, for some projects, we will assign a team of qualified consultants who has solid experience and knowledge on various Windows platform and networking to provide on-site helpdesk support for our clients. In addition to the assigned consultants, we will also appoint a project manager for overseeing the quality of work of the assigned consultant as well as acting as a liaison between the assigned team and our clients. Through our help-desk services, we provide telephone support, resolve application related problems, evaluate the client's IT platforms, etc.

We normally state our working hours, details of service, service level and contract period in the agreement.

BUSINESS

System administration or related services

We also provide maintenance and support service in the event that a defect is found in the hardware, software or IT system. If the defect is identified in the hardware, we will liaise with the product vendor and arrange for delivery of the hardware back to the IT products vendor for fixing.

In the event that a defect is identified in a software or IT system, we first simulate the scenario, analysing the cause and the impact of the defects, and we will come up with a technical proposal for articulating the problems and upon client's instructions, we will implement the solutions and carry out regression test.

Extending warranty and/or renewal of licences

Our clients may also engage us to renew their licences for subscribing certain IT systems, hardware and/or software provided by the IT products vendors.

Our tender success rate, tendering process and tendering strategy

The following table sets out our tender success rate for the periods indicated:-

	<u>FY2015</u>	<u>FY2016</u>	<u>FY2017</u>	<u>From 1 January 2018 to Latest Practicable Date</u>
Number of tenders submitted	118	126	136	45
Number of contracts awarded ^(Note 1)	31	35	41	17
Tender success rate ^(Note 2)	26.3%	27.8%	30.1%	37.8%

Notes:-

1. Number of contracts awarded during a relevant financial year/period refers to the contracts awarded with respect to the tenders submitted during the same financial year/period, which may be awarded during or subsequent to the relevant financial year/period.
2. Tender success rate is calculated as the number of contracts awarded in respect of the tenders submitted during a financial year/period, divided by the number of tenders submitted during the respective financial year/period.

Our Directors consider that our tender success rates during the Track Record Period remained stable and were satisfactory and improving in general.

BUSINESS

Our tendering process can be summarised as below:–

1. Review of tendering requirements: we would conduct a preliminary review of the tendering requirements to understand, among others, the scope of services required, whether the potential client has any specific requirements and the complexity of the project.
2. Self-assessment: based on the tendering requirements, we would conduct a self-assessment which involves two main aspects, namely (i) technical skills and (ii) resources, in order to assess whether we have adequate capacity and capability to take on the project. At the same time, we would also evaluate the project's potential profit margin so that we can estimate the amount of resources which should be allocated.

In the event that (i) our technical skills and/or resources are inadequate to meet the tendering requirements; or (ii) subcontractors can provide us with assistance at a lower cost and/or better service quality to complete the tendering projects, we may consider engaging subcontractors to provide the relevant services if we successfully obtain the tender.

3. Tendering approach: taking into account the results of our review of the tendering requirements and the self-assessment as mentioned above, we would then determine our tender price based on the estimated costs (including subcontracting cost, if any) plus a desired profit margin. In order to maximise the chance of obtaining the tender, we will adjust our tendering approach so that we can submit a competitive tender price while achieving a reasonable profit margin and maintaining our service quality of our IT solutions to satisfy the requirements of our clients.

With respect to SOA-QPS services, it is our tendering strategy in the future to focus on submitting tenders for category 3 (implementation and combined system development services) which involves IT development solutions since it can (i) generate relatively more revenue for each project on average compared to other categories and (ii) bring us business opportunities for provision of maintenance services in relation to the IT systems we develop following the completion of category 3 projects.

Pricing policy and payment

As most of our contracts are project based and involve different types of specifications and level of complexity, the service fees vary significantly and will be determined between our clients and us on a case-by-case basis. Before we submit the tender or issue the price quotation to our clients, we generally carry out a careful budgeting to estimate the cost to be incurred for the potential project. In general, our service fee for our IT solutions projects, including IT infrastructure and development solutions, is charged on a cost-plus basis. In determining our service fees, we take into account factors including scope of services, complexity and scale of the project, manpower required, expected timeline, cost of sourcing the relevant hardware and/or software as well as subcontracting cost (if needed) and level of competition.

BUSINESS

In addition, we also take into account our relationship with the client, the business scale and reputation of the client, likelihood of any future business engagement with the client and the profitability of other previous/anticipated projects involving such client. For certain clients such as large or well-known corporations or clients who had a long-term business relationship with our Group or contributed a significant proportion of revenue to us in the past, we may offer comparatively low prices or special discounts to them for certain projects occasionally in order to maintain long-term business co-operations with them and encourage their continuous engagement of our Group for provision of IT services. This is also one of our strategies to attract new clients to further expand our business as well as retaining existing major clients. Nevertheless, we would also strive to maintain an optimal balance between competitive pricing and profitability with a view to ensuring that such clients who have enjoyed special discounts or comparatively lower price can generate profits to our Group for other projects over a period of time.

Our Directors consider that the abovementioned pricing strategy is effective in building a good relationship with our clients and attracting new businesses, which is important for us to maintain our sustainability and profitability in the long run.

After Listing, we will continue to be cautious in providing special discounts or comparatively lower prices to the clients and will only do so if (i) the relevant client is expected to generate profits to us over a period of time after we have assessed the overall profitability of the client; and (ii) prior approval has been obtained from (a) the head of sales department and (b) either the chief executive officer or the chief operating officer of our Group.

Our accounting team is responsible for monitoring the settlement of service fee in accordance with our credit policy.

Our Directors consider that there is a clear segregation of duty in our billing process which can be summarised as follows:–

1. Our project team would inform our accounting team when the project is completed or the relevant billing milestone is reached.
2. Our accounting team would then issue invoices according to our project team's instruction upon checking the relevant supporting documents such as proof of entitlement and contracts.
3. Our administrative staff is responsible for following up with the clients of any overdue amounts.
4. Our accounting team is responsible for updating the trade receivables records upon receiving the outstanding sum from clients.
5. Our accounting team would issue weekly trade receivable reports to review the trading receivable balance regularly and for our administrative staff to carry out any follow up action, if needed.

BUSINESS

Depending on the types of services engaged by our clients and the complexity of the projects, the service fees may be settled in one lump sum upon delivery of our service or by way of instalments according to the payment schedules as set out in the contracts. Certain clients may make advance payment as part of our credit control.

During the Track Record Period, a credit period of 14 to 60 days upon issuance of invoices was generally granted to our clients. The credit period for each project may vary depending on factors such as the requirement of the clients and our relationship with them.

Performance securities

As security for our due performance, we may be required to provide performance securities in the form of performance bond or contract deposit, in respect of certain large-scale contracts we entered into with the Hong Kong Government and the non-government public bodies. Each performance security is typically in the range of 2% to 10% of the contract sum and is released to us within three months after completion of the project or after the secured period.

As at 31 December 2015, 31 December 2016, 31 December 2017 and the Latest Practicable Date, we had seven, three, eight and ten outstanding performance bonds with an aggregated sum of approximately HK\$1.3 million, HK\$0.4 million, HK\$0.8 million and HK\$1.0 million, respectively, given by banks in favour of our clients and we had three, six eight and eight outstanding contract deposits paid directly to our clients with an aggregated sum of approximately HK\$1.4 million, HK\$1.8 million, HK\$2.2 million and HK\$2.8 million, respectively.

For FY2015, FY2016 and FY2017, we have undertaken 165, 170 and 198 public sector projects, respectively, among which 10, 10, 16 of them required performance securities/contract deposits of approximately HK\$2.7 million, HK\$2.3 million and HK\$3.0 million, respectively. It is expected that as at the Latest Practicable Date, approximately HK\$3.8 million of the outstanding performance securities/contract deposits for 18 of our public sector projects would be released upon completion of such projects.

As at the Latest Practicable Date, seven public sector projects which we had submitted tenders or under tender preparation stage are expected to require performance securities of approximately HK\$1.4 million in total. Based on our Directors' understanding, the performance bond requirement will not be waived after Company's Listing. In particular, we are currently preparing for a tender submission to be made in 2018 with respect to an IT development solutions project of a governmental department in Hong Kong with contract sum of approximately HK\$239.8 million. It is expected that the contract will be awarded by early 2019. Assuming that 2.5% deposit is required for the project (the percentage of deposit required for government projects normally ranges from 2% to 5%), approximately HK\$6.0 million will need to be paid in advance if we are awarded with the contract. As at the Latest Practicable Date, we have not entered into any contracts under which performance securities/deposits are required to be paid but have not been paid by us.

BUSINESS

Return and warranty

The hardware and software components that are used in our IT infrastructure and development solutions are warranted by the relevant hardware manufacturer or software developer for normally 12 months to 36 months. In the event that there are any defects with the hardware and/or software, such manufacturer or developer will be liable for the product defects and our clients may contact them directly to rectify the defects or failing which, to obtain a replacement of the hardware procured or software update. As for the IT infrastructure and development solutions designed and implemented by us, a nursing period of one month will generally be provided to our clients. During the Track Record Period and up to the Latest Practicable Date, we have not encountered any material refund to our client because of defects found in the hardware and/or software procured by us from our suppliers.

Seasonality

Our business is in general not subject to seasonal fluctuations.

SALES, MARKETING AND CLIENTS

Clients

In respect of our IT infrastructure and development solutions business segments, our clients include government and statutory bodies, local and multinational enterprises covering various industries ranging from banking, finance, and insurance, transportation and logistics, retail, distribution and trading as well as TMT. Our clients include multinational institutions, most of which are based in Hong Kong and we also provide service to a small number of clients in Macau. During the Track Record Period, we provided services to a total of over 150 clients. Set out below is a breakdown of revenue by industry sector during the Track Record Period:–

	Year ended 31 December					
	2015		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Public sector						
Hong Kong Government (Note 1)	56,647	30.3	36,042	19.5	22,441	12.4
Non-government public bodies (Note 2)	14,860	7.9	19,492	10.6	26,600	14.7
Private sector						
Retail, distribution and trading	45,396	24.2	49,656	27.0	27,300	15.1
TMT	39,413	21.0	20,989	11.4	32,438	17.9
Banking, finance and insurance	15,317	8.2	25,305	13.7	34,569	19.1
Transportation and logistics	12,172	6.5	27,062	14.7	23,872	13.2
Others (Note 3)	3,529	1.9	5,701	3.1	13,750	7.6
Total:	187,334	100.0	184,247	100.0	180,970	100.0

BUSINESS

Notes:–

1. Hong Kong Government represents departments of the Hong Kong Government.
2. Non-government public bodies mainly represent authorities or institutions which are established pursuant to specific statutory legislations in Hong Kong and Macau, educational institutions such as universities and colleges, and corporations owned and/or controlled by the Hong Kong Government which are established for regulation purposes.
3. Others represents hospital and healthcare, education and manufacturing.

During the Track Record Period, most of our revenue are generated from projects in which we were engaged by end-users directly. The following table sets out the breakdown of our revenue generated from services provided to end-users and intermediaries during the Track Record Period:–

	Year ended 31 December					
	2015		2016		2017	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
End-users	138,463	73.9	133,752	72.6	153,344	84.7
Intermediaries	48,871	26.1	50,495	27.4	27,626	15.3
Total	<u>187,334</u>	<u>100.0</u>	<u>184,247</u>	<u>100.0</u>	<u>180,970</u>	<u>100.0</u>

During the Track Record Period and up to the Latest Practicable Date, our Group did not receive any material complaints from our clients.

BUSINESS

The following table sets out our five largest clients (by affiliated group) for FY2015:–

Name of client	Approximate years of business relationship with our Group up to 31 December 2015	Approximate aggregate contributed revenue <i>HK\$'000</i>	Approximate percentage of our total revenue <i>%</i>	Principal business activities	Services provided by our Group
Client A	eight	20,576	11.0	A Hong Kong Government department responsible for providing social welfare services	IT development and infrastructure solutions services
Client B	one	14,370	7.7	Hong Kong subsidiary of a renowned Japanese information and communication technology company	IT infrastructure solutions services
Client C	11	13,831	7.4	Hong Kong's premier telecommunications service provider and renowned operator in fixed-line, broadband and mobile communication services	IT infrastructure solutions services
Client D	five	10,656	5.7	A renowned airline based in Hong Kong	IT development and infrastructure solutions services
Client E	two	8,240	4.4	An IT services provider that specialises in systems infrastructure and application solutions services located in Hong Kong	IT infrastructure solutions and maintenance and support services
	Sub-total	<u>67,673</u>	<u>36.2</u>		

BUSINESS

The following table sets out our five largest clients (by affiliated group) for FY2016:–

Name of client	Approximate years of business relationship with our Group up to 31 December 2016	Approximate aggregate contributed revenue <i>HK\$'000</i>	Approximate percentage of our total revenue %	Principal business activities	Services provided by our Group
Client D	six	25,676	13.9	See above	IT infrastructure solutions services
Client F	11	20,628	11.2	Hong Kong subsidiary of a systems integrator, solutions provider and technology consultancy based in Asia, and belongs to the same group as Supplier A	IT infrastructure solutions services
Client B	two	11,666	6.3	See above	IT infrastructure solutions services
Client G	18	8,326	4.5	A non-government public body in Hong Kong responsible for maintaining monetary and banking stability	IT development, infrastructure solutions services and maintenance and support services
Client H	five	7,548	4.1	A statutory body established by the Hong Kong Government to develop and implement Hong Kong's public housing programme	IT development solutions services and maintenance and support services
	Sub-total	<u>73,844</u>	<u>40.0</u>		

BUSINESS

The following table sets out our five largest clients (by affiliated group) for FY2017:–

Name of client	Approximate years of business relationship with our Group up to 31 December 2017	Approximate aggregate contributed revenue <i>HK\$'000</i>	Approximate percentage of our total revenue <i>%</i>	Principal business activities	Services provided by our Group
Client D	seven	21,094	11.7	See above	IT infrastructure solutions services
Client I	12	14,814	8.2	Hong Kong subsidiaries of financial protection, wealth management and insurance products and services provider headquartered in Canada	IT infrastructure solutions services
Client J	eight	13,834	7.6	Group company(ies) of a global technology and innovation company headquartered in the United States and belong to the same group as Supplier B	IT development and infrastructure solutions services
Client C	13	12,590	7.0	See above	IT development, infrastructure solutions services and maintenance and support services
Client F	12	9,602	5.3	Group companies comprise (i) Hong Kong subsidiary of a systems integrator, solutions provider and technology consultancy based in Asia and (ii) a renowned pan-Asian retailer operating supermarkets, hypermarkets, convenience stores, health and beauty stores, home furnishings stores and restaurants, and belong to the same group as Supplier A	IT infrastructure solutions services
Sub-total		<u>71,934</u>	<u>39.8</u>		

BUSINESS

During the Track Record Period, the revenue from our five largest clients accounted for approximately 36.2%, 40.0% and 39.8% of our total revenue for FY2015, FY2016 and FY2017, respectively. Meanwhile, the revenue from our largest client accounted for approximately 11.0%, 13.9% and 11.7% of our total revenue for FY2015, FY2016 and FY2017, respectively.

We have maintained a strong and stable relationship with our existing clients. During the Track Record Period, approximately 80.2%, 96.7% and 87.1% of our revenue was contributed by repeat clients, respectively, who have previously engaged us to provide IT infrastructure solutions services, IT development solutions services and/or IT maintenance and support services. Our Directors believe that this demonstrates the loyalty of our clients and their recognition in the quality and competitiveness of our IT services. As at the Latest Practicable Date, our Group has maintained business relationship ranging from three to 19 years with our five largest clients during the Track Record Period. In light of the increasing contributions from the repeat clients and our long-term business relationship with our major clients, our Directors expect that there will be a continuous demand for our services in the future.

All of our five largest clients are independent third parties. None of our Directors, their close associates or any of our Shareholder (who or which, to the best knowledge of our Directors owns more than 5% of the number of issued shares of our Company) had any interest in any of our five largest clients during the Track Record Period. During the Track Record Period and up to the Latest Practicable Date, our Group did not experience any major disruption of business due to material delay or default of payment by our clients due to their financial difficulties.

Loss making contracts

During the Track Record Period, we had completed 18, 9 and 10 loss making contracts, with the range of contract sum being approximately HK\$1,000 to HK\$9.1 million, HK\$950 to HK\$1.4 million and HK\$12,800 to HK\$7.8 million, respectively, mainly due to the comparatively low prices or special discounts offered by us to maintain long-term business co-operations with our clients.

Among these loss making contracts, we recognised loss for three of them as we had placed orders with the suppliers after we had an informal engagement with the relevant clients who, however, subsequently cancelled the orders before we could secure the signed purchase orders. Our Directors consider that such three loss-making projects are one-off isolated incidents as they only account for approximately 0.3% of the total number of our completed projects during the Track Record Period and approximately 0.3% of the total revenue during the same period. The Director confirmed that subsequent to FY2016 and up to the Latest Practicable Date, there was no loss-making project arising from unsecured purchase orders.

BUSINESS

In order to minimise our exposure to loss making contracts, we have adopted the following internal control policies/business strategies:

- (i) Our finance department, after each month-end closing of accounts, would identify the actual and expected/potential loss-making projects and pass the relevant information of such projects to our senior management for the purpose of (i) ascertaining the reasons for the loss/expected loss; (ii) reviewing the costs assessment for the relevant projects; and (iii) improving the accuracy of our budget and project planning; and (iv) recommending measures to minimise the losses from the expected/potential loss projects. All findings and recommendations would be directly reported to the Chief Executive Officer;
- (ii) We will remain cautious in providing special discounts or comparatively lower prices to the clients and will only do so if the conditions as disclosed in the paragraph headed “Pricing policy and payment” in this section above are fulfilled; and
- (iii) We will continue to conduct regular reviews of our pricing policy and closely monitor the costs incurred by us to ensure the overall profitability of our projects in the long-run.

For further details relating to our loss making contracts, please refer to the paragraph headed “Financial Information – Description of Selected Items in Consolidated Statements of Comprehensive Income – Gross profit and gross profit margin” in this prospectus.

Sales and marketing

As at the Latest Practicable Date, our Group’s sales department had ten team members which is led by our head of sales department, Mr. Wong Chun Pan Dennis. The sales department can be divided into two main teams: (i) sales and account managers team, which is responsible for liaising with clients to meet the sales target, prepare quotations, liaise with technical team for pre-sales consultation and (ii) sales support team, which is responsible for all the supporting work including preparing the basic content of the proposal framework or draft proposal and quotations during the bidding process and sourcing during the delivery process.

Our IT infrastructure and development solutions provided to clients are mainly identified through invitations or request for quotations and some from competitive bidding in open tenders or direct negotiations with our clients by our sales account managers. The terms of our maintenance and support services are also directly negotiated between our sales team and technical team and the individual clients who are often our existing clients or are introduced by referral.

BUSINESS

We also market our brand and services through telephone marketing as well as seminars, talks, workshops and luncheons. During the Track Record Period, we received sponsorship for marketing from certain of our suppliers at their discretion, which amounted to approximately HK\$0.3 million, HK\$0.7 million and nil, respectively. Our Directors believe that these marketing activities allow us to demonstrate our Group's capabilities and to build relationship with existing and potential clients.

OUR SUPPLIERS

During the Track Record Period, our suppliers mainly consisted of IT products vendors, their resellers or distributors in Hong Kong. Our suppliers also consisted of other IT services providers which were engaged by us to act as our subcontractors to provide assistance to our provision of IT solutions and services.

Save for the business partner agreements disclosed in the paragraph headed "Our Relationship with Supplier B" in this section below, we did not enter into any long-term agreement with our suppliers or business partners during the Track Record Period.

Supplier selection

According to the Frost & Sullivan Report, concentration on particular suppliers is common in the IT industry as each product or service may only be offered by a handful of IT products vendors or its authorised resellers/distributors with dominating presence in the IT industry, thereby minimising our choice of suppliers. Prospective suppliers are identified by our employees based on internal information and publicly available information found on the Internet and product catalogues.

We will select suppliers based on their understanding of our requirements, costs, technical capabilities including but not limited to product capacity and adequacy of resources, the past records of experience, quality certifications and reputation. For hardware and/or software which were sold along with our IT infrastructure or IT development solutions to our clients, we normally source the products from the authorised resellers or distributors of the IT product vendors instead of directly from the IT product vendors. Although we purchase the hardware and/or software from the authorised resellers/distributors of the IT products vendors, the IT products vendors will issue the price lists of the products to us on a monthly basis. As the prices of the products offered by the authorised resellers/distributors generally conform with the prices in the IT products vendors' price list, our sales team members will contact the authorised reseller/distributor selected by the IT products vendor to understand their stock levels for the products we require.

Procurement policies

We have implemented the following internal control policy and procedures with respect to the procurement process of hardware and/or software from our suppliers:

- (1) Purchase quotations are reviewed by designated senior management member(s) based on the respective purchase amount; and

BUSINESS

- (2) Purchase orders are reviewed and approved by designated senior management member(s) against the project budget and/or the relevant sales order agreed with the clients before they are issued to the authorised vendors.

We have engaged our Internal Control Consultant in 2016 and 2018 to review our material internal controls, including but not limited to the policies relating to the purchase orders of our Group's procurement. Based on the testing samples collected and reviewed by our Internal Control Consultant, our Internal Control Consultant is satisfied, and the Sponsor concurs, that these policies relating to the purchase orders of our Group's procurement are effective and adequate.

Business partnership programmes

As at the Latest Practicable Date, in Hong Kong, we were the platinum business partner of Supplier B, the gold partner of Vendor H and the gold partner of Supplier G. The following table sets out our purchase amounts from Supplier B, Vendor H and Supplier G during the Track Record Period:–

	FY2015 <i>HK\$'000</i>	FY2016 <i>HK\$'000</i>	FY2017 <i>HK\$'000</i>
Supplier B	17,336	8,665	10,827
Vendor H	–	–	–
Supplier G	153	1,595	645

The following sets out certain information relating to our business partnership with Supplier B, Vendor H and Supplier G:–

Supplier B: We were a platinum business partner of Supplier B as at the Latest Practicable Date. For further details of our business partnership with Supplier B, please refer to paragraph headed “Our Relationship with Supplier B” in this section below.

Vendor H: We were a gold business partner of Vendor H as at the Latest Practicable Date. There is no minimum purchase requirement for gold business partners for Vendor H. To be eligible as a gold business partner, it requires references from five customers, passing two business-focused competency assessments and at least two technical staff of the Group must pass such assessments. For resources and support, Vendor H would mainly provide, for example, technical presales & deployment services, internal use rights cloud services and on-premises software. Only business partners of Vendor H are entitled to enrol in the incentives programme and they can receive the incentives if the requirements under the relevant incentive programme, such as the ability to provide new solutions to clients, are satisfied. During the Track Record Period, we have not received any cash incentives from Vendor H.

BUSINESS

Supplier G: We were a gold business partner of Supplier G as at the Latest Practicable Date. There is no minimum purchase requirement for gold business partners of Supplier G. An administrative fee of US\$2,995 is required to be paid in order to be eligible as a gold business partner. For resources and support, Supplier G would mainly provide, for example, partner business centres, access to attend and exhibit at the partner forum, telephone-based partner management support. Only business partners are entitled to enrol in the incentives programmes and they can receive the incentives if the requirements under the relevant incentive programme, such as the ability to provide new solutions to clients, are satisfied. During the Track Record Period, we have not received any cash incentives from Supplier G.

We were recognised by the IT products vendors as the highest-ranking business partner when we meet certain benchmarks set by them, such as (i) our actual sales volume each year; (ii) our technical capabilities and knowledge demonstrated by passing competency assessments of such vendors; and (iii) our relationship with clients. Through the business partnership programmes, we were also given resources and support, such as marketing funds and technical support, in promoting products of the IT products vendors, implementing the IT solutions and training our employees.

If we fail to meet their benchmarks, our ranking may be lowered, resulting in reduction of resources and support offered but would not result on any penalty against us. Nevertheless, our Directors confirm that during the Track Record Period, we had not failed in meeting any benchmarks which resulted in the lowering of our ranking.

Incentive programme

Some of our suppliers have implemented incentive programmes to reward their business partners, including us, upon fulfilment of certain criteria.

Under some incentive programmes implemented by the IT products vendors and distributors, certain performance achievements such as total revenue generated from sales of their products over a period of time are set. Such programmes vary with different IT products vendors and distributors and from time to time based on the then market conditions and their sale and marketing strategies in order to encourage more purchases from business partners. Upon fulfilling certain performance achievements, discounts may be directly granted to us or our cost of procuring hardware and/or software from the IT products vendors or distributors may be reduced by cash incentive depending on the programme. No compensation or penalty would be imposed on us should we fail to attain such performance achievements.

During the Track Record Period, we recognised cash incentives of approximately HK\$6.0 million, HK\$7.1 million and HK\$1.2 million, respectively. We have received less cash incentives for FY2017 compared to FY2016 due to the decrease in our procurement of Supplier B's eligible products under the incentive programme.

BUSINESS

The following table sets out our five largest suppliers (including subcontractors) for FY2015:–

Name of supplier	Approximate years of business relationship with our Group up to 31 December 2015	Approximate total purchases <i>HK\$'000</i>	Approximate percentage of our cost of sales %	Principal business activities	Services or products provided by supplier	Business partnership/ incentive programmes between the supplier and the Group
Supplier A	15	102,143	67.8	A distributor of computer hardware and software with a primary focus in Hong Kong and Malaysia, and belongs to the same group of Client F	Purchase of hardware and software	No (<i>Note</i>)
Supplier B	five	17,336	11.5	Group company(ies) of a global technology and innovation company headquartered in the United States	Provision of subcontracting services	Yes
Supplier C	three	5,541	3.7	A distributor of computer hardware and software with a primary focus in Hong Kong	Purchase of hardware, software and provision of services	No
Supplier D	three	3,215	2.1	A Hong Kong-based IT company providing IT services to companies	Provision of subcontracting services	No
Supplier E	one	2,091	1.4	Hong Kong subsidiary of a large-scale independent software manufacturer	Purchase of software	No
Sub-total		<u>130,326</u>	<u>86.5</u>			

Note: Supplier A, an authorised distributor of Supplier B, did not offer any incentive programme to us. However, during FY2015, substantially most of our purchases from Supplier A were related to Supplier B's products and such purchases were taken into account under the incentive programme of Supplier B.

BUSINESS

The following table sets out our five largest suppliers (including subcontractors) for FY2016:–

Name of supplier	Approximate years of business relationship with our Group up to 31 December 2016	Approximate total purchases <i>HK\$'000</i>	Approximate percentage of our cost of sales %	Principal business activities	Services or products provided by supplier	Business partnership/ incentive programmes between the supplier and the Group
Supplier A	16	95,059	67.5	See above	Purchase of hardware and software	No (<i>Note</i>)
Supplier B	six	8,665	6.2	See above	Provision of subcontracting services	Yes
Supplier F	two	4,554	3.2	A renowned IT services company in Hong Kong offering a wide range of services including digital solutions, IT and business process outsourcing, cloud computing, etc and belongs to the same group of Client C	Provision of subcontracting services	No
Supplier E	two	3,631	2.6	See above	Purchase of software	No
Supplier G	three	1,595	1.1	Hong Kong subsidiary of a US company offering document systems and office solutions	Purchase of software and provision of subcontracting services	Yes
Sub-total		<u>113,504</u>	<u>80.6</u>			

Note: Supplier A, an authorised distributor of Supplier B, did not offer any incentive programme to us. However, during FY2016, substantially most of our purchases from Supplier A were related to Supplier B's products and such purchases were taken into account under the incentive programme of Supplier B.

BUSINESS

The following table sets out our five largest suppliers (including subcontractors) for FY2017:–

Name of supplier	Approximate years of business relationship with our Group up to 31 December 2017	Approximate total purchases <i>HK\$'000</i>	Approximate percentage of our cost of sales %	Principal business activities	Services or products provided by supplier	Business partnership/ incentive programmes between the supplier and the Group
Supplier A	17	70,944	49.5	See above	Purchase of hardware and software	No (<i>Note</i>)
Supplier F	three	15,842	11.0	See above	Provision of subcontracting services	No
Supplier B	seven	10,827	7.5	See above	Provision of subcontracting services	Yes
Supplier H	three	8,682	6.1	An IT services provider offering services including IT application and solution development, IT infrastructure solutions, secondment services and maintenance and support services in Hong Kong	Provision of subcontracting services	No
Supplier I	Two	3,899	2.7	An IT services company in Hong Kong offering services including solution consulting, system integration services, business application development, and maintenance and support services	Purchase of software	No
Sub-total		<u>110,194</u>	<u>76.8</u>			

Note: Supplier A, an authorised distributor of Supplier B, did not offer any incentive programme to us. However, during FY2017, all of our purchases from Supplier A were related to Supplier B's products and such purchases were taken into account under the incentive programme of Supplier B.

BUSINESS

During the Track Record Period, total purchases made from our five largest suppliers accounted for approximately 86.5%, 80.6% and 76.8% of our total cost of sales for FY2015, FY2016 and FY2017, respectively and the purchases from our largest supplier accounted for approximately 67.8%, 67.5% and 49.5% of our total cost of sales for FY2015, FY2016 and FY2017, respectively.

All of our five largest suppliers are independent third parties. None of our Directors, their close associates, or any of our Shareholders (who or which, to the best knowledge of our Directors, owns more than 5% of the number of issued shares of our Company), had any interest in any of our five largest suppliers during the Track Record Period.

Clients who were also our suppliers during the Track Record Period

During the Track Record Period, 19 of our clients (by affiliated group) were also our suppliers (the “**Clients/Suppliers**”).

The following table sets out the percentage of our revenue and purchases from the Clients/Suppliers and the gross profit during the Track Record Period:–

	<u>FY2015</u>	<u>FY2016</u>	<u>FY2017</u>
<i>Sales to Clients/Suppliers</i>			
– Our revenue as percentage of our total revenue during the relevant year (%)	22.3	22.4	23.0
– Gross profit (HK\$'000)	10,666	10,266	3,000
<i>Purchases from Clients/Suppliers</i>			
– Our purchases and service costs paid as percentage of our cost of sales during the relevant year (%)	84.7	80.7	75.7

During the Track Record Period, our purchases from Clients/Suppliers were predominantly attributable to Supplier A, a distributor of computer hardware and software with a primary focus in Hong Kong and Malaysia. Supplier A belongs to the same group of Client F which comprises (i) a Hong Kong subsidiary of a systems integrator, solutions provider and technology consultancy based in Asia; and (ii) a renowned pan-Asian retailer operating supermarkets, hypermarkets, convenience stores, health and beauty stores, home furnishings stores and restaurants which had business transactions with us in 2015 and 2017. For FY2015, FY2016 and FY2017, our cost of sales attributable to Supplier A amounted to approximately 67.8%, 67.5% and 49.5%, respectively. Without taking into account our purchases from Supplier A, our purchases and service costs paid to Clients/Suppliers would have only accounted for approximately 16.9%, 13.2% and 26.2%, respectively, during the same period.

BUSINESS

In addition, Supplier F, a renowned IT services company in Hong Kong offering a wide range of services including digital solutions, IT and business process outsourcing and cloud computing, was also one of the Clients/Suppliers during the Track Record Period. Supplier F belongs to the same group of (i) Client C which is a Hong Kong's premier telecommunications service provider and renowned operator in fixed-line, broadband and mobile communication services; and (ii) one of our suppliers, a service provider specialising in the implementation and support of enterprise resource planning solutions which had business transactions with us in 2015. For FY2015, FY2016 and FY2017, approximately 0.8%, 3.2% and 11.0% of our total cost of sales was attributable to Supplier F (including the supplier which belongs to the same group of Supplier F as mentioned above), respectively, and approximately 7.4%, 2.9% and 7.0% of our total revenue was attributable to Client C, respectively.

For the rest of the Clients/Suppliers, most of them are IT-related companies. During the Track Record Period, our Group sold to and also purchased from them mainly due to the following reasons:

- (i) certain supplier(s) and client(s) are different companies but belong to the same group and therefore we categorise them as our Clients/Suppliers;
- (ii) for certain Clients/Suppliers, we mainly provided IT infrastructure solutions to them who were also engaged by us as our subcontractors to provide assistance such as testing and consultancy services to our provision of IT solutions and services in separate projects; and/or
- (iii) for certain Clients/Suppliers, we mainly provided subcontracting services to them while we also procured hardware and/or software from them in separate projects.

To the best knowledge and information of our Directors, for those Clients/Suppliers which are IT-related companies, they required our services as they had difficulty in providing certain specialised IT services in-house. On the other hand, we required subcontracting services from certain of the Clients/Suppliers for the reasons as disclosed in the paragraph headed "Subcontracting" in this section below.

Our Directors confirmed that negotiations of the terms of our sales to and purchases from the Clients/Suppliers were conducted on a case-by-case basis, and the services supplied to and products sourced from the Clients/Suppliers were neither inter-connected nor inter-conditional with each other. The salient terms of the transactions with such Clients/Suppliers are similar to those with our other clients and suppliers, which our Directors consider normal commercial terms. Our Directors confirmed that, during the Track Record Period, the products we purchased from these suppliers were not subsequently sold to these same suppliers, nor vice versa. None of our Directors, their respective close associates, or any of our Shareholder (who or which to the best knowledge of our Directors, owns more than 5% of the number of issued share of our Company) had any interest in any of the Clients/Suppliers during the Track Record Period.

OUR RELATIONSHIP WITH SUPPLIER B**Overview**

During the Track Record Period, the IT services provided by us to our clients were mainly based on Supplier B's hardware and software and our purchase of Supplier B's hardware and software has been primarily made via Supplier A (which is Supplier B's authorised distributor). Supplier B was our second largest supplier for FY2015 and FY2016 and our third largest supplier for FY2017. During the Track Record Period, substantially most of our purchases from Supplier A were related to Supplier B's products, and our remaining purchases from Supplier A were mainly software and hardware of other IT products vendors.

According to the Frost & Sullivan Report, Supplier B is a global leading technology company providing IT products and services as well as enterprise and business IT solutions for clients worldwide from various industries including but not limited to medical, engineering, art and finance, with workforce of approximately 380,000 employees globally. Supplier B creates value for clients through integrated solutions and products that leverage: data, information technology, deep expertise in industries and business processes, and a broad ecosystem of partners and alliances. Moreover, Supplier B has a strong research and development capability, with more than 8,000 patents granted in 2016 and more than 97,000 patents granted since 1993.

Further, according to the Frost & Sullivan Report, Supplier B mainly sells products through its authorised distributors in each region. To better serve the end users in each region and save operational costs, Supplier B generally does not directly provide products or related services to the end users. Instead, in most of the cases, IT service providers such as our Group would provide IT solutions to the end users by integrating the technological functionalities or features to customise Supplier B's products based on the specific requirements of the end users.

According to the Frost & Sullivan Report, Supplier B currently has four authorised distributors in Hong Kong. During the Track Record Period, apart from Supplier A, we also procured Supplier B's products from the other three authorised distributors with the aggregate purchase amount paid to such distributors being approximately HK\$0.7 million, HK\$0.2 million and HK\$0.7 million, respectively. Therefore, our Directors do not consider that we have any undue reliance on Supplier A as we may procure Supplier B's products from other authorised distributors. Our fees paid to Supplier B was attributable to Supplier B's role as our subcontractor in our provision of IT services to the end-users. The total service fee paid to Supplier B accounted for approximately 11.5%, 6.2% and 7.5% of our total cost of sales for the Track Record Period, respectively. Supplier B was also one of our clients engaging us as their subcontractor to provide IT development and infrastructure solutions services to them and our revenue attributable to it accounted for approximately 2.8%, 1.7% and 7.6% of our total revenue during the Track Record Period. For the reason of the subcontracting arrangements between Supplier B and our Group, please refer to the paragraph headed "Clients who were also our suppliers during the Track Record Period" in this section above.

During the Track Record Period, we were the gold business partner of Supplier B and were promoted to the platinum business partner of Supplier B in July 2017. As at the Latest Practicable Date, there were three gold business partners and three platinum business partners of Supplier B in Hong Kong. The following table sets out the requirements which have to be fulfilled in order to be eligible as Supplier B's gold and platinum business partners.

BUSINESS

	Gold Partner	Platinum Partner
Capabilities:	The partner must attain one technical competency at either specialist or expert level	The partner must attain two technical competencies, at least one at the expert level
Sales success:	The partner must fulfil the minimum purchase requirement of US\$250,000 within twelve months	The partner must fulfil the minimum purchase requirement of US\$3 million within twelve months
Client satisfaction:	The partner must complete the client satisfaction survey	The partner must complete the client satisfaction survey
Client references:	The partner must have at least one verified client reference	The partner must have at least two verified client references

As a platinum business partner of Supplier B, we enjoy more privileges and benefits than the gold and silver business partners of Supplier B. For example, we receive the most education and training vouchers and sponsorship discounts for event packages, obtain unlimited contacts for digital content marketing and gain first priority for Supplier B's competitive sales support and business partner locator.

We had entered into business partner agreements with Supplier B, governing our provision of its hardware, software and services to our clients, which were effective on 30 September 2010 and 30 June 2015, respectively. Pursuant to the business partner agreements, we are approved to supply certain Supplier B's hardware and software and to provide value-added services which add on the function and capability of Supplier B's products to our clients. The business partner agreements also govern the general obligations and responsibilities of the parties, including but not limited to compliance with Supplier B's business conduct requirements, confidentiality and liability. It is specified in the said agreements that we shall maintain the criteria Supplier B specified when it approved us as a gold/platinum business partner, which would include the minimum purchase requirement as mentioned above. Failure to meet the minimum purchase requirement would not result in any penalty against us but our partner ranking may be lowered, resulting in reduction of resources and support offered by Supplier B. Nevertheless, our Directors confirm that during the Track Record Period, we had not failed in meeting any benchmarks which resulted in the lowering of our ranking. The business partner agreements are automatically renewed and shall remain valid until either party terminates the agreements on prior written notice to the other.

BUSINESS

On 31 December 2015, we also entered into a framework agreement with Supplier B in connection with our provision of technical services to Supplier B as a subcontractor. The framework agreement which shall remain in effect until terminated sets out general terms on payment, delivery, intellectual property rights and liability. There is no minimum purchase requirement under the framework agreement. The framework agreement is subject to individual work orders from Supplier B which would contain, among other things, detailed payment and delivery terms, services required and price to be determined at the time of order placement.

During the Track Record Period, almost all of the incentives we received were related to Supplier B's products and they are predominately related to the incentive programme where we were awarded with cash rebate if we identified new customer opportunities for certain eligible products and sell such products to clients. The list of eligible products are updated monthly. In calculating the incentive fees, a specific fee percentage which varies across different types of eligible products will be applied to the sales amount of each eligible product and there is no cap on the amount of incentive fees that can be earned. During the Track Record Period, we recognised cash incentives in relation to Supplier B's products of approximately HK\$6.0 million, HK\$7.1 million and HK\$1.2 million, respectively.

Mutual and strategic business relationship

We consider that our business operations would not be materially and adversely affected, should in the highly unlikely circumstance Supplier B terminate its business relationship with us, on the basis that:

- (i) we consider that our business relationship with Supplier B is mutually beneficial both financially and strategically. As at the Latest Practicable Date, we were one of the three platinum business partners of Supplier B in Hong Kong which evidenced that we possessed many of their product certifications and demonstrated our in-depth knowledge about the products of Supplier B. As at the Latest Practicable Date, we obtained the qualifications to sell 27 out of 28 types of Supplier B's software products procured from its authorised distributors and we were the business partner of Supplier B in Hong Kong with the most qualifications to sell their software. Although Supplier B is a well-known international IT products vendor, our Directors believe that it also relies on us in recommending its products to our clients as we are capable of providing IT solutions which enhance the functionality and adaptability of Supplier B's products so that they can be utilised in a wide range of IT solutions and hence help increase the popularity of Supplier B's products in the market. We are also one of the five business partners in Hong Kong collaborating with Supplier B on its partner growth scheme which aims to formulate business plans in order to promote the sales of both Supplier B and the business partners. Considering that we have a solid and wide client base, our Directors believe that it is beneficial for Supplier B to maintain a close business relationship with us and is highly unlikely for Supplier B to terminate its business relationship with us;

BUSINESS

- (ii) During the past few years, we have received a number of awards from Supplier B such as Supplier B Collaboration Solutions Award, Greater China Group – Business Partner Excellence Award, Top Contributor Award – Software Value Partner, Top Contributor Award – Industry Solution and Best District Partner in Greater China. These recognitions show the significance to Supplier B of the business partnership with our Group and our sales contribution to Supplier B. Our Directors believe that we play an important role in selling and promoting Supplier B’s products in Hong Kong;
- (iii) we have developed mutual trust and strong business relationship with Supplier B. Throughout the business relationship, we have not received any material complaints from Supplier B;
- (iv) during the Track Record Period, only approximately 2.8%, 1.7% and 7.6% of our total revenue was attributable to Supplier B, respectively, and the cost of sales of 11.5%, 6.2% and 7.5% attributable to Supplier B during the same period was mainly in connection with the provision of its IT development solutions services, respectively. During the Track Record Period, our purchase of Supplier B’s hardware and software has been primarily made via Supplier A (which is Supplier B’s authorised distributor). Therefore, our Directors are of the view that our Group had no significant and direct reliance on Supplier B during the Track Record Period;
- (v) there are a number of other alternative product suppliers which are mostly large multinational companies from which we can source IT hardware and/or software. According to the Frost & Sullivan Report, Supplier B and other product suppliers offer products of similar nature in the market which can generally be used by IT solutions providers to provide IT services to their clients without relying on a particular brand. Generally, our clients only set out the specifications or configurations of IT systems they require and they would not request for any specific brands of hardware or software to be procured. Therefore, it gives us flexibility to choose products from other IT products vendors which serve the same or similar function as Supplier B’s products in delivering our IT solutions to clients. In fact, our technical staff also has experience and knowledge in using hardware and/or software of other IT products vendors. With technology substitution, it is not necessary that we have to solely rely on Supplier B’s hardware and/or software to provide our IT services. Our Directors confirm that while the substituting products may have different technical features, if required, our technical staff is able to customise such products by using their expertise so that they can perform similar functions which would satisfy the requirements of the clients. Our Directors believe that in case of any extra costs which need to be incurred arising from the use and/or customisation of the alternative products, we would be able to pass on such costs to our clients. According to the Frost & Sullivan Report and based on our Directors’ experience and enquiries made by us with other supplier, since the ability to provide IT-related subcontracting services and their service quality mainly depends on the skills and expertise of the IT professionals offering such services, which are

BUSINESS

available in other IT services providers apart from Supplier B, we believe that we are able to substitute Supplier B's subcontracting services with those of similar scope from alternative suppliers at similar costs and quality. In fact, the proportion of the cost of sales attributable to the products and services of (i) Supplier B to (ii) all of our suppliers and subcontractors has decreased from approximately 79.8% in FY2015 to 73.8% in FY2016 and further decreased to 57.5% in FY2017. This demonstrated that our Group has reduced its reliance on Supplier B and was able to use products/services from alternative suppliers; and

- (vi) according to the Frost & Sullivan Report, it is not uncommon for an IT services provider to procure products predominantly from a particular vendor after it has established a long term relationship with such vendor and become familiar with its products.

SUBCONTRACTING

Whilst we have a team of experienced in-house technical staff to carry out the implementation work of our IT infrastructure and development solutions projects, we from time to time will subcontract certain work in our provision of IT development solutions services such as preparation of feasibility studies and conducting security risk assessment and audit services and web page design that requires specialised expertise and/or large labour force. We subcontract such work to our subcontractors because we consider that (a) the subcontracting allows us to focus on core areas we are experienced in and leave the specialised part to special skilled labour; (b) reduce the labour cost as we do not have to employ a large workforce; and (c) increase our flexibility and capacity in carrying out the projects thereby enabling us to operate more efficiently and cost-effectively. Depending on the contractual terms, we may first notify or obtain approval from our clients before subcontracting part of our work.

During the Track Record Period, our subcontracting cost amounted to approximately HK\$30.8 million, HK\$24.0 million and HK\$29.2 million, respectively, which accounted for approximately 16.4%, 13.0% and 16.1%, respectively, of our revenue, and approximately 20.4%, 17.0% and 20.4%, respectively, of our total cost of sales, for the relevant year.

Our working relationship with our major subcontractors is generally over two years. We have maintained an internal list of approved subcontractors, which is updated from time to time. During the Track Record Period, over 80 subcontractors were engaged by the Group. Our suppliers may also be engaged by us as our subcontractors in different projects depending on the requirements of the individual projects. During the Track Record Period, we did not enter into any formal or long-term written agreement with any of our subcontractors in relation to the subcontracting arrangement which is determined on a case-by-case basis with reference to the specific requirements of each project.

BUSINESS

Our sales department would obtain quotations from our subcontractors when such service is required by our clients. We would negotiate and agree with our subcontractors on the (a) fee quotations; (b) payment method; (c) credit period; (d) scope of services; and (e) resources required. The general terms of our subcontracting arrangements typically include:-

- (a) Fee quotations: Depending on the service provided
- (b) Payment method: Generally by cheque
- (c) Credit period: Generally 30 days
- (d) Scope of services: Certain work in our provision of IT development solutions services such as preparation of feasibility studies and conducting security risk assessment and audit services and web page design, depending on the requirements of individual project
- (e) Qualification and certification of subcontractors: Depending on the requirements in tender documents or according to the relevant contracts signed

Our Group has implemented the following measures to supervise and ensure the quality of the performance of our subcontractors:

- (i) following the supplier management process of ISO20000, the details of which please refer to the paragraph headed “Quality control” in this section below;
- (ii) maintaining relationships with a number of subcontractors so that we do not have to rely on any particular subcontractor and can find alternatives within a short period of time;
- (iii) closely monitoring whether our subcontractors’ performance meet our standards;
- (iv) evaluating our subcontractors’ performance in terms of their performance quality, efficiency, cost charged, responsiveness to our requests and follow-up work after completion of the projects; and
- (v) continuously exploring potential new subcontractors.

INVENTORY MANAGEMENT

We normally place orders with our suppliers upon confirmation of orders from our clients on a back-to-back basis. Given that the lifecycle of IT products is normally short, we do not keep any inventory.

BUSINESS

INSURANCE

We consider our insurance policies to be adequate and in line with the industry standard. During the Track Record Period and up to the Latest Practicable Date, we have maintained the following key insurance policies: (i) employees' compensation and office insurance for our employees that include work injury under the regulatory requirements in Hong Kong; (ii) professional indemnity insurance which provides indemnity to us against liabilities resulting from claims with respect to provision of our services; and (iii) medical insurance for our employees.

During the Track Record Period, our insurance expenses were approximately HK\$0.3 million, HK\$0.1 million and HK\$0.3 million, respectively. During the Track Record Period and up to the Latest Practicable Date, there was no material insurance claim made by our employees as well as by our clients in respect of the IT services we provided and we did not make any material claims on insurance.

OUR EMPLOYEES

As at the Latest Practicable Date, we had 81 employees, all of whom were employed in Hong Kong. A breakdown of our employees by function, as at the Latest Practicable Date is set forth below:-

	As at the Latest Practicable Date
Management	4
Administration and human resources	4
Finance	4
Technical staff (<i>Note</i>)	59
Sales	10
Total	81

Note: As at the Latest Practicable Date, among the 59 technical staff, we had 44 consultants, 10 project managers and 5 other professional services staff (including the head of professional resources, head of enterprise services and hotline support staff).

We generally recruit our employees from the open market. In addition to salaries, our employees are entitled to discretionary bonus. As for our sales personnel, they are entitled to commission on top of their basic salaries. We provide a defined contribution to the Mandatory Provident Fund as required under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for our eligible employees in Hong Kong.

We incurred staff costs on wages and salaries and retirement fund contributions (excluding compensation of key management personnel and directors' remuneration) of approximately HK\$18.3 million, HK\$23.1 million and HK\$26.2 million for FY2015, FY2016 and FY2017, respectively.

BUSINESS

During the Track Record Period, we provided subsidies to our employees encouraging them to attend trainings offered by our IT product vendors and external parties in order to keep them abreast of the latest development in IT industry.

During the Track Record Period, we did not experience any material dispute with our employees or disruptions to our operations due to labour disputes. There is no labour union established by our Group's employees.

Health and occupational safety

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we were in compliance with the safety laws and regulations in all material respects and did not experience any significant workplace accident.

RESEARCH AND DEVELOPMENT

We do not have a separate research and development team and we normally assign our technical staff to carry out ad hoc research and development projects as we may from time to time identify. During the Track Record Period, two consultants and one project manager of our professional service department were assigned to take part in the research and development of new products/technologies. As at the Latest Practicable Date, the project manager had around 14 years of experience in IT solutions industry and has obtained a bachelor's degree in information engineering, whilst the two consultants had an average of six years of experience in IT solutions industry and have possessed higher diploma or above in software-related field.

During the Track Record Period, we undertook research and development projects in relation to IoT management platform which can connect, manage and control various kinds of smart devices and we have developed the prototypes of one adaptor for photocell sensor and one adaptor for temperature sensor. Such adaptors have not yet been used in any of our projects during the Track Record Period and up to the Latest Practicable Date. As at the Latest Practicable Date, we also planned to carry out another research and development project in relation to an adaptor for data streaming for cameras and closed-circuit television.

During the Track Record Period, we incurred approximately nil, HK\$73,500 and nil being the apportioned staff cost of the said two consultants and one project manager in relation to the research and development projects mentioned above, respectively, and such expenses were charged to administrative and general expenses of our Group during the same period.

In implementing our research and development projects, preliminary technical study and feasibility study will be performed, followed by proof of concept and prototyping to develop the adaptor for connecting to the relevant devices. Lastly, final testing on the data collection and management capability of the management platform will be conducted.

BUSINESS

QUALITY CONTROL

The system analysts in our project team will be responsible for the quality control of the IT infrastructure and development solutions projects and conducting independent testing for our clients. Apart from the system analysts, our project manager will also ensure the quality of our IT infrastructure and development solutions. We have technical staff who has been certified as ISTQB Certified Tester (Foundation Level).

In relation to our IT infrastructure and development solutions projects, once a project has commenced, our project managers will monitor the progress of the project in all respects to ensure that it satisfies our clients' requirements and can be delivered to our clients within the agreed timeframe. Our technical staff will have regular meetings with our project managers to report project progress and whenever issues or problems arise, they will report immediately to the project managers.

We also follow the supplier management process of ISO20000 to manage the quality of our suppliers and subcontractors. We will monitor the performance of our suppliers and subcontractors at planned intervals. The performance will be measured against the service targets and other contractual obligations. The performance results will be documented and reviewed to identify any non-conformities or room for improvement so as to ensure the services provided satisfy our requirements. There shall also be documented procedure to manage any contractual disputes between our Company and our suppliers and subcontractors.

We also endeavour to ensure that our IT services provided to our clients follow the industry standard ISO20000-1:2011.

PROPERTIES

Our Group does not own any real estate properties but has leased two properties in Hong Kong as office premise or directors quarters from independent third party. Set out below is a summary of our leased properties as at the Latest Practicable Date:-

Tenant	: KSL
Location	: House A1, Ville de Cascade, 2-4 Lai Wo Lane, Sha Tin, New Territories, Hong Kong
Particular of occupancy	: Directors quarter
Duration of tenancy	: 1 September 2017 to 31 December 2019
Monthly rental fee	: HK\$45,000
Gross size	: 2,509 square feet
(approximately)	
Tenant	: KSL
Location	: Unit No. 2702 on 27/F of Rykadan Capital Tower, Nos. 135 Hoi Bun Road, Kwun Tong, Hong Kong
Particular of occupancy	: Office purposes

BUSINESS

Duration of tenancy	: 1 January 2018 to 31 December 2021
Monthly rental fee	: HK\$166,720.00
Gross size	: 8,336 square feet
(approximately)	

During the Track Record Period, our rental expenses amounted to approximately HK\$1.2 million, HK\$1.4 million and HK\$1.4 million, respectively.

As at the Latest Practicable Date, the tenancy agreement in respect of the lease of the premises in Kwun Tong mentioned above has not been registered in the Land Registry due to the non-cooperation of the landlord. Under Section 3(2) of the Land Registration Ordinance (Chapter 128 of the Laws of Hong Kong), such tenancy agreement shall be registered in the Land Registry, otherwise such lease shall, as against any subsequent bona fide purchaser or mortgagee for valuable consideration of the relevant premises, be absolutely null and void to all intents and purposes and our Group may lose possession of the relevant premises to such subsequent bona fide purchaser or mortgagee. However, we will not be subject to any penalty or fine by any governmental authority due to the failure to register such tenancy. In the event that we are required to relocate to another place, we estimate that the relocation cost to be approximately HK\$0.5 million. It is further estimated that the relocation can be completed within two weeks and during such time, our employees can continue to work by way of remote access. As at the Latest Practicable Date, based on the information available to our Directors, our Directors were not aware of any potential sale and purchase of this property. For discussion about the risk in respect of non-registration of the tenancy agreement, please refer to the paragraph headed “Risk Factors – Risks relating to our Business – We have not registered the tenancy agreement in respect of the lease of the premises in Kwun Tong” in this prospectus.

As at the Latest Practicable Date, as we had no single property with a carrying amount of 15% or more of our total assets, we are not required by Rule 8.01A of the GEM Listing Rules to include in this prospectus any valuation report. Pursuant to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all of our interests in land or buildings.

INTELLECTUAL PROPERTY

It is generally provided in the contracts with our clients that all the intellectual property rights attached to the hardware and/or software developed by us belong to our clients.

As at the Latest Practicable Date, we had one domain name registration and one trademark registration in Hong Kong, which are material to our business operation. Details in relation to our intellectual property is set out in the paragraph headed “Statutory and General Information – Further Information about the Business of our Company – 7. Intellectual property rights” in Appendix IV to this prospectus.

BUSINESS

In order to protect the intellectual property rights of our Group and our clients, we have adopted the following policies:–

- (i) our human resource department regularly sends emails to our staff on (i) proper security protection for information systems and data to remind them of the proper safeguard and procedures in handling classified material provided and/or to be provided by the Hong Kong Government for the purpose of performing the relevant services; and (ii) password policy to enhance the security of our computer system;
- (ii) our employees are provided with staff handbooks which provide, inter alia, that any employee must not make any unauthorised disclosure of any confidential or privileged information made available to him/her in the course of his/her work for a Hong Kong Government bureau/department; and remind them that any such unauthorised disclosure may constitute a criminal offence; and
- (iii) all employees must sign a non-disclosure agreement when they commence their employment with us which prohibits unauthorised leakage of confidential information.

During the Track Record Period and up to the Latest Practicable Date, we did not receive any material claim against our Group for infringement of any intellectual property right nor were we aware of any pending or threatened claims in relation to any such infringement, nor had any material claim been made by us against third parties in relation to the infringement of intellectual property rights owned by us.

LEGAL PROCEEDINGS AND LEGAL COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, no member of our Group was engaged in any claim, litigation or arbitration of material importance and no claim, litigation or arbitration of material importance is known to our Directors to be pending or threatened against any member of our Group. Further, during the same periods, we did not experience any material non-compliance of applicable laws or regulations in Hong Kong, which taken as a whole, in the opinion of our Directors, reflects negatively on the ability or tendency of our Company, our Directors or our senior management, to operate our business in a compliant manner.

LICENCE AND PERMITS

Save for business registration certificates and the licences for strategic commodities, the Hong Kong Legal Counsel confirmed that our Group is not required to obtain or hold any industry specific qualification, licence or permit for carrying out our business in Hong Kong under the laws and regulations in Hong Kong.

BUSINESS

AWARDS AND QUALIFICATIONS

After years of development, our IT services have accomplished a number of milestones and have obtained a number of awards and qualifications as set out below:

Award/Qualification	Awarding organisation	Year of issue/Period
Supplier B Collaboration Solutions Award	Supplier B	2017
Greater China Group – Business Partner Excellence Award	Supplier B	2017
Top Contributor Award – Software Value Partner	Supplier B	2015
Top Contributor Award – Industry Solution	Supplier B	2014
Best District Partner in Greater China	Supplier B	2014
Partner Network	An American multinational technology company	2013-2014
ISO20000-1:2001 – Information technology service management system	Hong Kong Quality Assurance Agency	2014-2017
Approved contractor of Standing Offer Agreement in respect of the supply of personal computer equipment and the provision of related services to various government departments – Category A and Category B	Hong Kong Government	From 2017 to 2019
Approved contractor of Standing Offer Agreement in respect of supply of network products and server systems and provision of related services to various government departments – Category B	Hong Kong Government	From 2013 to 2016
Authorised prime contractor of Standing Offer Agreement for quality professional services of the Government – Category 1, Category 2, Category 3 and Category 4	Hong Kong Government	From 2013 to 2021

BUSINESS

Award/Qualification	Awarding organisation	Year of issue/Period
Government Public Cloud Service Provider – Category A (Productivity Applications), Category B (Business Applications), Category C (Cloud IT Services) and Category D (Social Media Applications)	Hong Kong Government	From 2012 to 2015
Authorised prime contractor of Standing Offer Agreement for quality professional services of the Government – Category 1, Category 2 and Category 3	Hong Kong Government	From 2009 to 2013
Authorised prime contractor of Standing Offer Agreement for quality professional services of the Government – Category 3	Hong Kong Government	From 2005 to 2009

MARKET AND COMPETITION

The IT consulting services industry in Hong Kong is highly competitive and fragmented with no dominant player. According to the Frost and Sullivan Report, there were more than 4,000 service providers in the market at the end of 2017. The total market size by revenue of the Hong Kong IT consulting services industry in 2017 is HK\$58.5 billion and the top 10 leading players accounted for 15.1% of the total market size, which shows how fragmented the Hong Kong IT consulting services industry is. Please refer to the section headed “Industry Overview” in this prospectus for further details.

RISK MANAGEMENT AND CORPORATE GOVERNANCE

We have identified several risks relating to the operation of our business, the details of which please refer to the paragraph headed “Risk Factors – Risks Relating to Our Business” in this prospectus. To monitor the ongoing implementation of our risk management policies and corporate governance measures after the Listing, we have adopted or will adopt, among other things, the following corporate governance measures:–

- the establishment of an audit committee, which consists of Mr. Lam Yau Hin, Mr. Yeung Wai Keung and Mr. Cheung Wah Kit Jason, to oversee the financial records of our Company and implementation and monitoring of the internal control procedures and risk management systems of our Company. For the biographical details of the members, please refer to the section headed “Directors and Senior Management” in this prospectus;

BUSINESS

- the formulation of whistleblowing policies providing employees with direct access to the audit committee or the Board in case of any suspected, potential or actual non-compliance incidents;
- the appointment of Cinda International Capital Limited as our compliance adviser upon the Listing to advise us on compliance with the GEM Listing Rules;
- the training and continuous professional development of our Directors and senior management shall be reviewed and monitored; and
- the appointment of Mr. Leung Patrick Cheong Yu as our compliance officer. For details of his biography, please refer to section headed “Directors and Senior Management” in this prospectus.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

Immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon any exercise of the Offer Size Adjustment Option or options which have been or may be granted under the Share Option Scheme), VKL will effectively hold as to 75% of the total number of issued Shares. VKL is held as to 100% by Mr. Yu. As such, Mr. Yu and VKL will continue to control more than 30% of the total number of issued Shares and will be the Controlling Shareholders after the Capitalisation Issue and the Share Offer.

VKL is an investment holding company. For details of the background of Mr. Yu, please refer to the section headed “Directors and senior management” in this prospectus.

As at the Latest Practicable Date, Mr. Yu, as a Controlling Shareholder currently holds interests in the Excluded Group comprising ASL (which is currently dormant) and BVIL (which has not carried on any substantive business except for the purpose of signing the office tenancy agreement and subscribing for the telecommunication services during the Track Record Period), and hence not in competition with our principal businesses. For details, please refer to the paragraph headed “Companies excluded from or not included as part of our Group” below.

Save as disclosed in this prospectus, none of the Controlling Shareholders, Directors, substantial shareholders and their respective close associates has any business or interest which directly or indirectly competes or may compete with our business and any other conflicts of interest which any such person has or may have with our Group, which requires disclosure under Rule 11.04 of the GEM Listing Rules.

COMPANIES EXCLUDED FROM OR NOT INCLUDED AS PART OF OUR GROUP

As at the Latest Practicable Date, Mr. Yu as a Controlling Shareholder has interests in the Excluded Group (comprising ASL and BVIL) that were excluded from or not included as part of our Group. ASL is currently dormant and BVIL has not carried on any substantive business except for the purpose of signing the office tenancy agreement and subscribing for the telecommunication services during the Track Record Period.

As we principally engage in IT infrastructure solutions services, IT development solutions services and IT maintenance and support services, and none of the business owned by the Controlling Shareholders and their close associates outside our Group involve in the provisions of professional IT solutions, the Directors are of the view that there are clear delineations between our principal business and that of the Excluded Group.

NON-COMPETITION AGREEMENT

To ensure that competition will not exist in the future, each of the Controlling Shareholders has entered into Non-Competition Agreement with our Company on 22 June 2018 to the effect that he/it will not, and will procure his/its close associate(s) (other than our Group) not to compete, either directly or indirectly, with our principal business and grant to our Group the option for new business opportunity, the option for acquisitions and pre-emptive rights.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Non-competition

Each of the Controlling Shareholders has irrevocably undertaken in the Non-Competition Agreement that, during the term of the Non-Competition Agreement, he/it will not, and will also procure his/its close associate(s) (other than our Group) not to, alone or with any other entity, in any form, directly or indirectly, engage in, participate in, assist or support a third party to carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, director, partner, agent, employee, or otherwise, and whether for profit, reward or otherwise) any business that competes, or is likely to compete, directly or indirectly with our principal business. The foregoing restrictions are subject to the fact that our Company may waive certain new business opportunities pursuant to the terms and conditions under the Non-Competition Agreement.

The foregoing restrictions do not apply to (1) the purchase by the Controlling Shareholders or their close associate(s) (as appropriate) for investment purpose of not more than 10% equity interest in other listed companies whose business competes or is likely to compete with our principal business; or (2) the holding by the Controlling Shareholders or their close associate(s) of not more than 10% equity interest in other companies whose business competes or is likely to compete with our principal business, as a result of a debt restructuring of such companies (collectively referred to as “**Investment Companies**” for scenarios (1) and (2)). For the avoidance of doubt, the exceptions above do not apply to such Investment Companies which the Controlling Shareholders or their close associate(s) are able to control their respective board of directors notwithstanding the fact that not more than 10% of the equity interests of such Investment Companies are being held by the Controlling Shareholders or their close associate(s).

Options for New Business Opportunities

Each of the Controlling Shareholders has undertaken in the Non-Competition Agreement that, during the term of the Non-Competition Agreement, if the Controlling Shareholders and/or their close associate(s) (other than our Group) become aware of a business opportunity which competes, or may compete, directly or indirectly with our principal business, the Controlling Shareholders will notify our Company in writing immediately and provide to our Company all information which is reasonably necessary for our Company to consider whether or not to engage in such business opportunity (“**Offer Notice**”). The Controlling Shareholders is also obliged to use their best efforts to procure that such opportunity is first offered to our Company on terms that are fair and reasonable. Our Company is entitled to decide whether or not to take up such business opportunity within 30 business days from receiving the Offer Notice (subject to our Company’s request to extend the notice period of 30 business days), subject to compliance with the applicable requirements under the GEM Listing Rules.

Each of the Controlling Shareholders will use his/its best efforts to procure his/its close associate(s) (other than our Group) to offer to our Company an option to acquire any new business opportunity which competes, or is likely to compete, directly or indirectly with our principal business according to the terms of the Non-Competition Agreement.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

If our Company decides not to take up the new business opportunity for any reason or do not respond to the Controlling Shareholders and/or their close associate(s) within 30 business days from receiving the Offer Notice (subject to our Company's request to extend the notice period of 30 business days), our Company should be deemed to have decided not to take up such new business opportunity, and the Controlling Shareholders and/or their close associates may operate such new business opportunity on its own.

Option for Acquisitions

In relation to any new business opportunity of the Controlling Shareholders referred to in the Non-Competition Agreement, which has been offered to, but has not been taken up by, our Company and has been retained by the Controlling Shareholders or any of their close associate(s) (other than our Group), which competes, or may lead to competition, directly or indirectly with our principal business, the Controlling Shareholders have undertaken to grant our Company an option, which is exercisable at any time during the term of the Non-Competition Agreement, subject to applicable laws and regulations, to purchase at one or more times any equity interest, assets or other interests which form part or all of the new business as described above, or to operate the new business as described above by way of, including but not limited to, management outsourcing, lease or subcontracting. However, if a third party has the pre-emptive right, in accordance with applicable laws and regulations and/or a prior legally binding document (including but not limited to articles of association and shareholders' agreement), the option for acquisitions shall be subject to such third party rights. In this case, the Controlling Shareholders will use their best efforts to procure the third party to waive its pre-emptive right.

Each of the Controlling Shareholders shall procure his/its close associate(s) (other than our Group) to comply with the option granted to our Company by the Controlling Shareholders above. The consideration shall be determined following negotiation between the parties under the fair and reasonable principle based on the valuation conducted by an independent third party professional valuer (selected by both the Controlling Shareholders and our Company) and the mechanism and procedure provided by applicable laws and regulations.

Pre-emptive Right

Each of the Controlling Shareholders has undertaken that, during the term of the Non-Competition Agreement, if he/it intends to transfer, sell, lease, license or otherwise permit to use, to a third party any new business opportunity of the Controlling Shareholders referred to in the Non-Competition Agreement, which has been offered to, but has not been taken up by, our Company and has been retained by the Controlling Shareholders or any of their close associate(s) (other than our Group), which competes, or may lead to competition, directly or indirectly with our principal business, the Controlling Shareholders or any of their close associate(s) shall notify our Company by written notice ("**Selling Notice**") in advance. The Selling Notice shall attach the terms of the transfer, sale, lease or license and any information which may be reasonably required by the Company. Our Company shall reply to the Controlling Shareholders and/or their close associate(s) within 30 business days after receiving

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

the Selling Notice. The Controlling Shareholders and/or their close associate(s) (other than our Group) have undertaken that until it receives the reply from our Company, it shall not notify any third party of the intention to transfer, sell, lease or license the business. If our Company decides not to exercise its pre-emptive right or if our Company does not reply within the agreed time period, or if our Company does not accept the terms as set out in the Selling Notice and issues to the Controlling Shareholders a written notice within the agreed time period stating acceptable conditions which, however, are not acceptable to the Controlling Shareholders or any of their close associate(s) following negotiation between the parties under the fair and reasonable principle, the Controlling Shareholders or any of their close associate(s) is entitled to transfer the business to a third party pursuant to the terms stipulated in the Selling Notice.

The Controlling Shareholders shall procure their close associate(s) (other than our Group) to comply with the above pre-emptive right.

Decision-making as to whether to take up the options or pre-emptive right

The independent non-executive Directors will be responsible for reviewing, considering and deciding whether or not to exercise the option for new business opportunity or the option for acquisitions or our pre-emptive right. In assessing whether or not to exercise such option(s) or pre-emptive right, the independent non-executive Directors will consider a range of factors including any feasibility study, counterparty risk, estimated profitability, our business and the legal, regulatory and contractual landscape and form their views based on the best interest of the Shareholders and our Company as a whole. Where necessary, the independent non-executive Directors will consider to engage an independent valuer to conduct evaluation. The independent non-executive Directors are also entitled to engage a financial adviser, at the cost of our Company in connection with exercise of option for the business opportunity.

The Controlling Shareholders' further undertakings

Each of the Controlling Shareholders has further jointly and severally undertaken that:

- (i) it/he will provide all information necessary for the independent non-executive Directors to review the Controlling Shareholders', and their close associate(s)' compliance with and enforcement of the Non-Competition Agreement;
- (ii) it/he consents to the disclosure of the decision made by the independent non-executive Directors in relation to the compliance with and enforcement of the Non-Competition Agreement in our annual report, or by way of announcement; and
- (iii) it/he will make a declaration to our Company and the independent non-executive Directors annually regarding its compliance with the Non-Competition Agreement for the disclosure in the annual report.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

The Non-Competition Agreement will become effective upon Listing and remain in full force and be terminated upon the earlier of:

- (i) the date when the Controlling Shareholders and their close associate(s), directly and/or indirectly in aggregate hold less than 30% of the total number of issued Shares; or
- (ii) the date on which the Shares cease to be listed on the Stock Exchange (except for temporary suspension of trading of the Shares).

The Controlling Shareholders undertake to our Company that he/it would, during the term of the relevant Non-Competition Agreement indemnify and keep indemnified our Company and our Group against any damage, loss or liability suffered by our Company or our Group (as relevant) arising out of or in connection with any breach of his/its undertakings and/or obligations under the relevant Non-Competition Agreement.

CORPORATE GOVERNANCE MEASURES

The following corporate governance measures are expected to be adopted by our Company:

- (a) the Directors will comply with the Articles of Association which require the interested Director not to vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposal in which he or any of their close associates is materially interested;
- (b) the independent non-executive Directors will, on an annual basis, review the compliance and enforcement of the Non-Competition Agreement by the Controlling Shareholders. Each of the Controlling Shareholders has undertaken that he/it will and will procure his/its close associates to provide all information reasonably required by the independent non-executive Directors to assist them in the assessment. Our Company will disclose the review in the annual report or by way of announcement to the public. Each of the Controlling Shareholders has also undertaken that he/it will make an annual declaration on the compliance with the Non-Competition Agreement and other connected transaction agreements in the annual report;
- (c) the independent non-executive Directors will also review, on an annual basis, all decisions made in relation to any new business opportunities offered during the year. Our Company will disclose such decisions and basis for them in the annual report or by way of announcement to the public;
- (d) our Company will appoint a compliance adviser who shall provide it with professional advice and guidance, in respect of compliance with the GEM Listing Rules and applicable laws; and

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (e) any transaction (if any) between (or proposed to be made between) the Company and connected persons will be required to comply with Chapter 20 of the GEM Listing Rules, including, where applicable, the announcement, reporting, annual review and independent shareholders' approval requirements and with those conditions imposed by the Stock Exchange for the granting of waiver from strict compliance with the relevant requirements under the GEM Listing Rules.

INDEPENDENCE OF MANAGEMENT, FINANCIAL AND OPERATION

Having considered the following factors, the Directors are satisfied that our Company will be able to be operationally and financially independent from the Controlling Shareholders and their close associates (other than our Company):

Non-competition

As mentioned above in this section, none of the Controlling Shareholders, Directors, or their close associates has any interest in a business, apart from the business of our Group, which competes or may compete, either directly or indirectly, with our business and any other conflicts of interest which any such person has or may have with us. In addition, the Controlling Shareholders have executed the Non-Competition Agreement in favour of our Company. For details, see "Non-Competition Agreement" in this section.

Management independence

The Board comprises five executive Directors and three independent non-executive Directors.

Our Company and the Excluded Group have board of directors that function independent of each other. The following table sets out the details of the position of the Directors within our Company and the Excluded Group immediately upon the Listing:-

Name	Position within our Company	Position in VKL and within the Excluded Group
Mr. Yu	executive Director	director of VKL, ASL (currently dormant) and BVIL (has not carried on any substantive business except for the purpose of signing the office tenancy agreement and subscribing for telecommunication services during the Track Record Period)

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Further, Mr. Lam, our chief operating officer, is a director of ASL (currently dormant). Save as disclosed above, none of our Directors or members of the senior management holds any directorship or senior management position in the Excluded Group and/or its close associates and/or the companies controlled by our Controlling Shareholders other than our Group.

Despite the interest of the Controlling Shareholders in the Excluded Group and overlapping director as disclosed above, we believe that the Director and member of the senior management are able to perform their roles in our Company independently and that our Group is capable of managing its business independently from the Controlling Shareholders for the following reasons:

- (a) each Director is aware of his fiduciary duties as a Director of our Company which requires, among other things, that he acts for the benefit and in the best interests of our Company and that he does not allow any conflict between his duties as a Director and his personal interest;
- (b) the decision-making mechanism of the Board as set out in the Articles of Association includes provisions to avoid conflicts of interest by providing, among other things, that in the event of conflicts of interest, such as consideration of resolutions in relation to transactions with the Controlling Shareholders, the relevant Director who are connected with the Controlling Shareholders will abstain from voting and will not be counted towards the quorum of the relevant meetings. Furthermore, when considering connected transactions, only the independent non-executive Directors will review the relevant transactions;
- (c) the Board comprises eight Directors and three of them are independent non-executive Directors who represent not less than one-third of the members of the Board; the composition of the Board provides a balance between the number of interested and independent non-executive Directors with a view to promoting the interests of our Company and the Shareholders as a whole. This is also in line with the requirement as set out in the GEM Listing Rules.

Based on the above, the Directors believe that our Company is capable of maintaining management independence from the Controlling Shareholder.

Financial independence

Our Group has an independent financial system and makes financial decisions according to its own business needs. During the Track Record Period, our Group financed its operations through a combination of borrowings from banks, cash generated from its operations and capital contributions from the Shareholders. Our Directors are of the view that our Group does not unduly rely on the advances from our Controlling Shareholders for its business operations. As at 31 December 2017 and the Latest Practicable Date, none of the debts was guaranteed by our Controlling Shareholders and no amounts were owed to our Controlling Shareholders and their respective close associates.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

In view of the above, the Directors consider that we are capable of carrying on our business independently of, and do not place undue reliance on the Controlling Shareholders.

Operational independence

Currently, our Group engages in its business independently, with the independent right to make operational decisions and implement such decisions. Our Group has an independent work force to carry out its operation. Although during the Track Record Period, there has been certain transactions between us and the related parties, details of which are set out in note 19 in the Accountant's Report in Appendix I to this prospectus, the Directors have confirmed that these related party transactions, if trade-related, were conducted on fair and reasonable normal commercial terms. None of the historical related party transactions with the connected persons as defined in the GEM Listing Rules are expected to continue after the Listing.

Having considered that (i) we have established our own organisational structure comprising individual departments and business and administrative units, each with specific areas of responsibilities and (ii) our Group does not share our operational resources, such as marketing, sale and general administration resources with the Controlling Shareholders and/or their close associates and (iii) the Controlling Shareholders have no interest in any of the top five clients or suppliers, the Directors consider that our Group can operate independently from the Controlling Shareholders from the operational perspective.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

The Board consists of eight Directors, including five executive Directors and three independent non-executive Directors. The functions and duties of the Board include but are not limited to: convening Shareholders' general meetings and reporting the Board's work at the Shareholders' general meetings; implementing the resolutions passed at the Shareholders' general meetings; determining our business plans and investment plans; preparing annual budget proposals and final accounts proposals; preparing plans for profit distribution and recovery of losses; preparing plans for the increase or decrease in registered capital; and exercising other power, functions and duties as conferred by the Articles of Association. Each Director has entered into a service contract with our Company.

The following table sets forth certain information of the Directors.

Name	Age	Position	Date of appointment	Date of joining our Group	Responsibilities	Relationships with other Directors and senior management
Mr. Yu Pak Lun Larry (余柏麟)	47	– Chairman of the Board – Executive Director – Chief Executive Officer	26 May 2017 16 September 2016 26 May 2017	23 October 1998	Formulating and implementing our corporate strategies, overseeing our overall business development and implementing operation plans and participating in the day-to-day management of our business operations	None
Mr. Wong Tsun Ho Ian (黃俊豪)	37	– Executive Director	26 May 2017	29 March 2004	Supervising and management of the delivery of all projects of our Group	None
Mr. Law Cheung Moon (羅章滿)	39	– Executive Director	26 May 2017	28 May 2001	Responsible for allocation, utilisation management and skill development of our professional resource	None

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of appointment	Date of joining our Group	Responsibilities	Relationships with other Directors and senior management
Mr. Leung Patrick Cheong Yu (梁昌豫)	48	– Executive Director	26 May 2017	16 February 2004	Responsible for management of SOA-QPS programme and sales coverage of products	None
Mr. Wong Chun Pan Dennis (黃振斌)	57	– Executive Director	26 May 2017	11 January 2016	Supervising and management of sales and marketing of our Group	None
Mr. Yeung Wai Keung (楊偉強)	46	– Independent non-executive Director	22 June 2018	22 June 2018	Please see note below	None
Mr. Lam Yau Hin (林佑顯)	35	– Independent non-executive Director	22 June 2018	22 June 2018	Please see note below	None
Mr. Cheung Wah Kit Jason (張華傑)	70	– Independent non-executive Director	22 June 2018	22 June 2018	Please see note below	None

Note: Participating in meetings of the Board to bring an independent judgment to bear on issues of strategy, performance, accountability, resources, key appointments and standards of conduct and transactions which are material to our Group as and when required; serving on the audit committee, remuneration committee and the nomination committee (as the case may be).

Executive Directors

Mr. Yu Pak Lun Larry (余柏麟), aged 47, was appointed as the executive Director on 16 September 2016 and as the chairman of the Board and chief executive officer of our Company on 26 May 2017. He joined our Group as the managing consultant of KSL in October 1998, the director of KSL in May 2000 and the chief executive officer of KSL in November 2015 in which he has been involved in the day-to-day management of KSL. Mr. Yu is primarily responsible for formulating and implementing our corporate strategies, overseeing our overall business development and implementing operation plans and participating in the day-to-day management of our business operations.

DIRECTORS AND SENIOR MANAGEMENT

The previous working experience of Mr. Yu is set out below:

Period	Name of employer(s)	Principal business of the previous employers	Position	Duties and responsibilities
August 1995 – June 1997	Willas-Array Management & Consultants Limited	Electronics components distributor and manufacturer	Technical Programmer	Research and development
June 1997 – November 1998	CoRe Solutions Limited	Information Technology consultancy	Consultant	Providing information technology consultancy service

Mr. Yu has over 18 years of experience in the information technology industry and business management. Mr. Yu is currently serving as a director of KL, KSL and RTL, as well as our chief executive officer.

Mr. Yu graduated from the University College London in the United Kingdom with a bachelor's degree in computer science with electronic engineering in August 1993. He obtained his master degree in computer science from the Hong Kong University of Science and Technology in November 1995 and master degree in law from Renmin University of China (中國人民大學) in the PRC in June 2011.

Mr. Yu was a shareholder and director of ATBinary Limited, a company incorporated in Hong Kong in April 2006 conducting the business of IT products agency, which was dissolved by deregistration in October 2009 pursuant to Section 291AA of the predecessor Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force before 3 March 2014 which provides that a defunct solvent company may be dissolved by way of deregistration. The deregistration of this company was voluntary by way of submitting an application to the Companies Registry of Hong Kong because has ceased to carry on business operation for more than three months immediately before the application.

Mr. Wong Tsun Ho Ian (黃俊豪), aged 37, was appointed as the executive Director on 26 May 2017. He joined our Group as the consultant trainee in March 2004. Mr. Wong was promoted to the associate consultant in February 2005, the consultant in January 2006, the senior consultant in February 2008, the project manager in July 2011 and the head of enterprise services in November 2015 in which he is primarily responsible for supervising and management of the delivery of all projects of our Group. Mr. Wong has over 13 years of experience in the information technology industry.

Mr. Wong graduated from the Queen's University in Canada with a bachelor's degree in computer engineering in May 2002.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Law Cheung Moon (羅章滿), aged 39, was appointed as the executive Director on 26 May 2017. He joined our Group as the associate consultant in May 2001. Mr. Law was promoted to the project manager in February 2008, the senior project manager in April 2010 and the head of professional resources in November 2015 in which he is primarily responsible for allocation, utilisation management and skill development of our professional resource. Mr. Law has over 15 years of experience in the information technology industry.

Mr. Law graduated from the Chinese University of Hong Kong with a bachelor's degree in engineering in November 2001.

Mr. Leung Patrick Cheong Yu (梁昌豫), aged 48, was appointed as the executive Director on 26 May 2017. He joined our Group as senior consultant in February 2004. Mr. Leung was promoted to the SOA-QPS programme manager in February 2011, senior manager in March 2014 and sales director in November 2015 where he is primarily responsible for management of SOA-QPS programme and sales coverage of products. Mr. Leung has over 23 years of experience in the information technology industry. The previous working experience of Mr. Leung is set out below:

Period	Name of employer(s)	Principal business of the previous employers	Position	Duties and responsibilities
June 1995 to May 2000	Claremont Technology Group, Inc.	Information technology consultancy	Consultant	Providing information technology consultancy service
June 2000 to July 2002	Vignette Hong Kong Limited	Sales of web content management software	Senior consultant	Providing information technology consultancy service
August 2002 to present	PCL Consulting Company	Information technology consultancy	Proprietor	Providing information technology consultancy service

Mr. Leung graduated from the Purdue University in the United States of America with a bachelor's degree in mechanical engineering in December 1992. He obtained his master degree in mechanical engineering from the Massachusetts Institute of Technology in the United States of America in September 1994.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Wong Chun Pan Dennis (黃振斌), aged 57, was appointed as the executive Director on 26 May 2017. He joined our Group as the head of sales in January 2016 where he is primarily responsible for supervising and management of sales and marketing of our Group. Mr. Wong has over 34 years of experience in the information technology industry. The previous working experience of Mr. Wong is set out below:

Period	Name of employer(s)	Principal business of the previous employers	Position	Duties and responsibilities
September 1982 to January 1986	Hong Kong Telephone Company Limited	Provision of telecommunication service	Analyst programmer (last position)	Information technology programme development and maintenance
January 1986 to December 1995	Computasia Limited	Provision of information technology service	Senior systems specialist (last position)	Providing requirement analysis, design, implementation, rollout, ongoing operation, maintenance and support of client's information technology infrastructure and applications
January 1996 to August 1999	Hong Kong Telecommunications Limited	Provision of telecommunication service	Manager	Providing requirement analysis, design, implementation, rollout, ongoing operation, maintenance and support of client's information technology infrastructure and applications

DIRECTORS AND SENIOR MANAGEMENT

Period	Name of employer(s)	Principal business of the previous employers	Position	Duties and responsibilities
August 1999 to August 2001	Regional Services Department of the Hong Kong Government (currently known as Leisure and Cultural Services Department of the Hong Kong Government)	Government office	Contract senior information technology manager	Leading the division of information technology to provide requirement analysis, design, implementation, rollout, ongoing operation, maintenance and support of department's information technology infrastructure and application
August 2001 to February 2013	PCCW Services Limited	Provision of information technology service	Assistant vice president	Management of data centre, information technology services and systems integration project
June 2013 to December 2013	BrainChild Hong Kong Limited	Provision of information technology service	Technical operations director – overseas business unit	Providing information technology development, implementation and support services, in particular for business intelligence and analytics applications

DIRECTORS AND SENIOR MANAGEMENT

Period	Name of employer(s)	Principal business of the previous employers	Position	Duties and responsibilities
January 2014 to December 2015	Hong Kong Productivity Council	Statutory organisation	Principal consultant	Sales, pre-sales and service delivery of a business unit in information technology industry development

Mr. Wong graduated from the Hong Kong Polytechnic (currently known as the Hong Kong Polytechnic University) with a higher diploma in mathematics, statistics and computing in November 1982. He obtained his master degree in management from the Macquarie University in Australia in November 1998 via distant learning.

Independent Non-executive Directors

Mr. Yeung Wai Keung (楊偉強), aged 46, was appointed as an independent non-executive Director on 22 June 2018. He is primarily responsible for participating in meetings of the Board to bring an independent judgment to bear on issues of strategy, performance, accountability, resources, key appointments and standards of conduct and transactions which are material to our Group as and when required; serving on the audit committee, remuneration committee and the nomination committee (as the case may be). Mr. Yeung has over 22 years of experience in the information technology industry. The previous working experience of Mr. Yeung is set out below:

Period	Name of employer(s)	Principal business of the previous employers	Position	Duties and Responsibilities
April 1995 to October 1996	China Light & Power Company, Limited	Power business	Programmer	Supporting company's business requirement as a member of corporate IT team
November 1996 to August 1999	The Hongkong and Shanghai Banking Corporation	Bank	Network Operations Officer	Managing the company's global network operations

DIRECTORS AND SENIOR MANAGEMENT

Period	Name of employer(s)	Principal business of the previous employers	Position	Duties and Responsibilities
September 1999 to September 2001	Chinadotcom corporation	Internet company	Director – web operation & deployment (last position)	Leading the company’s business development as head of IT
October 2001 to April 2006	American International Data Centre Limited	Insurance and financial	Senior Manager (last position)	Leading AIG project Management in Asia region
April 2006 to August 2008	Stryker Pacific Limited	Medical manufacturing	Network and Compliance Manager	Overseeing compliance in Asia as head of IT
August 2008 to April 2011	Atos Origin (Hong Kong) Limited	IT services	Deputy, Regional Midrange TCC Manager (last position)	Responsible for technology leadership as head of technical services team
April 2011 to January 2012	MetLife Limited	Insurance	Vice President, Head of Information Technology, Information Technology Department (last position)	Responsible for and managing all IT related activities
January 2012 to November 2015	Atos Information Technology HK Ltd.	IT services	Head of Big Data and Security, APAC (last position)	Managing company’s profit and loss for Hong Kong managed services business

DIRECTORS AND SENIOR MANAGEMENT

Period	Name of employer(s)	Principal business of the previous employers	Position	Duties and Responsibilities
January 2016 to April 2017	IBM China/Hong Kong Limited	Technology consulting	Business Executive in Global Business Services Department (last position)	Providing consultancy services for global finance corporations

Mr. Yeung is also employed by Moneysq Limited, a licensed moneylender, as Chief FinTech Officer in its FinTech Department.

Mr. Yeung graduated from the Hong Kong Polytechnic University with a bachelor's degree in arts in November 1994, majoring in computing studies, and graduated from the University of Hong Kong with master of science in electronic commerce and internet computing in December 2003. Mr. Yeung also graduated from RMIT University in Australia with a bachelor's degree in business in November 2004, majoring in economics and finance. He graduated from the Manchester Metropolitan University in England with a postgraduate diploma in English and Hong Kong Law (Common Professional Examination) in July 2005. He also obtained a master degree in business administration from the University of Chicago in the U.S. in March 2016.

Mr. Lam Yau Hin (林佑顯), aged 35, was appointed as an independent non-executive Director on 22 June 2018. He is primarily responsible for participating in meetings of the Board to bring an independent judgment to bear on issues of strategy, performance, accountability, resources, key appointments and standards of conduct and transactions which are material to our Group as and when required; serving on the audit committee, remuneration committee and the nomination committee (as the case may be). Mr. Lam has over 10 years of experience in accounting, auditing and corporate governance. The previous working experience of Mr. Lam is set out below:

Period	Name of previous employer(s)	Principal business of the previous employers	Position	Duties and Responsibilities
June 2006 to August 2007	Raymond Yeung & Co.	Accountant firm	Audit Clerk II (last position)	Handling auditing assignments
September 2007 to June 2010	WKL & Partners C.P.A. Limited	Accounting firm	Audit Senior II (last position)	Handling auditing assignments

DIRECTORS AND SENIOR MANAGEMENT

Period	Name of previous employer(s)	Principal business of the previous employers	Position	Duties and Responsibilities
July 2010 to June 2011	Parker Randall CF (H.K.) CPA Limited	Accounting firm	Audit Senior (last position)	Handling auditing assignments
June 2011 to July 2014	BDO Limited	Accounting firm	Manager 1 (last position)	Handling auditing assignments
July 2014 to August 2016	Moore Stephens CPA Limited	Accounting firm	Audit Manager 3 (last position)	Handling auditing assignments

Mr. Lam graduated from the City University of Hong Kong with an Associate of Business Administration in Accountancy in November 2006. Mr. Lam was admitted as a certified public accountant of the Hong Kong Institute of Certified Public Accountants in May 2011.

Mr. Cheung Wah Kit Jason (張華傑), aged 70, was appointed as an independent non-executive Director on 22 June 2018. He is primarily responsible for participating in meetings of the Board to bring an independent judgment to bear on issues of strategy, performance, accountability, resources, key appointments and standards of conduct and transactions which are material to our Group as and when required; serving on the audit committee, remuneration committee and the nomination committee (as the case may be). Mr. Cheung has been International Vice President, Consumer Asia Pacific of Johnson & Johnson (Hong Kong) Limited, whose principal business was sale of health care products, pharmaceutical and medical equipment, from January 1986 to April 2007. He was responsible for developing business strategies and alternative business models. He has over 31 years of experience in administration and management.

Mr. Cheung graduated from the University of Hong Kong with a bachelor's degree in social sciences in July 1970.

Save as disclosed, each Director has not been a director of any other publicly listed company during the three years preceding the date of this prospectus.

Save as disclosed herein, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of the Directors that needs to be brought to the attention of the Shareholders and there was no information relating to the Directors that is required to be disclosed pursuant to Rules 17.50(2)(h) to (v) of the GEM Listing Rules as at the Latest Practicable Date.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The following table sets forth certain information of the members of the senior management of our Company.

Name	Age	Position	Date of appointment	Date of joining our Group	Responsibilities	Relationships with other Directors and senior management
Mr. Lam Tai Wai, David (林大為)	44	– Chief operating officer	22 February 2000	22 February 2000	Participating in the day-to-day management and supervision of business operations, mainly sales, project delivery and administration and human resources of our Group	None
Mr. Luk Yeung Sing (陸仰星)	58	– Chief partnership officer	1 April 2016	1 April 2016	Developing and implementing the new partnerships-focused strategic growth plan and building organisational capacity and culture	None
Mr. Wu Chi Cheong Frederick (胡熾昌)	63	– Chief strategy officer	1 October 2015	1 October 2015	Assisting the chief executive officer with developing, communicating, executing and sustaining strategic initiatives	None

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lam Tai Wai, David (林大為), aged 44, joined our Group as the managing consultant in February 2000 and was promoted as the chief operating officer in November 2015 in which he is primarily responsible for participating in the day-to-day management and supervision of business operations, mainly sales, projects delivery and administration and human resources of our Group. Mr. Lam has over 18 years of experience in the information technology industry.

Mr. Lam graduated from the Hong Kong University of Science and Technology with a bachelor's degree in computer science in November 1995. He obtained his master degree in computer science from the Hong Kong University of Science and Technology in November 1996.

Mr. Luk Yeung Sing (陸仰星), aged 58, has been the chief partnership officer since April 2016 where he is primarily responsible for developing and implementing the new partnerships-focused strategic growth plan and building organisational capacity and culture. Mr. Luk has over 29 years of experience in the information technology industry. The previous working experience of Mr. Luk is set out as below:

Period	Name of employer(s)	Principal business of the previous employers	Position	Duties and responsibilities
September 1987 to September 1988	Network Computing Corp. Charlotte, NC. USA	Manufacturing and distributing computer software and provision of information technology consultancy services	Computer operator	Provision of technical support to certain programme products
June 1989 to March 1990	Dodwell Business Machines Division Inchcape	Resale of computer systems and network technology	Sales executive	Sales of computer products or services to assigned territory
April 1990 to August 1993	Jardine System Products	Distributing networking products (hardware and software) and providing consultancy to channel partners	Sales supervisor (last position)	Providing consultancy to channel partners and supervising the team to achieve sales target

DIRECTORS AND SENIOR MANAGEMENT

Period	Name of employer(s)	Principal business of the previous employers	Position	Duties and responsibilities
September 1993 to June 1994	M.C.L. Communication Technologies Limited	Resale of cabling system and telephone switching systems	Marketing manager	Undertaking the financial responsibilities to meet the business plan target within the budget and developing incentive programme and plans to increase the sale of products
June 1994 to August 1996	Microsoft Hong Kong Limited	Provision of software services, devices and solutions	Channel sales manager	Establishing business plans towards the channel business in Hong Kong
August 1996 to April 2001	IBM China/Hong Kong Limited	Provision of information technology service in China, Hong Kong and Taiwan	Software channel sales manager	Recruiting sales and channel team members and developing sales strategies and sales model
April 2001 to May 2006	Trend Micro Limited (formerly known as Trend Micro Hong Kong Limited)	Development and marketing of antivirus and internet content security software and services	Hong Kong BU manager	Monitoring the revenue, operation and profit and loss for the business unit in Hong Kong and implementing skills transfer programmes

DIRECTORS AND SENIOR MANAGEMENT

Period	Name of employer(s)	Principal business of the previous employers	Position	Duties and responsibilities
May 2006 to November 2006	New World Software Corporation Limited	Development and marketing of software in the China region	Chief executive officer	Marketing of software, exploring strategic partnership and overseeing the business operation of the company
July 2007 to June 2008	Oracle (China) Software Systems Co., Ltd.	Provision of business hardware and software systems in the China region	Channel sales director	Identifying technology market coverage, revenue and product mix requirements, devising sales strategies and model, exploring opportunities for emerging channels and conducting business review
August 2008 to October 2010	Axis Communications Limited	Development and marketing of network video and video management software and services	Country manager, Hong Kong/Macau/Taiwan/Mongolia	Monitoring the revenue, operation and profit and loss for the business unit in Hong Kong, Taiwan and Mongolia and implementing skills transfer programmes

DIRECTORS AND SENIOR MANAGEMENT

Period	Name of employer(s)	Principal business of the previous employers	Position	Duties and responsibilities
November 2010 to September 2015	Oracle Systems Hong Kong Limited	Provision of business hardware and software systems	Country channel sales director	Identifying technology market coverage, revenue and product mix requirements, devising sales strategies and model, exploring opportunities for emerging channels and conducting business review.

Mr. Luk graduated from the Gardner-Webb College in the United States of America with a bachelor's degree in science in August 1987.

Mr. Wu Chi Cheong Frederick (胡熾昌), aged 63, has been the chief strategy officer since October 2015 where he is primarily responsible for assisting the chief executive officer with developing, communicating, executing and sustaining strategic initiatives. Mr. Wu has over 37 years of experience in the information technology industry. The previous working experience of Mr. Wu is set out as below:

Period	Name of employer(s)	Principal business of the previous employers	Position	Duties and responsibilities
February 1980 to July 1993	Bell Canada/Bell SYGMA	Provision of telecommunication service	Technology consultant – software solutions (last position)	Standardising and recommending technology, architectures and distributed software tools

DIRECTORS AND SENIOR MANAGEMENT

Period	Name of employer(s)	Principal business of the previous employers	Position	Duties and responsibilities
July 1993 to June 1999	PCL Enterprises Holdings Limited	Properties development, construction, semiconductor manufacturing, telecommunications and information technology	Head of the IT department and director of business divisions	Establishing the information technology department and contributing in acquisition of a semiconductor fabrication plant and a semiconductor research and development centre
July 1999 to November 2000	Stareastnet.com Corporation (currently known as Sing Pao Media Enterprises Limited) (delisted from the Stock Exchange since 18 August 2015)	Provision of online and offline cross-media entertainment marketing services	Chief information officer	Responsible for technical establishment of entertainment portal, development of the system and network architecture, and introducing technology such as multimedia and streaming to the company
October 2000 to June 2001	Icon Medialab Limited	Provision of online business consultancy services	Director (corporate development and professional services (last position))	Responsible for delivery of professional services to clients and development of strategic alliance with business partners

DIRECTORS AND SENIOR MANAGEMENT

Period	Name of employer(s)	Principal business of the previous employers	Position	Duties and responsibilities
July 2002 to July 2014	Hong Kong Housing Authority	Statutory body	Contract senior project manager	Planning and implementation of enterprise resources planning business solutions

Mr. Wu graduated from the University of Western Ontario in Canada with a bachelor's degree in science in October 1976.

Save as disclosed, our senior management has not been a director of any other publicly listed company during the three years preceding the date of this prospectus.

COMPANY SECRETARY

Ms. Lam Wai Yan (林惠茵), aged 42, was appointed as the company secretary of our Company on 12 February 2018. Ms. Lam has over 19 years of experience in auditing and assurance. She was employed by Deloitte Touche Tohmatsu from September 1998 to December 2017, with her last position as senior manager. She was involved in providing professional auditing and assurance services. Ms. Lam is currently a principal of Fan, Chan & Co. which is a Certified Public Accountants' firm in Hong Kong.

Ms. Lam graduated from the Hong Kong Polytechnic University with a Bachelor of Arts in Accountancy in November 1998. She has been an associate member of the Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants) since April 2002 and a fellow member of the Association of Chartered Certified Accountants since November 2006. She has been a certified public accountant (practising) since March 2018.

Ms. Lam did not hold any directorship in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas.

BOARD COMMITTEES

Audit committee

Our Company has established an audit committee on 22 June 2018 with its written terms of reference in compliance with Corporate Governance Code and Corporate Governance Report set out in Appendix 15 to the GEM Listing Rules. The primary duties of the audit committee are to review and supervise our financial reporting process, risk management and internal control systems, nominate and monitor external auditors and to provide advice and comments to the Board.

Our audit committee consists of three members, being Mr. Yeung Wai Keung, Mr. Lam Yau Hin and Mr. Cheung Wah Kit Jason. Mr. Lam Yau Hin currently serves as the chairman of our audit committee.

DIRECTORS AND SENIOR MANAGEMENT

Remuneration committee

Our Company has established a remuneration committee on 22 June 2018 with its written terms of reference in compliance with Corporate Governance Code and Corporate Governance Report set out in Appendix 15 to the GEM Listing Rules. The primary duties of the remuneration committee are to evaluate the performance and make recommendations on the remuneration of our senior management and to recommend members of the Board.

Our remuneration committee consists of four members, being Mr. Lam Yau Hin, Mr. Yu Pak Lun Larry, Mr. Yeung Wai Keung and Mr. Cheung Wah Kit Jason. Mr. Yeung Wai Keung currently serves as the chairman of our remuneration committee.

Nomination committee

Our Company has established a nomination committee on 22 June 2018 with its written terms of reference in compliance with Corporate Government Code and Corporate Governance Report set out in Appendix 15 to the GEM Listing Rules. The primary duties of the nomination committee are to make recommendations to the Board regarding candidates to fill vacancies on the Board and/or in senior management.

Our nomination committee consists of four members, being Mr. Cheung Wah Kit Jason, Mr. Yu Pak Lun Larry, Mr. Yeung Wai Keung and Mr. Lam Yau Hin. Mr. Cheung Wah Kit Jason currently serves as the chairman of our nomination committee.

REMUNERATION POLICY

The Directors and senior management receive compensation in the form of fees, salaries, allowances, discretionary bonus, pension-defined contribution plans and other benefits in kind with reference to those paid by comparable companies, time commitment and the performance of our Company. Our Company also reimburses the Directors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to our Company or executing their functions in relation to the operations of our Company. We regularly review and determine the remuneration and compensation packages (including incentive plans) of the Directors and senior management, by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of the Directors and senior management and the performance of our Company.

Our Company has also conditionally adopted a share option scheme, the details of which are summarised in the section headed “Statutory and General Information – Other information – 12. Share Option Scheme” in Appendix IV to the prospectus.

DIRECTORS AND SENIOR MANAGEMENT

COMPENSATION OF THE DIRECTORS AND SENIOR MANAGEMENT

For FY2015, FY2016 and FY2017, the aggregate amount of fees, salaries, allowances, discretionary bonus, contributions to defined contribution scheme and other benefits in kind (if applicable) paid by our Group to the Directors were approximately HK\$2.7 million, HK\$4.0 million and HK\$4.1 million, respectively. The Directors' remuneration is determined with reference to salaries paid by comparable companies, their experience, their responsibilities and their performance.

For FY2015, FY2016 and FY2017, the aggregate amount of fees, salaries, allowances, discretionary bonus, contributions to defined contribution scheme and other benefits in kind (if applicable) paid by our Group to our senior management were approximately HK\$0.6 million, HK\$1.5 million and HK\$1.8 million, respectively. The Directors' remuneration is determined with reference to salaries paid by comparable companies, their experience, their responsibilities and their performance.

For FY2015, FY2016 and FY2017, the fees, salaries, allowances, discretionary bonus, contributions to defined contribution scheme and other benefits in kind (if applicable) payable by our Group to the top five highest paid individuals (including Directors) were approximately HK\$3.2 million, HK\$4.2 million and HK\$5.7 million, respectively.

During the Track Record Period, no remuneration was paid by our Company to, or receivable by, the Directors, or the five highest-paid individuals as an inducement to join or upon joining our Company. No compensation was paid by us to, or receivable by, the Directors, past Directors or the five highest-paid individuals for the Track Record Period for the loss of any office in connection with the management of the affairs of any subsidiary of our Company.

None of the Directors had waived any remuneration during the Track Record Period. Save as disclosed above, no other payments have been paid, or are payable, by our Company or any of our subsidiaries to the Directors or the five highest-paid individuals during the Track Record Period.

It is estimated that under the arrangements currently in force, the aggregate amount of compensation (including salaries, benefits in kind but excluding discretionary bonuses) payable to the Directors for FY2018, will be approximately HK\$5.9 million.

DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE ADVISER

Our Company has appointed Cinda International Capital Limited as our compliance adviser upon Listing 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 our Company in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- where our Company proposes to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus;
- where the business activities, developments or results of our Company deviates from any forecast, estimate, or other information in this prospectus where the Stock Exchange makes an inquiry of our Company under Rule 17.11 of the GEM Listing Rules; and
- any other inquiries made by our Company or other regulatory bodies about our duties or obligations to be fulfilled under the GEM Listing Rules.

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

CORPORATE GOVERNANCE CODE

We are committed to achieving high standards of corporate governance with a view to safeguarding the interests of the Shareholders. To accomplish this, we intend to comply with the code set out in the Corporate Governance Code in Appendix 15 to the GEM Listing Rules after the Listing, except for the deviation from Corporate Governance Code provision A.2.1.

Corporate Governance Code provision A.2.1 provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Yu Pak Lun Larry is the Chairman and the chief executive officer of our Company. In view of Mr. Yu Pak Lun Larry is one of the co-founders of our Group and has been operating and managing our Group since 1998, our Board believes that it is in the best interest of our Group to have Mr. Yu taking up both roles for effective management and business development. Therefore our Directors consider that the deviation from the Corporate Governance Code provision A.2.1 is appropriate in such circumstance.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, each of the following persons will, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares that may be issued upon the exercise of the Offer Size Adjustment Option or options which have been or may be granted under the Share Option Scheme), have an interest or short position in the Shares or underlying Shares which would 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 entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of our Company:

Shareholders	Capacity/ Nature of interest	Number and class of securities ⁽¹⁾	Approximate percentage of interest in our Company
VKL ⁽²⁾	Beneficial owner	600,000,000 Shares (L)	75%
Mr. Yu	Interest in controlled corporation	600,000,000 Shares (L)	75%
Ms. Tong Po Ki Vicky ⁽³⁾	Interest of Spouse	600,000,000 Shares (L)	75%

Notes:

- (1) The letter “L” denotes a person’s long position (as defined under Part XV of the SFO) in the Shares.
- (2) VKL is held as to 100% by Mr. Yu. Therefore, Mr. Yu is deemed to be interested in the Shares which VKL is interested in by virtue of the SFO.
- (3) Ms. Tong Po Ki Vicky is the spouse of Mr. Yu. Therefore, Ms. Tong is deemed to be interested in the Shares which Mr. Yu is interested in by virtue of the SFO.

Save as disclosed herein, the Directors are not aware of any person who will, immediately following the Capitalisation Issue and the Share Offer (without taking into account any Shares that may be issued pursuant to the exercise of the Offer Size Adjustment Option or options which have been or may be granted under the Share Option Scheme), have an interest or short position in Shares or underlying Shares, which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of our Company.

SHARE CAPITAL

AUTHORISED AND ISSUED SHARE CAPITAL

The following is a description of the authorised and issued Share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately before and after completion of the Share Offer.

<i>Authorised share capital</i>	<i>Nominal Value</i>
	<i>HK\$</i>
10,000,000,000 Shares	100,000,000
 <i>Issued share capital</i>	
100 Shares in issue as at the date of this prospectus	1
 <i>Shares to be issued</i>	
599,999,900 Shares to be issued pursuant to the Capitalisation Issue	5,999,999
200,000,000 Shares to be issued pursuant to the Share Offer	2,000,000
30,000,000 Shares to be issued on full exercise of the Offer Size Adjustment Option	300,000
 <i>Total issued Share capital on completion of the Share Offer (prior to the exercise of the Offer Size Adjustment Option):</i>	
800,000,000 Shares	8,000,000

ASSUMPTIONS

The above table assumes that the Share Offer becomes unconditional.

The table takes no account of Shares which may be allotted and issued upon the exercise of any options which have been or may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by our Company pursuant to the Issuing Mandate given to the Directors to allot and issue or repurchase Shares as described below.

RANKING

The Shares will rank *pari passu* in all respects with all other existing Shares in issue as mentioned in this prospectus, and in particular, will be entitled to all dividends and other distributions hereafter declared, paid or made on the Shares after the date of this prospectus save for entitlements under the Capitalisation Issue.

SHARE CAPITAL

PUBLIC FLOAT REQUIREMENTS

Rule 11.23(7) and (9) of the GEM Listing Rules requires there to be an open market in the securities for which listing is sought and for a sufficient public float of an issuer's listed securities to be maintained. This normally means that (i) at least 25% of the issuer's total number of issued shares must at all times be held by the public; and (ii) where an issuer has one class of securities or more apart from the class of securities for which listing is sought, the total securities of the issuer held by the public (on all regulated market(s) including the Stock Exchange) at the time of listing must be at least 25% of the issuer's total number of issued shares. However, the class of securities for which listing is sought must not be less than 15% of the issuer's total number of issued shares and must have a minimum expected market capitalisation at the time of listing of HK\$150 million and the minimum public float value at the time of listing of HK\$45 million.

Based on the information in the above table, our Company will meet the public float requirement under the GEM Listing Rules after the completion of the Capitalisation Issue and the Share Offer. We will make appropriate disclosure of our public float and confirm the sufficiency of our public float in successive annual reports after Listing.

The above table assumes the Share Offer becomes unconditional and is completed.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 22 June 2018. Under the Share Option Scheme, the eligible participants of the scheme, including directors, full-time employees of and advisers and consultants to our Company or our subsidiaries may be granted options which entitle them to subscribe for Shares, when aggregated with options granted under any other scheme, representing initially not more than 10% of the number of Shares in issue on the Listing Date. For further details of the rules of the Share Option Scheme, see "Statutory and General Information – Other information – Share Option Scheme" in Appendix IV to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

The Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate number of such Shares not exceeding the sum of (a) 20% of the number of Shares in issue as enlarged by the Capitalisation Issue and the Share Offer (but excluding any Shares which may be issued pursuant to the Offer Size Adjustment Option); and (b) the number of such Shares which may be repurchased by our Company under the Repurchase Mandate.

The Directors may, in addition to the Shares which they are authorised to issue under the Issuing Mandate, allot, issue and deal in the Shares pursuant to a rights issue, an issue of Shares pursuant to the exercise of subscription rights attaching to any warrants or convertible securities of our Company, scrip dividends or similar arrangements or the exercise of options granted under the Share Option Scheme. The aggregate number of Shares which the Directors are authorised to allot and issue under this Issuing Mandate will not be reduced by the allotment and issue of such Shares.

SHARE CAPITAL

This Issuing Mandate will expire:

- (i) at the conclusion of our Company's next annual general meeting; or
- (ii) upon the expiry of the period within which our Company is required by any applicable law or the Memorandum and Articles of Association to hold its next annual general meeting; or
- (iii) when varied, revoked or renewed by an ordinary resolution of the Shareholders in general meeting;

whichever occurs first.

For more details of the Issuing Mandate, see "Statutory and General Information – Further Information about our Company – Resolutions in writing of the Shareholders passed on 22 June 2018" in Appendix IV to this prospectus.

REPURCHASE MANDATE

The Directors have been granted a general unconditional mandate to exercise all of the powers of our Company to repurchase Shares not exceeding 10% of the number of Shares in issue, as enlarged by the Capitalisation Issue and the Share Offer (but excluding any Shares of our Company which may be issued pursuant to the Offer Size Adjustment Option).

This Repurchase Mandate relates only to repurchases made on the Stock Exchange or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and the requirements of the GEM Listing Rules. For further information required by the Stock Exchange to be included in this prospectus regarding the repurchase of Shares, see "Statutory and General Information – Further Information about our Company – 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) upon the expiry of the period within which our Company is required by any applicable law or the Memorandum and Articles of Association or any applicable law of the Cayman Islands to hold its next annual general meeting; or
- (iii) when varied, revoked or renewed by an ordinary resolution of the Shareholders in general meeting;

whichever occurs first.

For further information about this Repurchase Mandate, see "Statutory and General Information – Further Information about our Company – Resolutions in Writing of the Shareholders passed on 22 June 2018" in Appendix IV to this prospectus.

SHARE CAPITAL

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of the Companies Law, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, our Company will hold general meetings as prescribed for under the Memorandum of Association and the Articles of Association, a summary of which is set out in “Summary of the Constitution of Our Company and Cayman Islands Company Law” in Appendix III to this prospectus.

FINANCIAL INFORMATION

You should read this section in conjunction with our audited consolidated financial information as at 31 December 2015, 2016 and 2017 and for the years ended 31 December 2015, 2016 and 2017, including the notes thereto, as set out in “Appendix I – Accountants’ Report” to this prospectus. The consolidated financial information has been prepared in accordance with HKFRSs. You should read the whole of the Accountants’ Report included in Appendix I to this prospectus and not rely merely on the information contained in this section.

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 anticipated in the forward-looking statements. Factors that might cause future results to differ significantly from those anticipated in the forward-looking statements include those discussed in the section headed “Risk Factors” in this prospectus.

Our financial year begins on 1 January and ends on 31 December. All references to “FY2015”, “FY2016” and “FY2017” mean the financial years ended 31 December 2015, 2016 and 2017, respectively.

OVERVIEW

We are a well-established IT services provider with approximately 19 years of experience in the IT consulting services industry in Hong Kong. Our principal businesses include IT infrastructure solutions services, IT development solutions services as well as IT maintenance and support services.

During the Track Record Period, the revenue of our Group amounted to HK\$187.3 million, HK\$184.2 million and HK\$181.0 million, respectively, whilst our net profit amounted to HK\$15.8 million, HK\$17.2 million and HK\$6.0 million, respectively. We completed over 1,120 IT infrastructure solutions projects, IT development solutions and IT maintenance and support projects with an aggregate contract sum of over HK\$560 million, during the Track Record Period. As at 31 December 2017, we had over 100 ongoing IT infrastructure solutions projects, IT development solutions and IT maintenance and support projects awarded by over 50 clients with an aggregate contract sum of over HK\$120 million.

BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Our Company was incorporated in the Cayman Islands on 16 September 2016 as an exempted company with limited liability under the Companies Law. In preparation for the Listing, our Group underwent the Reorganisation. Please refer to the section headed “History, Development and Reorganisation” in this prospectus for further details of the Reorganisation. As the companies comprising our Group were controlled by our Controlling Shareholders before and after the Reorganisation, the Reorganisation is considered to be a restructuring under common control. Our consolidated statements of financial position, consolidated statements of comprehensive income, consolidated statements of cash flows and consolidated statements of changes in equity for the FY2015, FY2016 and FY2017 included the results of operations of the companies now comprising our Group following the consummation of the Reorganisation, as if our Group had been in existence in its current form throughout the Track Record Period.

FINANCIAL INFORMATION

We have prepared our consolidated financial information for the Track Record Period in accordance with HKFRSs issued by the HKICPA. Such consolidated financial information has been prepared under historical cost convention.

Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on consolidation.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

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

Our ability to maintain business relationships with IT products vendors and distributors

Our close collaboration with IT products vendors and distributors has enabled us to acquire advanced and extensive skills and knowledge in the latest IT technologies. As a result, we are capable of delivering more client-specific, productive and high quality IT infrastructure and development solutions services to meet the ever-changing IT requirements of our clients in a timely and cost-efficient manner, thereby allowing us to strengthen our relationships with existing clients and attract business from new clients. As our business relies heavily on our ability to provide high quality IT infrastructure and development solutions services that suits the specific needs of our clients, failure to be retained as business partners by IT products vendors and distributors may reduce our competitiveness, increase our purchase costs and hence decrease our gross profit margin and affect our profitability.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations of our cost of hardware and software on our profit before tax during the Track Record Period. Fluctuations in our cost of hardware and software are assumed to be 10% and 20%:–

	<u>+/-10%</u>	<u>+/-20%</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hypothetical fluctuations ⁽¹⁾		
Increase/decrease in cost of hardware and software		
FY2015	+/-10,842	+/-21,685
FY2016	+/-10,042	+/-20,083
FY2017	+/-10,275	+/-20,550
Decrease/increase in profit before tax ⁽²⁾		
FY2015	-/+10,842	-/+21,685
FY2016	-/+10,042	-/+20,083
FY2017	-/+10,275	-/+20,550

Notes:–

(1) Hypothetical fluctuation is assumed to be 10% and 20% for illustrative purpose.

(2) Save for the hypothetical fluctuation in cost of hardware and software effect, all other factors are assumed to be unchanged.

FINANCIAL INFORMATION

For FY2015, FY2016 and FY2017, our profit before tax amounted to HK\$18.8 million, HK\$21.5 million and HK\$8.1 million, respectively. For illustrative purpose, we would have recorded a breakeven in our profit before tax if the cost of hardware and software increased by 17.4%, 21.4% and 7.8%, respectively, from the corresponding periods.

Our ability to keep up with changes in technology

The IT infrastructure and development solutions services industry is characterised by rapid technological improvements, evolving industry standards, changing client preferences and frequent introduction of new solutions, services and products. Our ability to develop innovative solutions and services to meet our clients' evolving needs is critical to our competitiveness and reputation. If we are unable to adapt to evolving market demand and the continuing development and progress of IT technologies, our ability to innovate and meet client needs would suffer and our profitability and financial performance may be adversely affected.

Our ability to cope with increasing labour costs and retain our staff

Our business success depends heavily on the services provided by our staff and on our ability to attract, train and retain skilled technical staff with extensive experience in IT infrastructure and development solutions services, who are not easily replaceable in the job market. Moreover, we believe that the number of eligible staff are fairly limited in the market especially those with experience in IT infrastructure and development solutions services. Should we fail to retain our eligible staff, our capability to provide services to meet the needs of our clients may be adversely affected due to a shortfall in our workforce, which would negatively affect our profitability and financial performance.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations of our direct labour cost on our profit before tax during the Track Record Period. Fluctuations in our direct labour cost are assumed to be 10% and 20%:-

	<i>+/-10%</i>	<i>+/-20%</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Hypothetical fluctuations⁽¹⁾</i>		
<i>Increase/decrease in direct labour cost</i>		
FY2015	+/-1,113	+/-2,226
FY2016	+/-1,552	+/-3,103
FY2017	+/-1,209	+/-2,417
 <i>Decrease/increase in profit before tax⁽²⁾</i>		
FY2015	-/+1,113	-/+2,226
FY2016	-/+1,552	-/+3,103
FY2017	-/+1,209	-/+2,417

Notes:

- (1) Hypothetical fluctuation is assumed to be 10% and 20% for illustrative purpose.
- (2) Save for the hypothetical fluctuation in direct labour cost effect, all other factors are assumed to be unchanged.

FINANCIAL INFORMATION

For FY2015, FY2016 and FY2017, our profit before tax amounted to HK\$18.8 million, HK\$21.5 million and HK\$8.1 million, respectively. For illustrative purpose, we would have recorded a breakeven in our profit before tax if the direct labour cost increased by 169.4%, 138.3% and 66.6%, respectively, from the corresponding periods.

Our ability to be retained as an approved contractor of the Hong Kong Government

Being an approved contractor of the Government for the provision of server systems and personal computer equipment and related services has allowed us to provide IT infrastructure, development solutions, maintenance and support services to the Government. Should we fail to continue to be an approved contractor of the Government, our revenue derived from Government projects may reduce significantly. In such event, our revenue base and financial performance would be adversely affected.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements in accordance with HKFRS. The Accountants' Report in Appendix I to this prospectus set forth these significant accounting policies in note 2 of section II. Some of our accounting policies involve subjective assumptions and estimates, as well as judgments relating to accounting items. Our estimates are based on historical experience, latest information and other assumptions that we believe to be reasonable under the circumstances. Actual results may differ under different assumptions and conditions. We believe the following accounting policies, estimates and judgements are of critical importance to us in the preparation of our consolidated financial statements.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised when it is probable that the economic benefits will flow to our Group and when the revenue can be measured reliably, as follows:

Revenue from contracts for IT solutions is recognised using the percentage of completion, measured by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, adjusted for the effects of cost incurred that do not reflect the work performed by our Group. When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable. When it is probable that total contract costs will exceed total contract revenue, the expected loss shall be recognised as an expense immediately. However, where the contracts for IT solutions do not require our Group to carry out installation, testing and integration works, revenue is recognised upon transfer of the significant risks and rewards of ownership of the IT solutions to the clients, which is the time when the IT solutions are delivered and accepted by the clients.

Revenue from IT maintenance and supporting services is recognised when the services are rendered.

FINANCIAL INFORMATION

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' rights to receive payment have been established.

Impairment of financial assets

Our Group assesses at the end of each reporting period whether there is 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 our 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.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, our Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If our Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

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). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the consolidated profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to our Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the consolidated profit or loss.

FINANCIAL INFORMATION

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, 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 discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Income tax

Income tax represents the sum of current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the company operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax is calculated, without discounting, at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Critical accounting judgements in applying our Group's accounting policies

(a) Useful lives and depreciation of property, plant and equipment

Our Group determines the estimated useful lives and related depreciation charges of its property, plant and equipment. These estimates are based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Our Group will increase the depreciation charge where useful lives are less than previously estimated lives, and will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation charges in the future periods.

FINANCIAL INFORMATION

(b) *Estimated impairment loss of trade and other receivables*

Our Group determines the provision for impairment of trade receivables based on an assessment of the recoverability of the receivables. This assessment is based on the ageing of the trade and other receivables balance, the credit history of the clients and the current market condition. Where the expectation is different from the original estimate, such difference will affect the carrying amount of trade and other receivables and thus the impairment loss in the period in which such estimate is changed. Management reassesses the provision at the end of each reporting period to determine whether there is objective evidence of impairment.

(c) *Revenue recognition*

Revenue from service contract is recognised using the percentage of completion, measured by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. When the outcome of a service contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable and no profit is recognised. Management reviews and revises the estimates of contract revenue and contract costs for each contract as the contract progresses. Significant judgement in estimating the contract revenue and contract costs may have an impact on the percentage of completion of the projects and the corresponding profit taken.

RESULTS OF OPERATIONS

The following table summarises the selected items in our consolidated statements of comprehensive income for the Track Record Period, extracted from the Accountants' Report in Appendix I to this prospectus.

	Year ended 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	187,334	184,247	180,970
Cost of sales	(150,621)	(140,799)	(143,431)
Gross profit	36,713	43,448	37,539
Other income and gains	479	776	2
Selling expenses	(3,472)	(4,669)	(4,242)
Administrative and general expenses	(14,844)	(15,103)	(20,932)
Listing expenses	–	(2,988)	(4,307)
Finance costs	(27)	(2)	(6)
Profit before tax	18,849	21,462	8,054
Income tax	(3,094)	(4,265)	(2,069)
Profit and total comprehensive income for the year	<u>15,755</u>	<u>17,197</u>	<u>5,985</u>

FINANCIAL INFORMATION

Non-HKFRS measures

We recognised non-recurring items in the Track Record Period. To supplement our combined financial statements which are presented in accordance with HKFRS, we also presented the adjusted net profits, and adjusted net profit margin as non-HKFRS measures.

We present these additional financial measures as these were used by our management to evaluate our financial performance by eliminating the impact of non-recurring listing expenses which is considered not indicative for evaluation of the actual performance of our business. We believe that these non-HKFRS measures provide additional information to investors and others in understanding and evaluating our combined results of operations in the same manner as our management and in comparing financial results across accounting periods and to those of our peer companies.

The table below sets forth the adjusted net profit and adjusted net profit margin in each respective year during the Track Record Period:

	Year ended 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year	15,755	17,197	5,985
Add: Non-recurring item – Listing expenses	–	2,988	4,307
Adjusted net profit for the year	15,755	20,185	10,292
Adjusted net profit margin for the year	8.4%	11.0%	5.7%

Our adjusted net profit increased from HK\$15.8 million for FY2015 to HK\$20.2 million for FY2016, which is mainly attributable to the increase in gross profit from our IT infrastructure solutions segment, in particular, gross profit contributed by two projects completed in FY2016 from the retail, distribution and trading sector being carried out with Client B and Client F, respectively.

Our adjusted net profit decreased from HK\$20.2 million for FY2016 to HK\$10.3 million for FY2017, which is mainly attributable to i) the aforesaid two projects completed in FY2016, which were non-recurring in FY2017; and ii) the increase in staff costs as our Group hired several new staff in FY2017, including increment in headcount for the technical department, the finance department and the sales department, respectively, for our expansion of business.

FINANCIAL INFORMATION

DESCRIPTION OF SELECTED ITEMS IN CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Revenue

Our revenue amounted to HK\$187.3 million, HK\$184.2 million and HK\$181.0 million during the Track Record Period, and we generated revenue primarily by providing IT infrastructure solutions services to our end-user clients directly in Hong Kong. In respect of the industry sector, our clients include government and non-government public bodies and local and multinational enterprises covering various industries ranging from retail, distribution and trading, TMT, banking, finance and insurance, transportation and logistics, etc.

Revenue breakdown by segment

Our revenue is segmented based on service types, namely, IT infrastructure solutions services, IT development solutions services and IT maintenance and support services.

The following table sets out the breakdown of our revenue by business segments for the periods indicated:–

	Year ended 31 December					
	2015		2016		2017	
	Revenue	Percentage of segment revenue	Revenue	Percentage of segment revenue	Revenue	Percentage of segment revenue
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
IT infrastructure solutions services	146,481	78.2	135,874	73.7	121,927	67.4
IT development solutions services	30,728	16.4	35,500	19.3	36,197	20.0
IT maintenance and support services	10,125	5.4	12,873	7.0	22,846	12.6
	187,334	100.0	184,247	100.0	180,970	100.0

Revenue from IT infrastructure solutions services

Our IT infrastructure solutions services generate revenue in relation to analysis of clients' existing IT infrastructure, procurement of hardware and/or software, installation and testing and integration services.

FINANCIAL INFORMATION

Our revenue generated from the provision of IT infrastructure solutions services decreased from HK\$146.5 million for FY2015 to HK\$135.9 million for FY2016, representing 78.2% and 73.7% of our total revenue for the respective periods. The decrease of our revenue derived from the provision of IT infrastructure solutions services was mainly due to i) the decrease in total number of IT infrastructure solutions projects undertaken in FY2016; and ii) the completion of one project from the public sector with revenue recognised of HK\$18.9 million in FY2015, which was non-recurring in FY2016.

Our revenue generated from the provision of IT infrastructure solutions services further decreased to HK\$121.9 million, representing 67.4% of our total revenue for FY2017. The decrease of our revenue derived from the provision of IT infrastructure solutions services was mainly due to i) the decrease in average revenue recognised per project for IT infrastructure solutions segment in FY2017; ii) the reduced number of projects with revenue recognised over HK\$10 million in FY2017, as compared with FY2016; and iii) the decrease in aggregate revenue contribution by Client D from HK\$25.7 million in FY2016 to HK\$21.1 million in FY2017.

Revenue from IT development solutions services

Our IT development solutions services generate revenue from designing of IT development solutions to cater to clients' special requirements which involves system analysis and design, software development and technology consultancy.

Our revenue generated from the provision of IT development solutions services increased from HK\$30.7 million for FY2015 to HK\$35.5 million for FY2016, representing 16.4% and 19.3% of our total revenue for the respective periods. The increase of our revenue derived from the provision of IT development solutions services was mainly due to i) the increase in total number of IT development solutions projects undertaken in FY2016; and ii) the completion of one project relating to feasibility study on the implementation of system from the public sector with revenue recognised of HK\$7.5 million in FY2016.

Our revenue generated from the provision of IT development solutions services further increased to HK\$36.2 million, representing 20.0% of our total revenue for FY2017. The increase of our revenue derived from the provision of IT development solutions services was mainly due to the increase in total number of IT development solutions projects undertaken in FY2017.

Revenue from IT maintenance and support services

Our IT maintenance and support service represents ongoing maintenance and support services for IT development solutions and IT infrastructure solutions developed by us, or on hardware and software purchased or developed from us or third party suppliers.

Our revenue generated from the provision of IT maintenance and support services increased from HK\$10.1 million for FY2015 to HK\$12.9 million for FY2016, representing 5.4% and 7.0% of our total revenue for the respective periods. The increase of our revenue derived from the provision of IT maintenance and support services was mainly in line with the increase in number of IT development solutions projects completed for which our clients usually engaged us to provide related IT maintenance and support services.

FINANCIAL INFORMATION

Our revenue generated from the provision of IT maintenance and support services further increased to HK\$22.8 million, representing 12.6% of our total revenue for FY2017. The significant increase of our revenue derived from the provision of IT maintenance and support services was mainly due to the increase in total number of IT maintenance and support projects undertaken in FY2017 as well as the increase in average amount of revenue recognised per project during the same year.

Revenue breakdown by sector

The following table set out breakdown of revenue by industry sector for the periods indicated:–

	For the year ended 31 December					
	2015		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Public sector						
Hong Kong						
Government						
(Note 1)	56,647	30.3	36,042	19.5	22,441	12.4
Non-government public bodies						
(Note 2)	14,860	7.9	19,492	10.6	26,600	14.7
	71,507	38.2	55,534	30.1	49,041	27.1
Private sector						
Retail, distribution and trading	45,396	24.2	49,656	27.0	27,300	15.1
TMT	39,413	21.0	20,989	11.4	32,438	17.9
Banking, finance and insurance	15,317	8.2	25,305	13.7	34,569	19.1
Transportation and logistics	12,172	6.5	27,062	14.7	23,872	13.2
Others (Note 3)	3,529	1.9	5,701	3.1	13,750	7.6
	115,827	61.8	128,713	69.9	131,929	72.9
Total:	187,334	100.0	184,247	100.0	180,970	100.0

Notes:

- Hong Kong Government represents departments of the Hong Kong Government.
- Non-government public bodies mainly represent authorities or institutions which are established pursuant to specific statutory legislations in Hong Kong and Macau, educational institutions such as universities and colleges, and corporations owned and/or controlled by the Hong Kong Government which are established for regulation purposes.
- Others represents hospital and healthcare, education and manufacturing.

FINANCIAL INFORMATION

Our revenue from the public sector decreased from HK\$71.5 million in FY2015 to HK\$55.5 million for FY2016, representing 38.2% and 30.1% of our total revenue recognised for the respective periods. The decrease in revenue from the public sector was mainly attributable to the completion of one project with revenue recognised of HK\$18.9 million in FY2015. Our revenue from the public sector decreased to HK\$49.0 million for FY2017, representing 27.1% of our total revenue recognised for the same year. The decrease in revenue from the public sector was mainly attributable to the decrease in revenue from the Hong Kong Government sector due to i) the decrease in average revenue recognised per project in this sector in FY2017; and ii) the completion of one project relating to feasibility study on the implementation of system with revenue recognised of HK\$7.5 million in FY2016, which was non-recurring in FY2017; and was partially offset by the increase in revenue from the non-government public bodies sector due to the increase in total number of projects undertaken in this sector in FY2017.

Our revenue from the private sector increased from HK\$115.8 million for FY2015 to HK\$128.7 million for FY2016, representing 61.8% and 69.9% of our total revenue recognised for the respective periods. The increase in revenue from the private sector was mainly attributable to i) the increase in total number of projects from the banking, finance and insurance sector and the transportation and logistics sector, respectively, in FY2016; and ii) the completion of three projects with aggregate revenue recognised of HK\$10.0 million from the banking, finance and insurance sector and the completion of one project with revenue recognised of HK\$10.8 million from the transportation and logistics sector, respectively; and was partially offset by the decrease in the TMT sector resulting from the completion of one project with revenue recognised of HK\$11.1 million in FY2015. Our revenue from the private sector increased to HK\$131.9 million for FY2017, representing 72.9% of our total revenue recognised for the same year. The increase in revenue from the private sector was mainly attributable to i) the increase in revenue from the banking, finance and insurance sector due to a) the increase in number of projects in FY2017; and b) the revenue contribution of HK\$14.8 million by Client I to whom we provided IT infrastructure solutions service for their software updates in FY2017; and ii) the increase in revenue from the TMT sector due to a) the increase in average revenue recognised per project in FY2017; and b) the revenue contribution of HK\$7.9 million by one client to whom we provided IT infrastructure solutions service for their software updates in FY2017; and was partially offset by the decrease in revenue from both the retail, distribution and trading sector and the transportation and logistics sector due to the decrease in number of projects and average revenue recognised per project from the respective sectors in FY2017.

Revenue breakdown by geographical location

The following table sets out the breakdown of our revenue by geographical location for the periods indicated:-

	Year ended 31 December					
	2015		2016		2017	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Hong Kong (<i>Note 1</i>)	187,112	99.9	180,645	98.0	177,566	98.1
Macau (<i>Note 2</i>)	222	0.1	3,602	2.0	3,404	1.9
	187,334	100.0	184,247	100.0	180,970	100.0

FINANCIAL INFORMATION

Notes:

1. Revenue was generated in Hong Kong when the hardware and/or software were delivered and/or our services were provided by our Group to our clients in Hong Kong.
2. Revenue was generated in Macau when the hardware and/or software were delivered and/or our services were provided by our Group to our clients in Macau.

During the Track Record Period, our revenue was derived primarily from our clients in Hong Kong with not more than 2% of our revenue being generated from our clients in Macau. Our revenue from Macau increased by HK\$3.4 million from HK\$0.2 million for FY2015 to HK\$3.6 million for FY2016, primarily due to the contribution of one IT development solutions project in Macau, commenced in FY2016 and with a total contract sum of HK\$3.6 million. Our revenue from Macau remained relatively stable at HK\$3.4 million for FY2017.

Cost of sales

Our cost of sales represents cost of hardware and software (after deduction of cash incentive), subcontracting costs, direct labour cost, and provision/(reversal) for foreseeable losses on contract. The following table sets out a breakdown of our cost of sales for the periods indicated:–

	Year ended 31 December					
	2015		2016		2017	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Cost of hardware and software	108,423	72.0	100,415	71.3	102,748	71.6
Direct labour cost	11,128	7.4	15,515	11.0	12,085	8.4
Subcontracting cost	30,800	20.4	23,953	17.0	29,239	20.4
Provision/(reversal) for foreseeable losses on contract	1,220	0.8	916	0.7	(641)	(0.4)
Reversal for provision of warranty cost	(950)	(0.6)	–	–	–	–
	150,621	100.0	140,799	100.0	143,431	100.0

Our cost of sales decreased by HK\$9.8 million or 6.5% from HK\$150.6 million for FY2015 to HK\$140.8 million for FY2016, mainly attributable to i) the decrease in cost of hardware and software by HK\$8.0 million resulting from the decrease in number of completed IT infrastructure solutions projects during the respective years; and ii) the decrease in subcontracting charges by HK\$6.8 million resulting from the completion of one IT infrastructure solutions project from public sector in FY2015; and was partially offset by the increase in direct labour cost by HK\$4.4 million mainly attributable to the increase in extra time allocation to direct labour cost from our technical personnel for one loss making project from the non-government public bodies sector in FY2016.

FINANCIAL INFORMATION

Our cost of sales increased by HK\$2.6 million to HK\$143.4 million for FY2017, mainly attributable to i) the increase in subcontracting charges by HK\$5.3 million as our Group outsourced more IT maintenance and support projects in FY2017 as we intend to retain our technical staff to other business segments; and ii) the increase in cost of hardware and software by HK\$2.3 million resulting from the increase in total number of IT development solutions projects undertaken in FY2017; and was partially offset by i) the decrease in provision/(reversal) for foreseeable losses on contract by HK\$1.6 million as less provision was made for direct labour cost for ongoing projects; and ii) the decrease in direct labour cost by HK\$3.4 million as the aforesaid loss making project in FY2016 was non-recurring in FY2017.

Gross profit and gross profit margin

The following table sets out a breakdown of our gross profit and gross profit margin by business segments for the periods indicated:–

	Year ended 31 December					
	2015		2016		2017	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
IT infrastructure solutions services	26,228	17.9	34,111	25.1	19,249	15.8
IT development solutions services	5,961	19.4	3,554	10.0	9,581	26.5
IT maintenance and support services	4,524	44.7	5,783	44.9	8,709	38.1
	<u>36,713</u>	19.6	<u>43,448</u>	23.6	<u>37,539</u>	20.7

Our gross profit increased from HK\$36.7 million for FY2015 to HK\$43.4 million for FY2016. The increase was primarily attributable to the increase from the IT infrastructure solutions services segment by HK\$7.9 million, mainly attributable to gross profit contributions of HK\$13.6 million by Client B and Client F for three respective projects completed in FY2016 from the retail, distributions and trading sector.

Our gross profit decreased to HK\$37.5 million for FY2017. The decrease in gross profit was mainly attributable to the decrease from the IT infrastructure solutions services segment by HK\$14.9 million as the three aforesaid projects completed in FY2016 were non-recurring in FY2017.

Our gross profit margin increased from 19.6% for FY2015 to 23.6% for FY2016. The gross profit margin for IT infrastructure solutions services segment increased from 17.9% for FY2015 to 25.1% for FY2016, mainly attributable to the increase in number of projects from the banking, finance and insurance sector associated with comparatively higher margins. The gross profit margin for IT development solutions services segment decreased from 19.4% for

FINANCIAL INFORMATION

FY2015 to 10.0% for FY2016, mainly due to increased use of subcontractor in delivering our projects which were usually at lower gross profit margins than services provided by us alone. The increase in the use of subcontractors in 2016, reflected by the increase in our subcontracting fee by HK\$2.9 million from the IT development solutions services segment, was mainly due to i) the shortage of adequate capacity of our Group, in terms of technical skills or resources, for certain projects; and ii) the channel provided by the Group to match experienced subcontractors to certain clients for provision of high-quality services. The gross profit margin for IT maintenance and support services remained relatively stable at 44.7% and 44.9% for FY2015 and FY2016, respectively.

Our gross profit margin decreased to 20.7% for FY2017. The gross profit margin for IT infrastructure solutions services segment decreased to 15.8% for FY2017, mainly attributable to the increase in total number of IT infrastructure solutions services projects involving hardwares and softwares which generally have lower gross profit margins as compared with IT infrastructure solutions projects with additional installation and testing services. The gross profit margin for IT development solutions segment increased to 26.5% for FY2017, mainly attributable to the reduced allocation of direct labour cost and subcontracting cost due to the increasing experience and efficiency of our technical staff. The gross profit margin for IT maintenance and support segment decreased to 38.1% for FY2017, mainly attributable to the increase in cost of sales as we outsourced certain services to subcontractors during the same year.

The following table sets out the details of the loss making contracts completed by our Group during the Track Record Period:–

	Year ended 31 December		
	2015	2016	2017
Number of loss making contracts completed during the respective year	18	9	10
Number of clients involved in loss making contracts during the respective year	10	8	10
Contract sums (<i>HK\$'000</i>)	16,602	3,621	13,839
Total amount of loss recognised (<i>HK\$'000</i>)	(5,960)	(3,909)	(2,974)

For FY2015, 83.9% or HK\$5.0 million out of total loss recognised from contracts completed was attributable to i) HK\$3.0 million loss recognised from six IT infrastructure solutions projects involving hardwares and softwares with one client to whom we offered comparatively low prices to maintain long-term business co-operations; ii) HK\$0.8 million loss recognised from one IT development solutions project as we incurred more staff costs than expected; and iii) HK\$1.2 million loss recognised due to two IT infrastructure solutions projects as we had placed orders with the supplier after we had an informal engagement with the relevant clients who, however, subsequently cancelled the orders before we could secure the signed purchase orders.

FINANCIAL INFORMATION

For FY2016, 89.5% or HK\$3.5 million out of total loss recognised from contracts completed was attributable to i) HK\$2.8 million loss recognised from one IT infrastructure solutions project involving hardwares and softwares with one client to whom we offered comparatively low prices to maintain long-term business co-operations; and ii) HK\$0.7 million loss recognised due to one IT infrastructure solutions project as we had placed orders with the supplier after we had an informal engagement with the relevant clients who, however, subsequently cancelled the order before we could secure the signed purchase order.

For FY2017, 70.6% or HK\$2.1 million out of total loss recognised from contracts completed was attributable to HK\$2.1 million loss recognised from one IT infrastructure solutions project with one client to whom we offered comparatively low prices to maintain long-term business co-operations. The remaining loss making projects were generally from the Hong Kong Government sector.

During the Track Record Period, approximately 19.3%, 6.8% and 19.4% of the total revenue of our Group were contributed by the clients involved in the loss making contracts (by affiliated group) during the respective year. Although we incurred losses for certain projects, our provision of IT services to most of such clients in fact generated profits to our Group and were “profit-making” on the whole if taking into account the total revenue and costs attributable to them with respect to their other projects during the Track Record Period. Overall speaking, clients involved in the loss making contracts during the Track Record Period in aggregate contributed approximately 8.1% of our total gross profit during the same period.

The following table sets out the details of the ongoing loss making contracts undertaken by our Group as at 31 December 2017:–

	As at <u>31 December 2017</u>
Number of ongoing loss making contracts	9
Contract sums (<i>HK\$'000</i>)	17,254
Accumulated loss recognised during the Track Record Period (<i>HK\$'000</i>)	4,584

As at 31 December 2017, we had a total of nine ongoing loss making contracts, five out of which were IT developments solutions projects and the remaining four was IT maintenance and support services projects. The loss recognised for these projects was attributable to the overrun of budgets resulting from the complexity of such projects at the planning stage. Most of the ongoing loss making projects were from the public sector as the gross profit margin in this sector was relatively low by its nature.

FINANCIAL INFORMATION

The following table sets out a breakdown of our gross profit and gross profit margin by industry sector for the periods indicated:–

	Year ended 31 December					
	2015		2016		2017	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Public sector						
Hong Kong Government (Note 1)	12,537	22.1	7,592	21.1	4,461	19.9
Non-government public bodies (Note 2)	5,233	35.2	3,869	19.8	10,937	41.1
	17,770	24.9	11,461	20.6	15,398	31.4
Private sector						
Retail, distribution and trading	5,848	12.9	14,650	29.5	98	0.4
TMT	7,088	18.0	3,352	16.0	4,623	14.3
Banking, finance and insurance	4,646	30.3	8,914	35.2	13,194	38.2
Transportation and logistics	867	7.1	4,184	15.5	3,032	12.7
Others (Note 3)	494	14.0	887	15.6	1,194	8.7
	18,943	16.4	31,987	24.9	22,141	16.8
	36,713	19.6	43,448	23.6	37,539	20.7

Notes:–

- Hong Kong Government represents departments of the Hong Kong Government.
- Non-government public bodies mainly represent authorities or institutions which are established pursuant to specific statutory legislations in Hong Kong and Macau, educational institutions such as universities and colleges, and corporations owned and/or controlled by the Hong Kong Government which are established for regulation purposes.
- Others represents hospital and healthcare, education and manufacturing.

FINANCIAL INFORMATION

During the Track Record Period, our gross profit amounted to HK\$17.8 million, HK\$11.5 million and HK\$15.4 million from the public sector, whilst amounted to HK\$18.9 million, HK\$32.0 million and HK\$22.1 million from the private sector. We recorded gross profit margin of 24.9%, 20.6% and 31.4% from the public sector, whilst 16.4%, 24.9% and 16.8% from the private sector, for the same years.

For FY2015 and FY2016, the decrease in gross profit from the public sector was mainly attributable to the completion of one IT infrastructure solutions project with gross profit recognised of HK\$4.9 million in FY2015, and the decrease in gross profit margin from the public sector was mainly attributable to the comparatively low gross profit margin of one IT development solutions project from the non-government public bodies sector in FY2016.

For FY2016 and FY2017, the increase in gross profit from the public sector were mainly attributable to the increase in number of projects undertaken in this sector in FY2017, and the increase in the gross profit margin was mainly attributable to one IT development solutions project from the non-government bodies sector associated with comparatively high profit margin due to the reversal of over-provided direct labour cost in prior year.

For FY2015 and FY2016, the increase in our gross profit from the private sector was mainly attributable to i) the increase in our number of projects from the private sectors as a result of our business expansion; and ii) the aggregate gross profit contribution of HK\$13.6 million recognised from three IT infrastructure solutions projects being carried out with two clients, respectively, from the retail, distribution and trading sector, and the increase in gross profit margin was mainly attributable to i) the increase in number of projects from the banking, finance and insurance sectors associated with comparatively higher profit margins; and ii) the increase in number of IT maintenance and support projects from the retail, distribution and trading sector which generally have higher profit margins.

For FY2016 and FY2017, the decrease in gross profit from the private sector was mainly attributable to the decrease in gross profit from the retail, distribution and trading sector resulting from the decrease in total number of projects undertaken in this sector in FY2017, which was partially offset by the continuing increase of gross profit from the banking and finance sector in FY2017, and the decrease in gross profit margin was mainly attributable to one loss making IT infrastructure solutions project from the retail distribution and trading sector with gross loss of HK\$2.1 million in FY2017.

FINANCIAL INFORMATION

Other income and gains

Our other income and gains mainly consisted of sponsorship income from supplier, bond interest income, bank interest income, dividend income, foreign exchange gain and sundry income. Our other income and gains amounted to HK\$0.5 million, HK\$0.8 million and HK\$2,000 during the Track Record Period. The increase by HK\$0.3 million in 2016 was mainly due to the increase in sponsorship income from our supplier for holding market events by HK\$0.4 million, partially offset by decrease in bond interest income by HK\$0.1 million. The significant decrease by HK\$0.8 million in FY2017 was mainly because our Group did not recognise any sponsorship income but only bank interest income in FY2017.

Selling expenses

Our selling expenses comprise advertisement and promotion expenses and staff costs incurred by our sales personnel. The following table sets out a breakdown of our selling expenses for the periods indicated:–

	Year ended 31 December					
	2015		2016		2017	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Advertisement and promotion	2,754	79.3	1,336	28.6	285	6.7
Staff costs	718	20.7	3,333	71.4	3,957	93.3
	3,472	100.0	4,669	100.0	4,242	100.0

Our selling expenses increased from HK\$3.5 million for FY2015 to HK\$4.7 million for FY2016. The increase in our selling expenses by HK\$1.2 million was mainly due to the increase in staff costs by HK\$2.6 million incurred by our sales team as our Group hired more sales headcount in FY2016 for our business expansion, partially offset by the decrease in advertisement and promotion by HK\$1.4 million related to product demonstrations to potential clients.

Our selling expenses decreased to HK\$4.2 million for FY2017. The decrease in our selling expenses by HK\$0.5 million was mainly due to the decrease in advertisement and promotion by HK\$1.1 million, partially offset by the increase in staff costs by HK\$0.6 million as our Group hired more sales headcount in FY2017.

FINANCIAL INFORMATION

Administrative and general expenses

Our administrative and general expenses mainly consists of staff costs incurred by our administrative personnel, directors' emoluments, rent and related expenses, business development expenses, legal and professional fees, loss on disposal of securities, depreciation, travelling expenses and others.

The following table sets out a breakdown of our administrative and general expenses for the periods indicated:–

	Year ended 31 December					
	2015		2016		2017	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Staff costs (including directors' emoluments)	10,225	68.9	9,934	65.8	16,677	79.7
Rent and related expenses	1,423	9.6	1,646	10.9	1,641	7.8
Business development expenses	816	5.5	695	4.6	207	1.0
Legal and professional fees	464	3.1	1,188	7.9	751	3.6
Loss on disposal of securities	364	2.5	–	–	–	–
Depreciation	268	1.8	249	1.6	341	1.6
Travelling expenses	195	1.3	368	2.4	127	0.6
Others ^(Note)	1,089	7.3	1,023	6.8	1,188	5.7
	14,844	100.0	15,103	100.0	20,932	100.0

Note: Others mainly included insurance, education expenses, internet and software expenses, office supply expenses, bank charges and sundry expenses.

Our administrative and general expenses increased from HK\$14.8 million for FY2015 to HK\$15.1 million for FY2016. The slight increase in our administrative and general expenses by HK\$0.3 million was mainly due to i) the increase in legal and professional fees by HK\$0.7 million; and ii) the increase in rent and related expenses by HK\$0.2 million primarily attributable to the increase in rent charged, rates and management fees; and was partially offset by the decrease in loss on disposal of securities by HK\$0.4 million as we have disposed of all the securities in FY2015.

FINANCIAL INFORMATION

Our administrative and general expenses further increased to HK\$20.9 million for FY2017. The increase in our administrative and general expenses by HK\$5.8 million was mainly due to i) the increase in staff costs by HK\$6.7 million as a result of the increase in the average headcount per month and in particular, in our technical, finance and administrative departments in FY2017 as compared to the same in FY2016 for our expansion of business; and ii) the increase in others by HK\$0.2 million mainly attributable to increase in insurance to cover our non-SOA-QPS projects, education expenses incurred for the newly joined technical staff to maintain their certificates and internet and software expenses, which was partially offset by the decrease in legal and professional fees by HK\$0.4 million as the expenses for preparation for the Listing was non-recurring in FY2017.

Listing expenses

Our Group recorded non-recurring listing expenses of HK\$3.0 million and HK\$4.3 million, respectively, for FY2016 and FY2017.

Finance costs

Finance costs mainly comprise interest charges on our invoice financing and bank overdraft. Our finance costs amounted to HK\$27,000, HK\$2,000 and HK\$6,000 during the Track Record Period. The decrease in FY2016 was primarily due to the decrease in interest on short term borrowings since our Group terminated the invoice financing loan in FY2016.

Income tax expense

Income tax expenses represents income tax paid or payable at the applicable tax rates in accordance with the relevant laws and regulations in each tax jurisdiction we operate or domicile. We had no tax payable in tax jurisdiction other than Hong Kong during the Track Record Period.

During the Track Record Period, our income tax expenses were HK\$3.1 million, HK\$4.3 million and HK\$2.1 million, respectively. Our effective tax rate for the same period was 16.4%, 19.9% and 25.7%, respectively. The relatively high effective tax rate recorded for FY2016 and FY2017 was mainly due to the non-deductible listing expense in FY2016 and FY2017, and the temporary differences not recognised in FY2016.

During the Track Record Period and up to the Latest Practicable Date, we had fulfilled our income tax obligations in all material respects and have not had any unresolved income tax issues or disputes of material importance with relevant tax authorities.

FINANCIAL INFORMATION

REVIEW OF HISTORICAL RESULTS OF OPERATIONS

FY2017 compared to FY2016

Revenue

Our revenue decreased by HK\$3.2 million or 1.7% from HK\$184.2 million for FY2016 to HK\$181.0 million for FY2017. Such decrease was driven by the decrease in revenue from IT infrastructure solutions services segment by HK\$14.0 million, which was partially offset by the increase in revenue from IT development solutions services segment by HK\$0.7 million and IT maintenance and support services segment by HK\$9.9 million during the respective years.

Revenue from IT infrastructure solutions services

Our revenue from IT infrastructure solutions services decreased by HK\$14.0 million or 10.3% from HK\$135.9 million for FY2016 to HK\$121.9 million for FY2017. The decrease was mainly due to i) the decrease in average revenue recognised per project for IT infrastructure solutions segment in FY2017; ii) the reduced number of projects with revenue recognised over HK\$10 million in FY2017, as compared with FY2016; and iii) the decrease in aggregate revenue contribution by Client D from HK\$25.7 million in FY2016 to HK\$21.1 million in FY2017.

Revenue from IT development solutions services

Our revenue from IT development solutions services slightly increased by HK\$0.7 million or 2.0% from HK\$35.5 million for FY2016 to HK\$36.2 million for FY2017. The increase was mainly due to the increase in total number of IT development solutions projects undertaken in FY2017.

Revenue from IT maintenance and support service

Our revenue from IT maintenance and support services increased by HK\$9.9 million or 76.7% from HK\$12.9 million for FY2016 to HK\$22.8 million for FY2017, which was mainly attributable to the increase in total number of IT maintenance and support projects undertaken in FY2017 as well as the increase in average amount of revenue recognised per project during the same year.

FINANCIAL INFORMATION

Cost of sales

Our cost of sales increased by HK\$2.6 million or 1.8% from HK\$140.8 million for FY2016 to HK\$143.4 million for FY2017. Such increase was mainly attributable to i) the increase in subcontracting charges by HK\$5.3 million as our Group outsourced more IT maintenance and support projects in FY2017 as we intend to retain our technical staff to other business segments; and ii) the increase in cost of hardware and software by HK\$2.3 million resulting from the increase in total number of IT development solutions projects undertaken in FY2017; and was partially offset by i) the decrease in provision/(reversal) for foreseeable losses on contract by HK\$1.6 million as less provision was made for direct labour cost for ongoing projects; and ii) the decrease in direct labour cost by HK\$3.4 million as the aforesaid loss making project in FY2016 was non-recurring in FY2017.

Gross profit and gross profit margin

As a result of the foregoing, our overall gross profit decreased by HK\$5.9 million or 13.6% from HK\$43.4 million for FY2016 to HK\$37.5 million for FY2017.

Our overall gross profit margin also decreased from 23.6% for FY2016 to 20.7% for FY2017, which was attributable to the decreased gross profit margins for IT infrastructure solutions and IT maintenance and support segments.

Other income and gains

Our other income and gains decreased significantly by HK\$0.8 million or 99.8% from HK\$0.8 million for FY2016 to HK\$2,000 for FY2017. The decrease was primarily as our Group did not have any sponsorship income but only bank interest income in FY2017.

Selling expenses

Our selling expenses decreased by HK\$0.5 million or 10.6% from HK\$4.7 million for the FY2016 to HK\$4.2 million for FY2017. The decrease was primarily due to the decrease in advertisement and promotion by HK\$1.1 million, partially offset by the increase in staff costs by HK\$0.6 million as our Group hired more sales headcount in FY2017.

Administrative and general expenses

Our administrative and general expenses increased by HK\$5.8 million or 38.4% from HK\$15.1 million for FY2016 to HK\$20.9 million for FY2017. The increase was primarily due to i) the increase in staff costs by HK\$6.7 million as our Group hired more staff for technical, finance and administrative departments for our expansion of business; and ii) the increase in others by HK\$0.2 million mainly attributable to increase in insurance to cover our non-SOA-QPS projects, education expenses incurred for the newly joined technical staff to maintain their certificates and internet and software expenses, which was partially offset by the decrease in legal and professional fees by HK\$0.4 million in FY2017.

FINANCIAL INFORMATION

Finance costs

Our finance costs increased by HK\$4,000 or 200.0% from HK\$2,000 for FY2016 to HK\$6,000 for FY2017. The increase was primarily due to the increase in bank administration charges in FY2017.

Income tax expense

Our income tax expense decreased by HK\$2.2 million or 51.2% from HK\$4.3 million for FY2016 to HK\$2.1 million for FY2017. The effective tax rate also increased from 19.9% for FY2016 to 25.7% for FY2017, which was primarily attributable to the non-deductible listing expenses.

Profit for the year

As a result of the foregoing, our profit for the year decreased by HK\$11.2 million or 65.1% from HK\$17.2 million for FY2016 to HK\$6.0 million for FY2017. Our net profit margin decreased from 9.3% for FY2016 to 3.3% for FY2017, primarily attributable to the increase in cost of sales and staff costs under administrative and general expenses.

FY2016 compared to FY2015

Revenue

Our revenue decreased by HK\$3.1 million or 1.7% from HK\$187.3 million for FY2015 to HK\$184.2 million for FY2016. Such decrease was driven by the decrease in revenue from IT infrastructure solutions services segment by HK\$10.6 million, which was partially offset by the increase in revenue from IT development solutions services segment by HK\$4.8 million and IT maintenance and support services segment by HK\$2.7 million during the respective years.

Revenue from IT infrastructure solutions services

Our revenue from IT infrastructure solutions services decreased by HK\$10.6 million or 7.2% from HK\$146.5 million for FY2015 to HK\$135.9 million for FY2016 due to i) the decrease in total number of IT infrastructure solutions projects undertaken in FY2016; and ii) the completion of one project from the public sector with revenue recognised of HK\$18.9 million in FY2015, which was non-recurring in FY2016.

Revenue from IT development solutions services

Our revenue from IT development solutions services increased by HK\$4.8 million or 15.6% from HK\$30.7 million for FY2015 to HK\$35.5 million for FY2016 due to i) the increase in total number of IT development solutions projects undertaken in FY2016; and ii) the completion of one project relating to feasibility study on the implementation of system from the public sector with revenue recognised of HK\$7.5 million in FY2016.

FINANCIAL INFORMATION

Revenue from IT maintenance and support service

Our revenue from IT maintenance and support service increased by HK\$2.8 million or 27.7% from HK\$10.1 million for FY2015 to HK\$12.9 million for FY2016, which was mainly attributable to increase in number of completed IT development solutions services projects for which our clients engaged us to provide IT maintenance and support services.

Cost of sales

Our cost of sales decreased by HK\$9.8 million or 6.5% from HK\$150.6 million for FY2015 to HK\$140.8 million for FY2016. Such decrease was mainly attributable to i) the decrease in cost of hardware and software by HK\$8.0 million resulting from the decrease in number of completed IT infrastructure solutions projects during the respective years; and ii) the decrease in subcontracting charges by HK\$6.8 million resulting from the completion of one IT infrastructure solutions project from public sector in FY2015; and was partially offset by the increase in direct labour cost by HK\$4.4 million mainly attributable to the increase in extra time allocation to direct labour cost from our technical personnel for one loss making project from the non-government public bodies sector in FY2016.

Gross profit and gross profit margin

As a result of the foregoing, our overall gross profit increased by HK\$6.7 million or 18.3% from HK\$36.7 million for FY2015 to HK\$43.4 million for FY2016. Our overall gross profit margin also increased from 19.6% for FY2015 to 23.6% for FY2016, which was attributable to the increase of gross profit from the IT infrastructure solutions segment with gross profit contributions of HK\$13.6 million by Client B and Client F for three respective projects completed in FY2016 from the retail, distributions and trading sector.

Other income and gains

Our other income and gains increased by HK\$0.3 million or 60.0% from HK\$0.5 million for FY2015 to HK\$0.8 million for FY2016. The increase was primarily due to the increase in sponsorship income from our supplier for holding market events by HK\$0.4 million, partially offset by the decrease in bond interest income by HK\$0.1 million.

Selling expenses

Our selling expenses increased by HK\$1.2 million or 34.3% from HK\$3.5 million for FY2015 to HK\$4.7 million for FY2016. The increase was primarily due to increase in staff cost incurred by our sales team as we hired more sales headcount in FY2016.

FINANCIAL INFORMATION

Administrative and general expenses

Our administrative and general expenses slightly increased by HK\$0.3 million or 2.0% from HK\$14.8 million for FY2015 to HK\$15.1 million for FY2016. The increase was primarily due to the increase in legal and professional fees by HK\$0.7 million and the increase in rent and related expenses by HK\$0.2 million, partially offset by the decrease in loss on disposal of securities by HK\$0.4 million.

Finance costs

Our finance costs decreased by HK\$25,000 or 92.6% from HK\$27,000 for FY2015 to HK\$2,000 for FY2016. The decrease was primarily due to the decrease in interest on short term borrowings since our Group terminated the invoice financing loan in FY2016.

Income tax expense

Our income tax expense increased from HK\$3.1 million in FY2015 to HK\$4.3 million in FY2016, primarily attributable to the non-deductible listing expenses and temporary differences not recognised in FY2016. For the same reason, our effective tax rate increased from 16.4% in FY2015 to 19.9% in FY2016.

Profit for the year

As a result of the foregoing, our profit for the year slightly increased by HK\$1.4 million or 8.9% from HK\$15.8 million for FY2015 to HK\$17.2 million for FY2016. Our net profit margin increase from 8.4% for FY2015 to 9.3% for FY2016, primarily attributable to the decrease of cost of sales by HK\$9.8 million during the respective years.

LIQUIDITY AND CAPITAL RESOURCES

Our use of cash primarily relates to operating activities, purchase of investments and dividend payments. We have historically financed our operations primarily through a combination of capital contribution from, amongst others, our Shareholders and cash flow generated from our operation. We were able to repay our obligations under bank borrowings when they became due. We did not experience any material difficulties in rolling over our bank borrowings during the Track Record Period. We currently expect that there will not be any material change in the sources and uses of cash of our Group, except that we would have additional funds from proceeds of the Share Offer for implementing our future plans as detailed under the section headed “Statement of Business Objectives and Use of Proceeds” in this prospectus.

FINANCIAL INFORMATION

Cash Flows

The following table sets out a summary of our consolidated cash flows for the periods indicated:–

	Year ended 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from operating activities	4,163	3,915	13,874
Net cash generated from/(used in) investing activities	2,090	(150)	(181)
Net cash used in financing activities	(4,994)	(4,471)	(6,006)
Net increase/(decrease) in cash and cash equivalents	1,259	(706)	7,687
Cash and cash equivalents at beginning of year	26,436	27,695	26,989
Cash and cash equivalents at end of year	27,695	26,989	34,676

Operating activities

Net cash generated from or used in operating activities comprises profit before income tax adjusted for non-cash items, such as depreciation, loss on write-off of property, plant and equipment and loss on disposal of equity investments at fair value through profit and loss and adjusted for the change in working capital. During our Track Record Period, our cash flow from operating activities was principally from profit before income tax. Our cash used in operating activities was principally for purchases of hardware and software and operating expenses.

For FY2017, our net cash generated from operating activities of HK\$13.9 million was a combined result of the profit before income tax expense of HK\$8.1 million, adjustments for income statement items with no operating cash effect, income tax paid, and change in working capital. Change in working capital primarily reflected the increase in trade and other receivables and prepayments of HK\$22.0 million, the increase in trade and other payables and accruals of HK\$31.0 million and the decrease in amount due from related companies of HK\$0.5 million.

FINANCIAL INFORMATION

For FY2016, our net cash generated from operating activities of HK\$3.9 million was a combined result of the profit before income tax expense of HK\$21.5 million, adjustments for income statement items with no operating cash effect, income tax paid, and change in working capital. Change in working capital primarily reflected increase in trade and other receivables and prepayments of HK\$15.8 million, increase in amount due from related companies of HK\$0.3 million, and decrease in trade and other payables and accruals of HK\$0.1 million.

For FY2015, our net cash generated from operating activities of HK\$4.2 million was a combined result of the profit before income tax expense of HK\$18.8 million, adjustments for income statement items with no operating cash effect, income tax paid, and change in working capital. Change in working capital primarily reflected increase in trade and other receivables and prepayments of HK\$24.2 million, increase in amount due from a director of HK\$0.7 million and increase in amount due from related companies of HK\$0.3 million, partially offset by increase in trade and other payables and accruals of HK\$13.2 million.

Investing activities

For FY2017, our net cash used in investing activities of HK\$0.2 million reflected the purchase of property, plant and equipment of HK\$0.2 million.

For FY2016, our net cash used in investing activities of HK\$0.2 million primarily reflected the purchase of property, plant and equipment of HK\$0.3 million, partially offset by net cash obtained from acquisition of a subsidiary of HK\$0.2 million.

For FY2015, our net cash generated from investing activities of HK\$2.1 million primarily reflected proceeds from disposal of equity investments of HK\$3.1 million, partially offset by purchase of equity interests at fair value through profit or loss of HK\$0.8 million and the purchase of property, plant and equipment of HK\$0.2 million.

Financing activities

For FY2017, our net cash used in financing activities of HK\$6.0 million primarily reflected distribution of dividends of HK\$6.0 million.

For FY2016, our net cash used in financing activities of HK\$4.5 million primarily reflected distribution of dividends of HK\$6.0 million, partially offset by decrease in time deposit of HK\$1.5 million.

For FY2015, our net cash used in financing activities of HK\$5.0 million primarily reflected distribution of dividends of HK\$4.9 million.

FINANCIAL INFORMATION

Net Current Assets

We recorded net current assets of HK\$33.4 million, HK\$44.2 million, HK\$43.6 million and HK\$46.9 million as at 31 December 2015, 2016 and 2017 and 30 April 2018, respectively. The table below sets out our current assets and current liabilities as of the dates indicated:–

	As at 31 December			As at 30 April
	2015	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(unaudited)</i>
Current assets				
Trade and other receivables and prepayments	42,699	57,637	79,702	86,599
Due from a director	–	37	–	–
Due from an immediate holding company	–	–*	–*	–*
Due from related companies	251	534	–	–
Time deposits	1,531	–	–	–
Cash and cash equivalents	27,695	26,989	34,676	25,524
	<u>72,176</u>	<u>85,197</u>	<u>114,378</u>	<u>112,123</u>
Current liabilities				
Trade and other payables and accruals	37,155	37,581	68,822	62,888
Tax payable	1,617	3,382	1,966	2,326
	<u>38,772</u>	<u>40,963</u>	<u>70,788</u>	<u>65,214</u>
Net current assets	<u><u>33,404</u></u>	<u><u>44,234</u></u>	<u><u>43,590</u></u>	<u><u>46,909</u></u>

* Less than HK\$1,000

Our net current assets increased from HK\$33.4 million as at 31 December 2015 to HK\$44.2 million as at 31 December 2016. The increase was primarily due to increase in trade and other receivables and prepayments of HK\$14.9 million which is in line with the increase in revenue, partially offset by the decrease in time deposits of HK\$1.5 million and the increase in tax payable of HK\$1.8 million.

Our net current assets slightly decreased to HK\$43.6 million as at 31 December 2017. The decrease was primarily due to the increase in trade and other payables and accruals of HK\$31.2 million, partially offset by i) the increase in trade and other receivables and prepayments of HK\$22.1 million; ii) the increase in cash and cash equivalents of HK\$7.7 million; and iii) the decrease in tax payable of HK\$1.4 million.

FINANCIAL INFORMATION

Our net current assets slightly increased to HK\$46.9 million as at 30 April 2018. The increase was primarily due to (i) the increase in trade and other receivables and prepayments of HK\$6.9 million which is generally in line with the increase in revenue; and (ii) the decrease in trade and other payables and accruals of HK\$5.9 million, partially offset by the decrease in cash and cash equivalents of HK\$9.2 million.

Working Capital Sufficiency

Our Directors confirm that, taking into consideration the financial resources presently available to us, including our cash generated from operations and the estimated net proceeds from the Share Offer, we have sufficient working capital for our present requirements and for at least next 12 months from the date of this prospectus.

DESCRIPTION OF SELECTED ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Trade and other receivables and prepayments

The following table sets out the components of our trade and other receivables and prepayments as at the dates indicated:–

	As at 31 December		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Trade receivables	25,876	40,213	22,553
Unbilled receivables	5,549	6,023	41,776
Amounts due from customers for contract work	7,387	7,396	7,505
Deposits	3,204	2,692	4,040
Prepayments	–	1,074	3,094
Payment in advance	683	239	1,324
	42,699	57,637	80,292

Our trade receivables primarily represented value of work completed and billed to our clients. Our trade receivables increased from HK\$25.9 million as at 31 December 2015 to HK\$40.2 million as at 31 December 2016. Our trade receivables decreased from HK\$40.2 million as at 31 December 2016 to HK\$22.6 million as at 31 December 2017. The relatively high balance of trade receivables as at 31 December 2016 was primarily attributable to two clients with an aggregate outstanding balance of HK\$21.4 million as at the same date, and such trade receivables were fully settled in FY2017.

FINANCIAL INFORMATION

Before accepting any new clients, our Group will apply an internal credit assessment policy to assess the potential client's credit quality and define credit limit to clients. We generally granted a period of 14 to 60 days from the invoice date for our major clients. Each client has a maximum credit limit. We seek to maintain strict control over our outstanding receivables to minimise the credit risk. We typically do not require any collateral as security.

The following table sets out the aging analysis (based on the invoice date) of our trade receivables, as at the dates indicated:–

	As at 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	12,846	20,017	20,327
31-60 days	2,753	3,678	1,707
61-90 days	1,006	3,147	90
91-180 days	9,101	10,923	368
Over 180 days	170	2,448	61
Total	25,876	40,213	22,553

We maintain control on trade receivables that most of the trade receivables are current which 49.6%, 49.8% and 90.1% of the total trade receivable balances were within 30 days from invoice date as at 31 December 2015, 2016 and 2017, respectively. The relatively high percentage of trade receivables over 30 days in FY2015 and FY2016 was mainly from one of our top five client in relation to two respective IT infrastructure solutions projects in FY2015 and FY2016. Such amounts were fully settled in FY2016 and FY2017, respectively.

Our policy for impairment on trade receivables due from third parties is based on an evaluation of collectability and aging analysis of the receivables that requires the use of judgment and estimates of our management. Provisions would apply to the receivables when there are events or changes in circumstances which indicate that the balances may not be collectible. We closely review the trade receivables balances and any overdue balances on an ongoing basis, and assessments are made by our management on the collectability of overdue balances. After fully considering the nature of trade receivables and their collectability on a case-by-case basis, we have made provisions for the impairment of certain overdue trade receivables in order to ensure the quality of our assets. We did not experience any material payment defaults from our clients during the Track Record Period. No provision for impairment of trade receivables was made as at 31 December 2015, 2016 and 2017.

Based on the management accounts of our Group, as at the Latest Practicable Date, HK\$22.5 million or 99.7% of our trade receivables outstanding as at 31 December 2017 were settled.

FINANCIAL INFORMATION

The following table sets out our turnover days of trade receivables as at the dates indicated:–

	Year ended 31 December		
	2015	2016	2017
Turnover days of trade receivables	<u>31.6</u>	<u>65.5</u>	<u>63.3</u>

Note: Turnover days of trade receivables is calculated using the average balance of trade receivables divided by revenue for the respective periods and multiplied by 365 days in the respective periods. Average balance of trade receivables is calculated as the sum of the beginning and the ending balance for the respective periods, divided by two.

Our trade receivable turnover days increased from 31.6 days for FY2015 to 65.5 days for FY2016. The increase in turnover days was mainly due to the significant increase in our trade receivables from 1 January 2015 to 31 December 2016 due to the late payments from mainly two of our clients, and such outstanding amounts have been fully settled in FY2017. Our trade receivables turnover days remained relatively stable at 63.3 days for FY2017.

The unbilled receivables were mainly attributable to completed IT infrastructure solutions services involving software and/or hardware and completed maintenance and support services which will be billed within the next twelve months from the end of the reporting dates in accordance with the payment terms stipulated in the relevant contracts, quotation, purchase orders and service agreements entered into between our Group and our clients. These receivables were neither past due nor impaired and relate to a number of customers for whom there was no recent history of default. Our unbilled receivables slightly increased from HK\$5.5 million as at 31 December 2015 to HK\$6.0 million as at 31 December 2016, which was generally in line with our increase in revenue from the IT infrastructure services and IT maintenance and support services. Our unbilled receivables increased significantly to HK\$41.8 million as at 31 December 2017, which was primarily attributable to four projects with aggregate unbilled receivables amounts of HK\$30.4 million with four respective clients near the year end of 2017, to whom our IT solutions were delivered before the year end but the invoices were not issued yet. Such unbilled receivables of HK\$30.4 million include: (i) HK\$11.6 million in respect of IT infrastructure solutions services provided to Client D; (ii) HK\$8.2 million in respect of IT infrastructure solutions services provided to Client I; (iii) HK\$7.9 million in respect of IT infrastructure solutions services provided to an IT solutions provider based in Hong Kong specialising in cloud computing (“Client K”); and (iv) HK\$2.7 million in respect of IT infrastructure solutions services provided to a department of the Hong Kong Government. The orders for these four projects were placed and the projects were completed close to the year end of 2017. Therefore, as at 31 December 2017, we had not yet issued any invoice to the relevant clients after delivery of our services, resulting in the significant increase in the unbilled receivables as at 31 December 2017. The revenue and the related costs derived from the aforesaid four projects is recognised upon transfer of the significant risks and rewards of ownership of the IT solutions to the clients, which is the time when the corresponding IT solutions were delivered and accepted by such clients. As at the

FINANCIAL INFORMATION

Latest Practicable Date, among the unbilled receivables of HK\$30.4 million, HK\$29.0 million or 95.5% of such amount has been billed and HK\$20.7 million or 71.3% of the billed amount has been received from the relevant clients.

Our amounts due from customers for contract work involving IT infrastructure solutions and IT development solutions services represent the balances of aggregate cost incurred and recognised profits for the contracts for solutions services which are recognised based on the percentage of completion method net of the sum of recognised losses and progress billings, which remained relatively stable at HK\$7.4 million, HK\$7.4 million and HK\$7.5 million, respectively, as at 31 December 2015, 2016 and 2017. As at the Latest Practicable Date, HK\$2.07 million or 27.6% of the amounts due from customers for contract work as at 31 December 2017 was subsequently billed.

Our deposits mainly comprise rental deposits, deposits for certain projects and margin deposit, which decreased from HK\$3.2 million as at 31 December 2015 to HK\$2.7 million as at 31 December 2016. The decrease was mainly due to the decrease in margin deposits in respect of performance bonds for certain Hong Kong Government projects. Our deposits increased to HK\$4.0 million as at 31 December 2017. The increase was mainly due to the increase in rental deposits for our Group's new office and the director's quarter and the increase in margin deposits for certain Hong Kong Government projects in FY2017.

Our prepayments mainly represent prepayments of Listing expenses paid to professional parties, which increased from nil as at 31 December 2015 to HK\$1.0 million as at 31 December 2016. Our prepayments further increased to HK\$3.1 million as at 31 December 2017, primarily due to the increase in prepaid Listing expenses.

Our payment in advance was mainly related to our IT maintenance and support projects, which decreased from HK\$0.7 million as at 31 December 2015 to HK\$0.2 million as at 31 December 2016, mainly due to increase in revenue recognised from completed IT maintenance and support projects as at 31 December 2016. Our payment in advance increased to HK\$1.3 million as at 31 December 2017, primarily due to HK\$0.8 million in relation to one IT development solutions project where the client requested our services on an as needed basis without designated project milestone date and no revenue will be recognised until we perform the relevant services.

FINANCIAL INFORMATION

Trade and other payables and accruals

The following table sets out the components of our trade and other payables and accruals as at the dates indicated:–

	As at 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	18,552	8,399	15,028
Accrued purchases and service costs	10,206	17,559	49,162
Amounts due to customers for contract work	2,345	4,181	936
Customers' deposits received	237	868	–
Other payables and accruals	2,918	4,058	1,056
Receipt in advance	3,251	2,565	2,640
	37,509	37,630	68,822

Our trade payables primarily consist of balances related to our suppliers for purchases of hardware and/or software for our clients and fees payable to our subcontractors. Our trade payables decreased from HK\$18.6 million as at 31 December 2015 to HK\$8.4 million as at 31 December 2016, which was mainly attributable to one IT infrastructure solutions project for which our supplier issued the invoices in early 2017, leading to the decrease in our trade payables as at 31 December 2016. Our trade payables increased from HK\$8.4 million as at 31 December 2016 to HK\$15.0 million as at 31 December 2017, which was mainly attributable to the increase in trade payables by HK\$5.9 million from Supplier H and Supplier E for IT infrastructure solutions and IT development solutions projects, respectively. Such projects had been delivered with corresponding invoices issued by Supplier H and Supplier E near the year end of 2017, but our Group, according to the relevant credit terms granted by these two suppliers, did not settle such trade payables as at 31 December 2017 which led to the increase in the same as at the same date. As at the Latest Practicable Date, such trade payables due to the two respective suppliers were fully settled by our Group.

FINANCIAL INFORMATION

Our suppliers generally offer us an average trade credit term of 30 days. The following table sets out, as of the end of reporting periods indicated, the aging analysis of our trade payables (based on invoice date):–

	As at 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	13,588	690	11,688
31-60 days	3,504	441	2,954
61-90 days	128	4,548	67
Over 90 days	1,332	2,720	319
Total	18,552	8,399	15,028

The following table sets out our turnover days of trade payables for the periods indicated:

	Year ended 31 December		
	2015	2016	2017
Turnover days of trade payables	46.6	39.6	32.4

Note: Turnover days of trade payables is calculated using the average balance of trade payables divided by cost of hardware and software and subcontracting cost for the respective periods and multiplied by 365 days in the respective periods. Average balance of trade payables is calculated as the sum of the beginning and the ending balance for the respective periods, divided by two.

Our trade payable turnover days decreased from 46.6 days for FY2015 to 39.6 days for FY2016. The decrease in turnover days was mainly due to the comparative lower trade payables as at 31 December 2016. Our trade payable turnover days decreased from 39.6 days for FY2016 to 32.4 days for FY2017. The decrease in turnover days was mainly due to improved controls of timely payments by us during 2017 to maintain better relationships with our major suppliers.

As at the Latest Practicable Date, HK\$15.0 million or 100% of our trade payables outstanding as at 31 December 2017 had been fully settled.

FINANCIAL INFORMATION

Our accrued purchases and service costs represent the payables for our purchases but unbilled by our suppliers during the respective periods, which increased from HK\$10.2 million as at 31 December 2015 to HK\$17.6 million as at 31 December 2016, primarily attributable to the aforesaid infrastructure project. Our accrued purchases and service costs increased significantly to HK\$49.2 million as at 31 December 2017, which was mainly attributable to four projects with aggregate accrued purchases and service costs amounts of HK\$31.7 million from Supplier A and Supplier F who have not issued invoices to us as at 31 December 2017. These four projects are all IT infrastructure solutions projects from private sector, with contract sums ranging from HK\$7.7 million to HK\$11.6 million. As at the Latest Practicable Date, HK\$16.1 million or 50.9% of such accrued purchases and service costs were subsequently settled by our Group and the remaining balance is expected to be settled upon receipt of payments from the corresponding customers who have good historical payment records with our Group during the Track Record Period.

Our amounts due to customers for contract work involving IT infrastructure solutions and IT development solutions services represent progress billings less the aggregate cost incurred and recognised profits for solutions services which are recognised based on the percentage of completion method, which increased from HK\$2.3 million as at 31 December 2015 to HK\$4.2 million as at 31 December 2016, primarily attributable to the difference in progress of projects and timing difference of payment by clients. Our amounts due to customers for contract work decreased to HK\$0.9 million as at 31 December 2017, primarily attributable to the shortened difference in progress of projects and payment by clients, reflected by the decrease in progress billings not yet issued to our clients as at the same date.

Our customers' deposits received represents deposits received from clients for their purchase of hardware or software which increased from HK\$0.2 million as at 31 December 2015 to HK\$0.9 million as at 31 December 2016, primarily attributable to the increase in number of projects for which our Group required our clients to pay for such projects. Our customers' deposits decreased to nil as at 31 December 2017, primarily because such projects were completed before the year end of 2017.

Our other payables and accruals mainly comprised accrued charges for staff costs, audit fees, entertainment and provision for listing expenses, which increased from HK\$2.9 million as at 31 December 2015 to HK\$4.1 million as at 31 December 2016, primarily attributable to the increase in provision for listing expenses in 2016. Our other payables and accruals further decreased to HK\$1.1 million as at 31 December 2017, primarily attributable to a combined effect of the decrease in provision for listing expenses by HK\$0.6 million and the decrease in provision for staff bonuses by HK\$2.0 million as at the same date.

Our receipt in advance represented the excess of receipt from client over the progress of the IT infrastructure solution services and IT maintenance and support projects, which decreased from HK\$3.3 million as at 31 December 2015 to HK\$2.6 million as at 31 December 2016, primarily attributable to one IT maintenance project completed in FY2015. Our receipt in advance remained relatively stable at HK\$2.6 million as at 31 December 2017.

FINANCIAL INFORMATION

Amount(s) due from a director/an immediate holding company/related companies

Our amount due from a director amounted to nil, HK\$37,000 and nil as at 31 December 2015, 2016 and 2017, respectively. Our amount due from an immediate holding company amounted to nil, HK\$1 and HK\$1 as at 31 December 2015, 2016 and 2017, respectively. Our amounts due from related companies amounted to HK\$0.3 million, HK\$0.5 million and nil as at 31 December 2015, 2016 and 2017, respectively.

All of our amounts due were unsecured, interest-free, repayable on demand and are non-trade in nature as at 31 December 2015, 2016 and 2017. The amount due from an immediate holding company will be settled upon Listing.

CAPITAL EXPENDITURE AND COMMITMENT

Capital expenditure

Our capital expenditure for the FY2015, FY2016 and FY2017 was HK\$0.2 million, HK\$0.3 million and HK\$0.2 million respectively, which primarily related to office equipment purchased. We have financed our capital expenditure primarily through cash flow generated from operating activities.

Operating lease commitments

As at the end of the reporting periods during the Track Record Period, we had commitments for future minimum lease payments in respect of office premises and director's quarter under non-cancellable operating lease arrangements, which fall due as follows:-

	As at 31 December		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Within one year	–	1,641	2,549
In the second to fifth years inclusive	–	275	5,799
	–	1,916	8,348

Capital commitments

As at the end of the reporting periods during the Track Record Period, our Group had no capital commitments which were not provided for in our consolidated financial information.

FINANCIAL INFORMATION

PROPERTY INTERESTS

Our Directors confirm that, as at the Latest Practicable Date, we have no single property with a carrying amount of 15% or more of our total assets. On this basis, we are not required by Rule 8.01A of the GEM Listing Rules to include in this prospectus any valuation report. Pursuant to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all of our interests in land or buildings.

INDEBTEDNESS

As at 31 December 2015, 2016 and 2017 we did not have any outstanding interest-bearing borrowings nor bank borrowings.

As at 30 April 2018, being the latest practicable date for the purpose of the indebtedness statement, we do not have any unutilised banking facilities.

During the Track Record Period, we did not experience any material delay or default in payment of trade and non-trade payables and of bank borrowings nor experience any material difficulties in obtaining banking facilities with terms that are commercially acceptable to us. As at the date of this prospectus, we did not have any plan for material external debt financing.

Contingent liabilities

As at 31 December 2015, 2016 and 2017, margin deposits of our Group amounted to HK\$1.3 million, HK\$0.4 million and HK\$0.8 million, respectively. As at 31 December 2015, 2016 and 2017, the time deposits of our Group amounted to HK\$1.5 million, nil and nil, respectively. Such deposits were pledged to the respective banks for guarantees provided to our Group in favour of our clients as securities for the due performance and observance of our obligations under the contracts entered into between our clients and us. The differences between margin deposits and time deposits are i) the respective banks require us to place margin deposits until the expiry of such contracts while time deposits for a fixed term; and ii) the respective banks pay interests with reference to ordinary saving accounts interest rates for margin deposits while at fixed interest rates of 1.01% to 1.05% for time deposits during the Track Record Period.

If our Group fail to provide satisfactory performance to their clients to whom performance guarantee have been given, such clients may demand the bank to pay them the sum or sum stipulated in such demand. The margin deposits and time deposits will be forfeited or deducted to compensate the bank accordingly. The margin deposits and time deposits will be released upon completion of the contract works.

FINANCIAL INFORMATION

As at the Latest Practicable Date, save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, our Group did not have outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases, hire purchases commitments, guarantees or other material contingent liabilities.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENT

As at the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

RELATED PARTY TRANSACTIONS

For details of related party transactions, see note 19 of Section II to the Accountants' Report in Appendix I to the prospectus. Our Directors confirm that these transactions were conducted in the ordinary and usual course of business and on normal commercial terms. Our Directors are of the view that the related party transactions did not cause any distortion of our results of operations or make our historical results non-reflective in the Track Record Period.

KEY FINANCIAL RATIOS

The following table sets out our key financial ratios as at each of the dates indicated:–

	Year ended 31 December		
	2015	2016	2017
Gross profit margin (%) ⁽¹⁾	19.6	23.6	20.7
Net profit margin (%) ⁽²⁾	8.4	9.3	3.3
Return on equity (%) ⁽³⁾	47.2	38.6	13.4
Return on total assets (%) ⁽⁴⁾	21.7	20.1	5.2

	As at 31 December		
	2015	2016	2017
Current ratio ⁽⁵⁾	1.9	2.1	1.6
Gearing ratio ⁽⁶⁾	N/A	N/A	N/A
Net debt to equity ratio ⁽⁷⁾	N/A	N/A	N/A

Notes:

- (1) Gross profit margin for each of FY2015, FY2016 and FY2017 was calculated on gross profit divided by revenue for the respective periods. Please refer to the paragraph headed "Review of Historical Results of Operations" in this section for more details on our gross profit margins.
- (2) Net profit margin for each of FY2015, FY2016 and FY2017 was calculated on net profit attributable to the Shareholders divided by revenue for the respective periods. Please refer to the paragraph headed "Review of Historical Results of Operations" in this section for more details on our net profit margins.

FINANCIAL INFORMATION

- (3) Return on equity equals profit for the period divided by the balance of total equity attributable to the Shareholders of the respective periods and multiplied by 100%.
- (4) Return on total assets equals profit for the period divided by the balance of total assets of the respective periods and multiplied by 100%.
- (5) Current ratio is calculated as the total current assets divided by the total current liabilities.
- (6) Gearing ratio is calculated as the total debt divided by total equity and multiplied by 100%.
- (7) Net debt to equity ratios is calculated as total borrowings net of cash and cash equivalents and restricted cash, and divided by total equity and multiplied by 100%.

Return on equity

Our return on equity decreased from 47.2% for FY2015 to 38.6% for FY2016, primarily due to increase in equity attributable to owners of the parent outweighed the increase of our net profit. Our return on equity decreased to 13.4% for FY2017, primarily due to the decrease of our net profit in FY2017.

Return on total assets

Our return on total assets remained relatively stable at 21.7%, 20.1% for FY2015 and FY2016. Our return on total assets decreased to 5.2% for FY2017, primarily due to the decrease of our net profit in FY2017.

Current ratio

Our current ratio increased from 1.9 as at 31 December 2015 to 2.1 as at 31 December 2016, primarily attributable to the increase in our trade receivables as at 31 December 2016. Our current ratio decreased to 1.6 as at 31 December 2017, primarily because the increase in trade and other payables and accruals outweighed the increase in trade and other receivables and prepayments in FY2017.

Gearing ratio and net debt to equity ratio

During the Track Record Period, our Group did not have any interest-bearing borrowings as at each reporting date. Thus, gearing ratio and net debt to equity ratio were both not applicable to our Group.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to market risks from changes in market rates and prices, such as interest rates, credit and liquidity.

Details of the risk to which we are exposed are set out in note 25(a) of Section II to Accountants' Report, the text of which is set out in Appendix I to this prospectus.

FINANCIAL INFORMATION

DIVIDENDS

During the Track Record Period, dividends of HK\$4.7 million, HK\$6.0 million and HK\$6.0 million were declared, respectively. As at the Latest Practicable Date, such dividend had been fully settled to the relevant Shareholders by our cash flow generated from operations and set off against amounts due from a director in lieu of cash payment. We do not have a fixed dividend payout ratio and do not intend to determine any expected dividend payout ratio since our priority is to use our earnings for business development and expansion of client base in the interest of our Shareholders as a whole. 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 us in the future.

The recommendation of the payment of dividend is subject to the absolute discretion of our Board, and, after Listing, any declaration of final dividend for the year will be subject to the approval of our Shareholders. Our Group does not have any dividend policy. Our Directors may recommend a payment of dividend in the future after taking into account our operations, earnings, financial condition, cash requirements and availability, capital expenditure and future development requirements and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of the dividend will be subject to our constitutional documents and the Cayman Companies Law, including the approval of our Shareholders.

Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 16 September 2016 and is an investment holding company. There were no reserves available for distribution to our Shareholders as at the Latest Practicable Date.

INVESTMENT IN LISTED SECURITIES

Our Group made investment in equity and debt securities in FY2015. The investment was made with an intention of applying our cash resources not immediately required for our operations to make investments and seek investment return for the benefit of our Group. The aggregate purchase amount of listed securities was approximately HK\$0.8 million in FY2015. Due to our funding needs for our business operations and development and in view of the preparation for the Listing, our Group no longer made any new investment in listed securities in FY2016 and we disposed of all the investment in the listed securities at the end of FY2015 and recorded net loss from disposal of securities of approximately HK\$0.4 million. Our Group does not intend to carry out any securities trading activity or acquire any financial instruments going forward.

FINANCIAL INFORMATION

The following table sets out the details of equity instruments purchased and disposed of during the Track Record Period:–

Date (M/D/Y)	Description	Securities		Number of quantity	Amount HK\$	Gain/(loss) HK\$
		code	Securities name			
4/9/2015	Purchase	1776	GF SEC	4,600	(87,584)	–
4/27/2015	Sold	1666	TONG REN TANG	20,000	274,752	74,352
4/28/2015	Purchase	563	SH IND URBAN	100,000	(212,652)	–
5/8/2015	Purchase	1776	GF SEC	10,000	(244,250)	–
5/29/2015	Purchase	6886	HTSC	1,200	(30,060)	–
6/2/2015	Purchase	1928	SANDS CHINA LTD	5,200	(155,176)	–
6/2/2015	Sold	1317	MAPLELEAF EDU	100,000	294,131	50,131
8/3/2015	Sold	1928	SANDS CHINA LTD	5,200	174,182	19,006
8/3/2015	Sold	1317	MAPLELEAF EDU	50,000	125,113	3,113
10/23/2015	Purchase	1508	CHINA RE	20,000	(54,544)	–
12/17/2015	Sold	1508	CHINA RE	20,000	46,449	(8,095)
12/17/2015	Sold	563	SH IND URBAN	100,000	142,560	(70,092)
12/17/2015	Sold	6886	HTSC	1,200	21,644	(8,416)
12/17/2015	Sold	1776	GF SEC	14,600	291,829	(40,005)
12/29/2015	Sold	GRPN	GROUPON INC	6,500	157,754	(259,315)
12/29/2015	Sold	TWTR	TWITTER INC	2,000	350,135	(207,148)
12/30/2015	Sold	OTC	SHUI ON BOND	N/A	1,216,018	84,718

All equity instruments were disposed of during FY2015. No relevant transactions were subsequently made up to the Latest Practicable Date.

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commission, SFC transaction levy and Stock Exchange trading fee incurred in connection with the Share Offer and the Listing. Assuming an Offer Price of HK\$0.265 per Offer Share (being the mid-point of the indicative Offer Price range) and that the Offer Size Adjustment Option is not exercised, our total Listing expenses are estimated to be approximately HK\$23.8 million, of which HK\$8.0 million is directly attributable to the issue of new Shares and to be accounted for as a deduction from the equity, and the remaining amount of HK\$15.8 million has been or will be reflected in our consolidated statements of comprehensive income. Listing expenses, of HK\$3.0 million and HK\$4.3 million, in relation to services already performed by relevant parties, were reflected in our consolidated statements of comprehensive income for FY2016 and FY2017, and an additional of HK\$8.5 million is expected to be recognised in our consolidated statements of comprehensive income subsequent to the Track Record Period and upon Listing. As such, our results of operations for the FY2018 is expected to be adversely affected by the Listing expenses incurred in the period.

FINANCIAL INFORMATION

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

Please refer to the section headed “Unaudited Pro Forma Financial Information” in Appendix II to this prospectus for our unaudited pro forma adjusted consolidated net tangible assets.

DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES

Our Directors confirm that as at the Latest Practicable Date, there were no circumstances that would give rise to the disclosure requirements under Rules 17.15 to 17.21 of the GEM Listing Rules.

MATERIAL ADVERSE CHANGE

Our Directors confirm, after performing all the due diligence work which they consider appropriate, that save as disclosed under paragraph headed “Summary – Recent Development” in this prospectus, there had been no event which could materially affect the information shown in our consolidated financial information included in the Accountants’ Report set forth in Appendix I to this prospectus since 31 December 2017, and as at the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects.

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

FUTURE PLANS

Please see the paragraph headed “Business – Our Business Strategies” in this prospectus for a detailed description of our future plans.

REASONS FOR THE LISTING AND THE SHARE OFFER

Our Directors believe that our Group has strong reasons to pursue for Listing and raise capital from equity market to fund and support our business expansion:

1. **The Listing could strengthen our corporate profile, credibility and competitiveness**

We believe that client loyalty and corporate image are important to our business growth, and a public listing status will reinforce our relationship with clients and increase client loyalty, and to attract prospective clients, in particular those multinational enterprises and public bodies who are more willing to establish business relationship with listed companies. Our Directors believe that the Listing could help strengthening our corporate profile, credibility and competitiveness because, following the Listing, with our enhanced internal control and corporate governance practice and greater transparency on our Group’s financial and operational information, we could generate reassurance to our existing clients and suppliers, and strengthen our competitiveness in the IT consulting services industry in Hong Kong. Further, we believe that the Listing will increase our bargaining power in negotiating transaction terms with clients and suppliers. For instance, since a listed company is required to publish its financial information on a regular basis, our Directors believe that our Group may be able to negotiate more favourable terms from our suppliers, such as longer credit period and higher credit limit, as the suppliers can have a better understanding on our Group’s financial position. In addition, as our major clients include public sector bodies and financial institutions which would normally take into account the financial soundness, integrity, market standing and reputation of their suppliers in their supplier selection process, our Directors believe that with the financial and operational transparency of our Group, international corporate governance standards that our Group shall be adopting under a sound regulatory regime and a well-established legal system in Hong Kong that comes with a listing status, our clients will have more confidence in our services as a listed company, which generally has better internal control, corporate governance practice and recognition from the public, in particular when we bid for complex projects with larger contract value, which is part of our future business plan.

Our Group is a well-established IT services provider with about 20 years of experience in the IT industry. We have been trying to use our own internal funding and resources to further develop our business in order to keep pace with the development in the industry yet we have formidable hurdles to achieve our business strategies without the necessary resources. We believe that the Listing could help us to have a breakthrough of these hurdles and bring us the necessary resources to achieve our goals:

- **Capital:** IT business has become a capital intensive business due to the technological advancement and the increasing complexity of IT projects. In particular, the scale and complexity of the IT projects for finance and insurance sectors have grown tremendously in order to meet with their growing need for big data analysis and IT

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

security. As such, to expand our business for finance and insurance sectors, we need funding to undertake projects of larger scale and to recruit industry domain technical specialists who could provide IT services tailored for these industries. To further expand our business in cloud computing and IoT products, we need in-house specialists capable of performing software and hardware development and we need to purchase necessary equipment to perform such development functions. Our current cash and cash equivalent could only support our current daily operation. We need additional funding to support these business development and we believe that we need the Listing platform to raise funds to support our future development when required in the long-run.

- **Talents:** Talents are crucial in our execution of business plans. To expand our business for finance and insurance sectors, we need technical staff who have industry-specific IT knowledge in finance and insurance sectors who could really understand the needs of these clients and who have the knowledge, skills and experience in advising them on the latest IT technologies for their industries. To further expand our business in cloud computing and IoT products, although our management, in particular our chief partnership officer Mr. Luk Yeung Sing and our chief strategy officer Mr. Wu Chi Cheong Frederick who have relevant experience in cloud computing and IoT products development, we need in-house software and hardware specialists and technicians who could perform relevant software and hardware development. Those specialists shall have cloud computing and IoT development specific knowledge and qualification which is contrary to the technicians that our Group currently hire. As a private company, we have difficulty to hire such talents as we face competition with other large corporations or listed corporations since we might not be able to offer career development prospects and remuneration package comparable to those corporations. We believe that the Listing could help us to bring in these necessary talents to execute our business plans.
- **Corporate image:** Due to rising concern in IT security, public bodies and large corporations in particular those in finance and insurance sectors now tend to outsource their IT solutions need to well-known and reliable IT service providers. Our Directors are of the view that our Group has experienced greater difficulty to secure more complex contracts with greater contract sum from finance and insurance sectors clients than in the past, and usually those contracts are now awarded to IT services providers which are listed corporations. Provision of IT services involves intrusion to the existing IT systems of their corporations and handling of their or their clients' confidential data or information, and more complex IT projects would usually take a few years to complete. It is understandable that these clients would look for IT service providers which are listed corporations with greater corporate transparency and credibility. We believe that the Listing could help us to compete with other listed IT services providers and secure more complex and larger projects.
- **Overall competitiveness:** As our Group and our business grow, we need to upgrade our technicians and execution team and our systems to support our growth and our future growth. However, as disclosed above, our current cash and cash equivalent could only support our current daily operation. Also, we might not be able to keep pace with the technological or industry development with the limited internal

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

resources that we have in the long run. Our Directors believe that the Share Offer and the Listing could bring us the necessary funding and give us access to the equity financing platform to support our continuous development in the long run.

2. Strong and genuine business needs to raise capital from equity market to fund our business strategies and business expansion

We believe that raising funds by way of the Share Offer is in line with our business strategies. According to the Frost & Sullivan Report, the IT consulting services industry in Hong Kong is highly competitive and fragmented with no dominant player and the IT industry is a fast-paced evolving industry. In order to maintain our competitive edge and position as a well-established IT services provider in Hong Kong, our Directors believe that our Group needs to raise funds by equity financing pursuant to the Share Offer and to gain access to a platform for future fundraising by pursuing the Listing to meet our capital requirements for our business strategies and business expansion and to keep us abreast of the fast-paced evolving IT industry, including: (i) strengthen and expand our existing IT infrastructure and development solutions business; (ii) develop cloud computing projects and IoT projects; (iii) strengthen our marketing efforts; and (iv) expand our professional team and enhance our service quality. For further details, please refer to the paragraph headed “Business – Our Business Strategies” in this prospectus.

Further, based on our projects with contract sum over HK\$10 million that we have undertaken during the Track Record Period, majority of which belong to the private sector, the average procurement costs for these projects before receiving first payment from our clients was approximately HK\$2.1 million. Hence, theoretically and generally, for every project with contract sum of over HK\$10 million, we will have an initial aggregate outlay of approximately HK\$2.0 million before receiving any payment from our clients. Also, based on our top 10 government projects in terms of contract sum undertaken during the Track Record Period, our initial outlay before receiving the largest instalment payment from our clients is over 30% of the aggregate total contract sum of those projects.

(i) *Strengthen and expand our existing IT infrastructure and development solutions business*

One of the ways to strengthen and expand our existing IT infrastructure and development solutions business is to develop IT solutions services tailored for finance and insurance sectors. These sectors generated relatively high gross profit margin for our Group during the Track Record Period and our revenue generated from these sectors increased significantly during the Track Record Period. For FY2015, FY2016 and FY2017, our revenue generated from these sectors amounted to approximately HK\$15.3 million, HK\$25.3 million and HK\$34.6 million respectively, representing approximately 8.2%, 13.7% and 19.1% of our total revenue during the same period. According to the Frost & Sullivan Report, the total IT expenditure for finance and insurance industries in Hong Kong is expected to grow at a CAGR of 6.6% and 8.1% from 2018 to 2022, respectively. It is expected that these industries will make further investment in enhancing their IT infrastructure and therefore create business opportunities for us. These

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

sectors generally require sophisticated IT systems and solutions for their business operation and it is a recent trend for companies in these sectors to outsource non-core IT related operations so as to improve efficiency and reduce daily operation expenses.

In light of the increasing demand for IT services from the finance and insurance industries in the future as described above, we intend to capture such emerging business opportunities to further expand our service offerings and client base. Since we have 16 potential projects in the pipeline amounting to around HK\$22 million for such IT services, we intend to outcompete the other market players in obtaining the relevant bid/contracts through recruiting technical staff as we currently do not have any technical staff who have industry-specific knowledge and skills. We believe that technical staff who have industry-specific IT knowledge and skills is necessary and will give confidence to sector players. Therefore, we plan to recruit one industry domain technical specialist for each of the finance industry and insurance industry who are expected to possess a degree or above in information technology or equivalent and with over seven years of industry-specific experience, and the headcounts of these specialist technicians should increase as demand grows. In addition, they are expected to have, among others, the following knowledge and qualification:

1. architecture and design of middleware and database applications with good knowledge of data tools in the area of business intelligence, extract, transform, load (ETL) and reporting;
2. good knowledge of service-oriented architecture, architecture documentation methods, and enterprise application integration and cloud/virtualisation; and
3. TOGAF 9 Certification or equivalent and Cloud Computing Applications.

Those specialists will mainly be responsible for designing the enterprise information technology architecture for our IT solutions such as fintech and cloud technology which caters for finance and insurance industries specifically. Each of the abovementioned industry domain technical specialists is expected to have initial monthly salary of approximately HK\$127,000 with reasonable increment to attract continuing service of these specialist technicians. With the relatively high academic and working experience requirement of the industry domain technical specialists, our Directors believe that these specialists tend to favor to work for a listed company than a private company. Hence the listing status is crucial for our Group to recruit and retain such talents. We intend to utilise up to approximately HK\$6.1 million, representing approximately 20.9% of the net proceeds of the Share Offer, for the recruitment of industry domain technical specialists. We plan to recruit these industry domain technicians in the first half of 2020, and to explore and evaluate potential IT services projects tailored for finance and insurance sectors in the second half of 2020 and the first half of 2021.

In view of our business growth in the finance and insurance sectors during the Track Record Period and the expected market growth in these sectors, our Directors are of the view that we have strong business needs to raise capital from equity market to capture such business opportunities. We believe that leveraging on the specific knowledge and experience of the

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

specialists who we plan to hire by applying the net proceeds of the Share Offer, we could attract new clients from the finance and insurance sectors and foster a more effective communication with them and better understand their needs and market prospect. Also, it is expected that the recruitment of the industry domain technical specialists allows us to take on more projects which involve provision of more complicated IT solutions that require specific knowledge of IT applications for operations in these industries, as compared to the general/basic IT solutions provided by us to these industries in the past, which in turn assist us to capture the market growth in the finance and insurance sectors as forecasted by the Frost & Sullivan Report. Our Directors believe that this justifies a higher price to be charged by our Group for such IT solutions provided to these industries. Furthermore, we also plan to engage our industry domain technicians that we are going to hire to offer training to our other existing technicians to enrich their know-how in providing IT services to finance and insurance companies.

(ii) *Further expand our business in cloud computing and IoT products*

As the IT industry is a fast-pace evolving industry, we believe that it is essential for our Group to keep pace with the technological advancement and equip ourselves with new techniques and skillset to formulate new product and service ideas. In particular, we intend to further expand our business with respect to cloud computing and IoT products.

According to the Frost & Sullivan Report, with the development of internet technology, cloud servers and IoT grow in popularity in an increasing number of industries as they can facilitate more flexible and convenient way for data exchanges; clouding computing and IoT could also improve correlation, accuracy and timeliness of traffic information services, and shift services online which increases flexibility and convenience in handling business. It is also expected that it is a future trend for companies to lease IT software or systems with the aid of cloud technology from IT services providers for the use in their business operations and pay service fees on a periodic basis instead of developing their own IT software or systems by making a substantial investment upfront. The advantages of using cloud computing and IoT products also encourages companies to upgrade their IT software or systems, which brings more business opportunities to IT services providers.

We plan to provide cloud computing and IoT products either by (i) developing our own cloud computing and IoT products based on available IT resources in the market or (ii) acquiring such cloud computing and IoT products readily available in the market, depending on the cost, the then market perception and acceptance to the pricing of such products.

We intend to utilise approximately HK\$7.8 million, representing approximately 26.8% of the net proceeds of the Share Offer, for our provision of cloud products and IoT projects, among which approximately HK\$1.9 million is expected to be used for recruitment of new staff and approximately HK\$5.9 million is expected to be used for acquisition of new equipment for developing cloud and IoT products, such as hardware and software infrastructure, annual cloud subscription and the requisite software solution development systems. We plan to hire one specialist specialising in software development and one technician specialising in hardware development. They are expected to possess a bachelor's degree or computer science or related

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

technical field and over five years of experience in the IT industry and project management. They are also expected to have extensive knowledge and experience in cloud technologies, storage technologies, business continuity and disaster recover solutions, and analytical problem solving skills, etc. The software development specialists should possess certificate in relation to cloud computing while the hardware development specialist should have the requisite expertise to qualify for the cloud data centre specialist designation. These specialists will be responsible for designing and building systems for monitoring and managing the cloud infrastructure, as well as developing the related tools for back up and disaster recovery solutions. With the extensive knowledge of the software and hardware development specialists on cloud computing and IoT products, our Directors believe that they can also assist our sales team in promoting such products to our clients and designing the implementation plan for the use of such products in the IT infrastructure of our clients to be executed by our technical team. With the relatively high academic and working experience requirement of such software and hardware development specialists, our Directors believe that the listing status will provide our Group with a better platform to recruit and retain such talents.

In the first half of 2020, we plan to firstly recruit about one specialist specialising in software development and one technician specialising in hardware development, identify development plan in relation to cloud products and IoT projects, and acquire equipment for research and development for the purpose of developing new services such as cloud products and IoT projects. In the second half of 2020 and the first half of 2021, we plan to commence the development plan in relation to cloud products and IoT projects, collaborate with IoT targeted objects manufacturers in IoT development, and explore business opportunities in IT application and development solutions for cloud products and IoT projects.

We commenced to undertake projects for provision of cloud computing and IoT solution services in 2017. During FY2017 and up to the Latest Practicable Date, we had seven contracts on hand for provision of cloud computing and IoT solution services. We have gained experience in providing cloud computing and IoT solution services and have been able to collaborate with some cloud service providers through our involvement in these projects. Our management, in particular our chief partnership officer Mr. Luk Yeung Sing and our chief strategy officer Mr. Wu Chi Cheong Frederick have relevant experience in cloud computing and IoT products development. However, currently we do not have any in-house specialist to assist our management to execute the business strategies in designing and building cloud computing and IoT solution services and we do not have in-house infrastructure (such as server, tooling and operation system, etc.) for cloud computing and IoT development and we do not have long-term cloud subscription as we rely on third party service providers for such infrastructure and cloud subscription. We also plan to engage our industry domain technical specialist in our expansion plan to offer training to our existing technicians to enrich their know-how in this area. With our experience in providing cloud computing and IT solution services, together with the software specialist and hardware technician and the necessary infrastructure that we plan to hire and acquire using the net proceeds of the Listing, our Directors believe that we would able to capture the market growth in cloud computing and IoT products.

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

In light of the increasing popularity of cloud computing and IoT products, our Directors are of the view that we have strong business needs to raise capital from equity market to finance our business expansion in this market in order to broaden the range of our services and thereby maintain our competitive edge in the IT industry. We believe that to develop our own cloud and IoT solutions requires capital resources as well as talents. In addition, we believe that we can derive income from our intellectual property rights in relation to such cloud and IoT solutions with relatively less human resources compared to traditional IT solutions projects which tend to be more labour intensive, and thus generating relatively higher profit margin. We also believe that the trend of transition from capital expenditure to operational expenditure model in IT investments with the aid of cloud technology provides a stable and sustainable source of recurring income to us, which may have a positive impact on the future growth of our business.

(iii) Uphold our market position and to take on larger and more complex projects

As we grow and expand, we intend to engage in larger and more complex projects. As at the Latest Practicable Date, the total estimated contract sum of 16 potential projects for finance and insurance sectors that we had identified on our pipeline amounted to around HK\$22 million, which included several potential projects with contract sum of more than HK\$3 million. Our Directors are of the view that departments of the Hong Kong Government, public bodies and multinational enterprises, which are our major target customers, are more willing to choose IT service providers which are listed companies in larger and more complex projects. By way of illustration, according to the open tender results published by the Government Logistics Department of the Hong Kong Government, many tenders with large contract value (e.g. over 10 million) were won by IT services providers which are listed companies. According to our Directors' industry knowledge, it was seldom that private companies were awarded contracts with value of over HK\$10 million through open tender in recent years, and our Directors consider that our non-listed company status was one of the reasons of our failure to win bids of sizable HK Government projects over last few years. Our Group in the past had submitted tender to bid for projects of much larger size (with contract sum of over HK\$90 million and over HK\$80 million, respectively), however was lost to IT service providers which are listed corporations. We believe that a listed corporation could reassure the clients its financial strength to execute the entire large scale and complex IT project, which usually lasts for a few months or even over a year. Such listing status could demonstrate to the clients its market standing, capability and reliability to execute a complex project. Given that a number of IT services providers which are our competitors have already become listed companies and that our clients and potential clients have a preference to choose IT service providers which are listed companies rather than private companies, we have a genuine business need to pursue the Listing in order to maintain our competitiveness, to facilitate our business expansion, and to minimise the risk of becoming outcompeted in the market.

Moreover, for us to undertake larger and more complex projects, we would require more substantial amounts of capital and start-up costs including labour costs, research and development costs, prepayment of procurement and subcontracting fees. We consider that with the capital raised from the Share Offer, we can take on more public sector projects and projects

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

of larger size as we are normally required to pay performance bonds/contract deposits in advance. As at the Latest Practicable Date, seven public sector projects which we had submitted tenders or under tender preparation stage are expected to require performance securities of approximately HK\$1.4 million in total. In particular, we are currently preparing for a tender submission to be made in 2018 with respect to an IT development solutions project of a department of the Hong Kong Government with contract sum of approximately HK\$239.8 million. It is expected that the contract will be awarded by early 2019. Assuming that 2.5% deposit is required for the project (the percentage of deposit required for government projects normally ranges from 2% to 5%), approximately HK\$6.0 million will need to be paid in advance if we are awarded with the contract.

In addition, we believe that currently our cash outflow position limits our capability to take on more larger and complex projects. Our cash flow is dependent on prompt settlement of trade receivables by our clients. Our turnover days of trade debtor for the year ended 31 December 2017 was approximately 63.3 days, which was longer than our turnover days of trade creditor for the same year, being approximately 32.4 days. When we implement our business objectives to be engaged in larger and more complex projects, we would require more substantial amounts of capital for, among others, prepayment of procurement, subcontracting fees and research and development costs etc. to manage the possible cash flow mismatch properly. Purely for illustration purpose and based on similar level of costs input in the past, we would require funding for performance bonds/contract deposits and prepayment of procurement costs and subcontracting fees in an approximate amount of HK\$2.0 million when we undertake one IT project with contract value of HK\$10 million. Also, the duration and payment terms of large scale projects are generally longer. Our Group in the past had turned down a few potential large scale projects as we had already taken on a few other projects of larger size during the same period, which strained our financial, human and other operational resources. Therefore, capital raised from the Share Offer could allow us to take on more complex projects of larger size.

Moreover, we also intends to develop a technical support centre for our IT infrastructure and development solutions so that when our clients have queries about the function and capabilities of our IT infrastructure and development solutions, we can demonstrate how to utilise our solutions physically at the technical support centre and respond to our clients' queries directly. It is expected that approximately HK\$0.5 million, representing 1.7% of the net proceeds of the Listing, will be used for renovation of the technical support centre and approximately HK\$2.0 million, representing approximately 6.9% of the net proceeds of the Listing, will be used to acquiring the relevant hardware, software and equipment. Further, we plan to allocate around one or two of our existing employees to be responsible for the operation of the technical support centre. We plan to carry out renovation and begin to acquire office facilities, hardware, software and equipment for the technical support centre in the first half of 2019.

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

Furthermore, we plan to apply the net proceeds from the Share Offer to increase the overall competitiveness of our Group with an aim to uphold our market position, by way of: (i) utilising approximately HK\$1.0 million or approximately 3.4% of the net proceeds from the Share Offer to expand the application of ERP system in our IT development solution services; (ii) utilising approximately HK\$2.0 million or approximately 6.9% of the net proceeds from the Share Offer to strengthen our marketing efforts; (iii) utilising approximately HK\$1.5 million or approximately 5.1% of the net proceeds from the Share Offer to enhance the expertise of our professional team; (iv) utilising approximately HK\$4.44 million or approximately 15.2% of the net proceeds from the Share Offer to enhance our Group's management information system; and (v) utilising approximately HK\$1.84 million or approximately 6.2% of the net proceeds from the Share Offer for working capital and other general corporate purposes. For further details of these business objectives, please refer to "Business – Our Business Strategies".

3. Gaining access to additional financing sources for our capital requirements

We adopted a relatively conservative liquidity management approach which had contributed to our relatively high level of cash and cash equivalents with no bank borrowings for the Track Record Period. We believe this liquidity management approach served us well in supporting our relatively healthy business growth in the past and remains to be in the interest of our Group and our Shareholders going forward. Nevertheless, external funding (including equity financing) is also essential in supporting our business growth. The aggregate of our historical cost of sales, selling expenses, and administrative and general expenses for each of FY2015, FY2016 and FY2017 amounted to approximately HK\$168.9 million, HK\$160.6 million and HK\$168.6 million, respectively, which translates into a theoretical average monthly costs and expenses of approximately HK\$14.1 million, HK\$13.4 million and HK\$14.1 million, respectively, and our cash and cash equivalents is approximately HK\$34.7 million as at 31 December 2017 which we believe is only sufficient for our current scale of operations before the implementation of our business strategies and future plans as set out in this prospectus. Our cash and cash equivalents further decreased to approximately HK\$25.5 million as at 30 April 2018. Purely for illustrative purpose, by comparing against the above theoretical average monthly costs and expenses, our cash and cash equivalents which amounted to approximately HK\$27.7 million, HK\$27.0 million and HK\$34.7 million as at 31 December 2015, 2016 and 2017 were only sufficient for approximately 2.0, 2.0 and 2.5 months of operation for the respective years. Hence our cash and cash equivalents would not be sufficient to maintain our daily operation as well as our future plan expansion. We believe that these cash and cash equivalents should be reserved for operational use and therefore we have to raise further funds through the Share Offer for our expansion plan, which requires substantial capital investment.

We consider it is necessary to maintain sufficient working capital as we generally rely on cash inflow from our clients to meet our payment obligations to our suppliers and from time to time there is a mismatch in the cash inflow from clients and cash outflow to our suppliers. Our cash inflow is dependent on prompt settlement of trade receivables by our clients. Our turnover days of trade receivables for FY2016 and FY2017 were approximately 65.5 days and 63.3 days, respectively, which were longer than our turnover days of trade payable for the

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

corresponding years, being approximately 39.6 days and 32.4 days, respectively i.e. approximately 25.9 to 30.9 days time lag between making payments to suppliers and receiving payment from customers. Accordingly, we consider it is necessary to carefully manage our available financial resources and to maintain our sufficient liquidity cushion to support the working capital requirements of our daily operation. For further details of turnover days of trade receivables, please refer to the paragraph headed “Trade and other receivables and prepayments” in the section headed “Financial Information”.

The Listing expenses expected to be borne by our Company represent approximately 44.9% of the gross proceeds from the Share Offer based on the mid-point of the Offer Price range, which is in line with general market practice for GEM. Such relatively higher percentage is primarily due to the unexpected change of sponsor in the process of the listing application resulting in (1) a prolonged listing process of the Company and also (2) additional professional fees paid to the professional parties involved as well as the sponsorship fee for the new sponsor. The sponsorship fee paid to the outgoing sponsor amounted to approximately HK\$2.3 million. It should be emphasised that our Company did not pursue the Listing solely for the net proceeds from the Share Offer. Instead, the Listing provides a foundation that enables us to achieve long-term benefits for our continuing development. Following the Listing, we will have access to the capital markets, providing us a platform for future fundraising through the issuance of equity and debt securities for business development in the long run if necessary. Being a private company with only one or two shareholders, the amount of shareholders’ loans available is limited. Further, the financing cost of bank borrowings is usually relatively higher for private companies and banks normally require guarantees or pledges of assets from shareholders for securing the bank borrowings. Based on our previous experience, our Group could only obtain banking facilities of not more than HK\$12 million even with the personal guarantee from Mr. Yu, being our sole ultimate shareholder before the Share Offer. Moreover, as an IT service provider, our Group generally does not invest in any significant amount of fixed assets (e.g. land and buildings) to render our services. As such, our Group does not have any material amount of fixed assets available for security or pledge to support us to secure a higher amount of banking facilities for our business needs. Our business model is generally project based as most of our contracts are project based. As an IT service provider, our cash needs principally are for our daily operation purposes (e.g. making payments to suppliers/subcontractors, hiring staffs, making payments for performance bonds/contract deposits, purchasing new equipment and systems etc.) instead of investing in fixed assets such as buildings/equipment. As such, we have experience that the banks have difficulty to assess our financing needs and business savvy therefore we have greater difficulty to obtain bank borrowings and negotiate with the banks. Despite the current low interest rate environment, there is no assurance that the low interest rate environment will be prolonged. All in all, being a private entity, our financial resources relied largely on the financial strength of the shareholders. This substantially hinders the development and expansion of our business. Our Directors are of the view that no healthy, sizeable and established corporation should rely heavily on the financial resources of a small number of shareholders to fund its operations. On the other hand, equity financing does not involve recurring interest expense and the financing process is usually simpler and quicker than negotiating bank borrowings, and therefore would allow our Group to react promptly to market conditions and business opportunities. Further,

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

our Directors believe that a listing status will allow us to gain advantage in obtaining debt financing with relatively more favourable terms. Therefore, the Listing will allow us to cease our financial reliance on our Controlling Shareholders and offer us more flexibility to finance our operation.

4. Diversifying shareholder base and enhancing liquidity in trading of our Shares

The Listing will provide liquidity to and create a market for the trading of our Shares which will be freely traded on the Stock Exchange when compared to the limited liquidity of shares that are privately held before the Listing. The highly liquid Hong Kong stock market allows us to expand and diversify our capital base and shareholders base as institutional funds and retail investors in Hong Kong can participate in the equity of our Company, through which the true value of our Group can also be reflected.

5. Enhancing our staff morale and loyalty

As at the Latest Practicable Date, our technical staff represented over 70% of our total number of employees. According to the Frost & Sullivan Report, one of the entry barriers to the industry is the short supply of experienced IT professionals. Hence, we believe that maintaining staff morale and loyalty and recruiting specialists and/or talents are crucial to the continuing development of our Group, and a listing status will offer extra job security and financial confidence, as well as attracting specialists and/or talents to join. Moreover, the Share Offer would provide the necessary funding to implement our business plans, such as to strengthen and expand our IT solutions services tailored for finance and insurance sectors and to further expand our business in cloud computing and IoT products. Our Directors believe that such business development and potential business growth of our Group could also help us to keep our employees with us and to attract new talents to join our Group. Our Directors also consider that we have become outcompeted by other IT service providers which are listed corporations during our recruitment process. Further, as we are fervent in sharing the fruits of success with our employees, whereby the Listing will enable our Company to offer equity-based and publicly tradable shares under the Share Option Scheme to our employees as incentive. We believe the above measures will enable us to maintain staff morale and loyalty, and to recruit specialists and other talents who are suitable for our expansion plan.

In addition, as the performance of the Share price will generally relate to our performance, we believe through the incentive scheme, our employees will be more motivated to improve our performance to create value for our Shareholders.

In view of the above, although our Group had sufficient financial resources to meet the working capital requirements during the Track Record Period, we consider that it is strategically and commercially justifiable to pursue the Listing and the Share Offer, and the net proceeds from the Share Offer are required and necessary to finance the implementation plan as well as the future growth and expansion of our Group.

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

USE OF PROCEEDS

Based on the Offer Price of HK\$0.265 per Offer Share (being the mid-point of the indicative Offer Price range between HK\$0.23 and HK\$0.30 per Offer Share), the net proceeds from Share Offer, after deducting underwriting fees and estimated expenses in connection with the Share Offer, are estimated to be approximately HK\$29.2 million. Our Company presently intends to apply such net proceeds from the Share Offer as follows:–

Business strategy	From the	For the	For the	For the	For the	For the	For the	Total	Approximate % of net proceeds
	Latest Practicable Date to 31 December 2018 HK\$ (in million)	six months ending 30 June 2019 HK\$ (in million)	six months ending 31 December 2019 HK\$ (in million)	six months ending 30 June 2020 HK\$ (in million)	six months ending 31 December 2020 HK\$ (in million)	six months ending 30 June 2021 HK\$ (in million)	six months ending 31 December 2021 HK\$ (in million)		
Develop IT solutions services tailored for finance and insurance sectors	–	–	–	1.52	1.52	1.52	1.52	6.08	20.9%
Expand the application of ERP system in our IT development solutions services	–	–	–	0.25	0.25	0.25	0.25	1.00	3.4%
Maintain fund for performance bond and contract deposit	–	0.63	0.50	0.50	0.37	–	–	2.00	6.9%
Provision of cloud computing and IoT products	–	–	–	2.66	2.06	1.66	1.46	7.84	26.8%
Develop technical support centre to enhance our service quality	–	1.50	–	0.50	–	0.50	–	2.50	8.6%
Strengthen our marketing efforts	–	0.50	0.50	0.50	0.50	–	–	2.00	6.9%
Enhance the expertise of our professional team	0.1	0.35	0.35	0.35	0.35	–	–	1.50	5.1%
Enhance our Group's management information system	–	0.96	0.86	0.66	0.66	0.66	0.64	4.44	15.2%
Working capital and other general corporate purposes	0.26	0.26	0.26	0.26	0.26	0.26	0.28	1.84	6.20%
Total								29.20	100.0%

In particular, out of the total net proceeds of approximately HK\$29.2 million, we plan to utilise approximately HK\$10.5 million for recruitment of new specialists for the relevant business strategies as disclosed in the paragraph headed “Business – Our Business Strategies” in this prospectus. We intend to use over 40% of the net proceeds to hire more specialists and pay for performance guarantees of public sector projects. For details, please refer to the paragraph headed “Business – Our Business Strategies” in this prospectus.

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

In the event that the Offer Price is set at the high-end or the low-end of the proposed Offer Price range, the net proceeds from the Share Offer will increase or decrease by approximately HK\$7 million to, high-end of approximately HK\$36.2 million and low-end of approximately HK\$22.2 million, after deducting related expenses, respectively. Our Group intends to use the net proceeds based on the percentages disclosed above, regardless of whether the Shares are priced at the high-end or low-end of the proposed Offer Price.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments. We will make an appropriate announcement if there is any change to the above proposed use of proceeds or if any amount of the proceeds will be used for general corporate purpose.

IMPLEMENTATION PLANS

The implementation plans for each of the six-month periods until 31 December 2021 for carrying out our business strategies are set out below. The following implementation plans are formulated on the bases and assumptions set out in the sub-paragraph headed “Bases and key assumptions” below in this paragraph and are subject to uncertainties, variables and unexpected factors. There is no assurance that the implementation plans will materialise in accordance with the timetable below or that our business objectives will be accomplished at all.

1. For the period from the Latest Practicable Date to 31 December 2018

- | | |
|--|--|
| Enhance the expertise of our professional team | <ul style="list-style-type: none">• Providing subsidies to our Group’s professional team in joining the continuing education programmes• Offering internal and external continuous professional training programmes |
|--|--|

2. For the period from 1 January 2019 to 30 June 2019

- | | |
|---|---|
| Maintain fund for performance bond and contract deposit | <ul style="list-style-type: none">• Reserving additional fund as performance bond and contract deposit for carrying out more or larger-scaled IT services projects |
| Develop technical support centre to enhance our service quality | <ul style="list-style-type: none">• Carrying out renovation and acquisition of office facilities, hardware, software and equipment for the technical support centre• Opening of the technical support centre |

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

- | | |
|---|---|
| Strengthen our marketing efforts | <ul style="list-style-type: none">• Identifying independent public relations firm(s)• Organising marketing event(s)• Advertising in magazines and social media• Participating in IT industry exhibitions and IT award competitions |
| Enhance the expertise of our professional team | <ul style="list-style-type: none">• Providing subsidies to our Group's professional team in joining the continuing education programmes• Offering internal and external continuous professional training programmes |
| Enhance our Group's management information system | <ul style="list-style-type: none">• Recruitment of about one specialist specialising in software quality assurance• Commencing to develop and strengthen our management information system |

3. For the period from 1 July 2019 to 31 December 2019

- | | |
|---|--|
| Maintain fund for performance bond and contract deposit | <ul style="list-style-type: none">• Reserving additional fund as performance bond and contract deposit for carrying out more or larger-scaled IT services projects |
| Strengthen our marketing efforts | <ul style="list-style-type: none">• Advertising in magazines and social media• Organising marketing event(s)• Participating in IT industry exhibitions and IT award competitions |
| Enhance the expertise of our professional team | <ul style="list-style-type: none">• Providing subsidies to our Group's professional team in joining the continuing education programmes• Offering internal and external continuous professional training programmes |
| Enhance our Group's management information system | <ul style="list-style-type: none">• Continuing to develop and strengthen our management information system |

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

4. For the period from 1 January 2020 to 30 June 2020

Develop IT solutions services tailored for finance and insurance sectors	<ul style="list-style-type: none">• Recruitment of about two industry domain technical specialists with a focus on finance and insurance industries
Expand the application of ERP system in our IT development solutions services	<ul style="list-style-type: none">• Recruitment of about one supplier product specialist
Maintain fund for performance bond and contract deposit	<ul style="list-style-type: none">• Reserving additional fund as performance bond and contract deposit for carrying out more or larger-scaled IT services projects
Provision of cloud computing and IoT products	<ul style="list-style-type: none">• Recruitment of about one specialist specialising in software development and one technician specialising in hardware development in relation to the development of new services such as cloud products and IoT projects• Identifying development plan in relation to cloud products and IoT projects• Acquisition of equipment for research and development for the purpose of developing new services such as cloud products and IoT projects
Develop technical support centre to enhance our service quality	<ul style="list-style-type: none">• Continuing to acquire more hardware, software and equipment to enhance the technical support centre
Strengthen our marketing efforts	<ul style="list-style-type: none">• Advertising in magazines and social media• Organising marketing events(s)• Participating in IT industry exhibitions and IT award competitions
Enhance the expertise of our professional team	<ul style="list-style-type: none">• Providing subsidies to our Group's professional team in joining the continuing education programmes• Offering internal and external continuous professional training programmes
Enhance our Group's management information system	<ul style="list-style-type: none">• Continuing to develop and strengthen our management information system

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

5. For the period from 1 July 2020 to 31 December 2020

Develop IT solutions services tailored for finance and insurance sectors	<ul style="list-style-type: none">• To explore and evaluate potential IT services projects tailored for finance and insurance sectors
Expand the application of ERP system in our IT development solutions services	<ul style="list-style-type: none">• To explore and evaluate potential IT development services projects involving application of ERP system
Maintain fund for performance bond and contract deposit	<ul style="list-style-type: none">• Reserving additional fund as performance bond and contract deposit for carrying out more or larger-scaled IT services projects
Provision of cloud computing and IoT products	<ul style="list-style-type: none">• Commencing the development plan in relation to cloud products and IoT projects• Collaborating with IoT targeted objects manufactures in IoT development• Exploring business opportunities in IT application and development solutions for cloud products and IoT projects
Strengthen our marketing efforts	<ul style="list-style-type: none">• Advertising in magazines and social media• Organising marketing event(s)• Participating in IT industry exhibitions and IT award competitions
Enhance the expertise of our professional team	<ul style="list-style-type: none">• Providing subsidies to our Group's professional team in joining the continuing education programmes• Offering internal and external continuous professional training programmes
Enhance our Group's management information system	<ul style="list-style-type: none">• Continuing to develop and strengthen our management information system

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

6. For the period from 1 January 2021 to 30 June 2021

- | | |
|---|---|
| Develop IT solutions services tailored for finance and insurance sectors | <ul style="list-style-type: none">• To explore and evaluate potential IT services projects tailored for finance and insurance sectors |
| Expand the application of ERP system in our IT development solutions services | <ul style="list-style-type: none">• To explore and evaluate potential IT development services projects involving application of ERP system |
| Provision of cloud computing and IoT products | <ul style="list-style-type: none">• Continuing development plan in relation to cloud products and IoT projects• Collaborating with IoT targeted objects manufactures in IoT development• Continuing to explore business opportunities in IT application and development solutions for cloud products and IoT projects |
| Develop technical support centre to enhance our service quality | <ul style="list-style-type: none">• Continuing to acquire more hardware, software and equipment to enhance the technical support centre |
| Enhance our Group's management information system | <ul style="list-style-type: none">• Continuing to develop and strengthen our management information system |

7. For the period from 1 July 2021 to 31 December 2021

- | | |
|---|--|
| Develop IT solutions services tailored for finance and insurance sectors | <ul style="list-style-type: none">• To explore and evaluate potential IT services projects tailored for finance and insurance sectors |
| Expand the application of ERP system in our IT development solutions services | <ul style="list-style-type: none">• To explore and evaluate potential IT development services projects involving application of ERP system |
| Provision of cloud computing and IoT products | <ul style="list-style-type: none">• Reviewing and continuing to implement the development plan in relation to cloud products and IoT projects• Executing the collaboration projects with IoT targeted objects manufacturers |

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

- Continuing to explore business opportunities in IT application and development solutions for cloud products and IoT projects
- Enhance our Group's management information system
- Continuing to develop and strengthen our management information system

Bases and key assumptions:

The implementation plans are based on the following bases and key assumptions:

- there will be no material changes in the existing applicable laws, policies or industry or regulatory treatment or in the political, fiscal, foreign trade or economic conditions in Hong Kong;
- there will be no change in the funding requirement for each of the implementation plans described under the paragraph headed "Implementation Plans" in this section from the amount as estimated by our Directors;
- there will be no material changes in the bases or rates of taxation applicable to our Group;
- 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;
- our Group is able to retain our clients and suppliers;
- our Group will not be materially affected by the risk factors as set out under the section headed "Risk Factors" in this prospectus;
- our Group will be able to retain key staff in the management and the main operational department; and
- our Group will be able to continue our operation in substantially the same way as it has been operating during the Track Record Period and there will be no disasters, natural, political or otherwise, which would materially disrupt our business or the implementation of our development plans.

UNDERWRITING

HONG KONG UNDERWRITERS

Cinda International Capital Limited
I Win Securities Limited
HF Securities and Futures Limited
Mouette Securities Company Limited
Alpha Financial Group Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Hong Kong Public Offering

The Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 20,000,000 Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price on and subject to the terms and conditions in the Hong Kong Underwriting Agreement and this prospectus.

The Hong Kong Underwriting Agreement is conditional upon and subject to, among others, the Placing Underwriting Agreement becoming unconditional and not having been terminated in accordance with its terms.

Subject to, among other conditions, the Stock Exchange granting the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may fall to be issued pursuant to the Capitalisation Issue, the Offer Size Adjustment Option and options that may be granted under the Share Option Scheme) and to certain other conditions set out in the Hong Kong Underwriting Agreement being fulfilled or waived on or before the dates and times specified in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed to subscribe or procure subscribers for the Hong Kong Offer Shares on the terms and conditions of the Hong Kong Underwriting Agreement and this prospectus.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares are subject to termination if certain events, including force majeure, shall occur at any time at or before 8:00 a.m. (Hong Kong time) on the Listing Date. The Sole Sponsor and/or the Joint Bookrunners (for themselves and on behalf of the Hong Kong Underwriters) shall be entitled, in their sole and absolute discretion to terminate the Hong Kong Underwriting Agreement with immediate effect by notice in writing given to our

UNDERWRITING

Company at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (the “**Termination Time**”), if any of the following events shall occur prior to the Termination Time:–

- (a) there has come to the notice of the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers or any Hong Kong Underwriters:–
 - (i) that any statement contained in any offer documents and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Share Offer (including any supplement or amendments thereto) (collectively, the “**Relevant Documents**”) was, when it was issued, or has become untrue, incorrect, misleading or deceptive in any respect or that any forecast, expression of opinion, intention or expectation expressed in any of the Relevant Documents is not, in the sole and absolute opinion of the Sole Sponsor and/or the Joint Bookrunners, fair and honest and based on reasonable assumptions, when taken as a whole; or
 - (ii) that any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the respective dates of the publication of the Relevant Documents, constitute a omission therefrom; or
 - (iii) any breach of any of the obligations imposed or to be imposed upon any party to the Hong Kong Underwriting Agreement or the Placing Underwriting Agreement (in each case, other than on the part of any of the Underwriters); or
 - (iv) any event, act or omission which gives or is likely to give rise to any liability of any of our Company, our Controlling Shareholders, and executive Directors (the “**Warrantors**”) under the Hong Kong Underwriting Agreement or the Placing Underwriting Agreement; or
 - (v) any change or development involving a prospective adverse change in the assets, liabilities, general affairs, management, business prospects, shareholders’ equity, profits, losses, results of operations, position or conditions (financial, trading or otherwise) or performance of any member of our Group; or
 - (vi) any breach of, or any event or circumstance rendering untrue or incorrect in any respect, any of the warranties as set out in the Hong Kong Underwriting Agreement; or
 - (vii) the approval by the Stock Exchange of the listing of, and permission to deal in, the Shares is refused or not granted, or is qualified (other than subject to customary conditions), on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

UNDERWRITING

- (viii) our Company withdraws any of the Relevant Documents or the Share Offer; or
 - (ix) any person (other than the Sole Sponsor) has withdrawn or sought to withdraw its consent to being named in any of the offer documents or to the issue of any of the offer documents; or
 - (x) that a petition or an order is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or
 - (xi) an authority or a political body or organisation in any relevant jurisdiction has commenced any investigation or other action, or announced an intention to investigate or take other action, against any of our Directors as set out in the “Directors and Senior Management” section of this prospectus; or
 - (xii) any loss or damage has been sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person) which is considered by the Sole Sponsor and/or the Joint Bookrunners in their sole absolute opinion to have a material adverse affect, in the condition (financial, operational or otherwise), on the due incorporation, or in the earnings, affairs or prospects, assets or liabilities of our Group as a whole, whether or not arising in the ordinary course of business; or
- (b) there shall develop, occur, exist or come into effect:–
- (i) any local, national, regional, international event or circumstance, or series of events or circumstances, beyond the reasonable control of the Underwriters (including, without limitation, any acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, declaration of a local, regional, national or international emergency, riot, public disorder, economic sanctions, outbreaks of diseases, pandemics or epidemics (including, without limitation, Severe Acute Respiratory Syndrome, avian influenza A (H5N1), Swine Flu (H1N1), Middle East Respiratory Syndrome or such related or mutated forms) or interruption or delay in transportation) in or affecting Hong Kong, Macau, the PRC, the Cayman Islands, the BVI or any other jurisdiction relevant to the business and operations of any member of our Group (collectively, the “**Specific Jurisdictions**”); or

UNDERWRITING

- (ii) any change or development involving a prospective change, or any event or circumstance or series of events or circumstances likely to result in any change or development involving a prospective change, in any local, regional, national, international, financial, economic, political, military, industrial, fiscal, legal regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or affecting any of the Specific Jurisdictions; or
- (iii) any moratorium, suspension or restriction on trading in securities generally (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the Nasdaq Global Market, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Singapore Stock Exchange and the Tokyo Stock Exchange; or
- (iv) any new laws, or any change or development involving a prospective change in existing laws, or any event or circumstance or series of events or circumstances likely to result in any change or development involving a prospective change in the interpretation or application of existing laws by any court or other competent authority, in each case, in or affecting any of the Specific Jurisdictions; or
- (v) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), Macau, the Cayman Islands, the BVI or any other Specific Jurisdictions, or any disruption in commercial banking activities, foreign exchange trading or securities settlement or clearance services or procedures or matters, in or affecting any of the Specific Jurisdictions; or
- (vi) a change or development involving a prospective change in or affecting taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment laws (including, without limitation, any change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a material fluctuation in the exchange rate of the Hong Kong dollar or the Renminbi against any foreign currency) in or affecting any of the Specific Jurisdictions or affecting an investment in the Shares; or
- (vii) any change or development involving a prospective change, or a materialisation of, any of the risks set out in the section headed “Risk Factors” in this prospectus; or
- (viii) any litigation or claim of any third party being threatened or instigated against any member of our Group or any of the Warrantors; or

UNDERWRITING

- (ix) any of our Directors as set out in the “Directors and Senior Management” section of this prospectus 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
- (x) the chairman or chief executive officer of our Company vacating his or her office; or
- (xi) the commencement by any governmental, regulatory or political body or organisation in any of the Specific Jurisdictions of any action against a Director in his or her capacity as such or an announcement by any governmental, regulatory or political body or organisation in any of the Specific Jurisdictions that it intends to take any such action; or
- (xii) a contravention by any member of our Group or any Director of the GEM Listing Rules, the Companies Ordinance or any other laws applicable to the Share Offer; or
- (xiii) a prohibition on our Company for whatever reason from allotting, issuing or selling the Offer Shares pursuant to the terms of the Share Offer; or
- (xiv) non-compliance of this prospectus and the other relevant documents or any aspect of the Share Offer with the GEM Listing Rules or any other laws applicable to the Share Offer; or
- (xv) the issue or requirement to issue by our Company of a supplement or amendment to this prospectus and/or any other documents in connection with the Share Offer pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the GEM Listing Rules or any requirement or request of the Stock Exchange and/or SFC, unless such supplement or amendment has been issued with the prior written approval of the Sole Sponsor and/or the Joint Bookrunners; or
- (xvi) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity,

which in each case individually or in aggregate in the sole and absolute opinion of the Sole Sponsor and/or Joint Bookrunners:–

- (a) has or is or will or may or could be expected to have an adverse effect on the assets, liabilities, business, general affairs, management, shareholders’ equity, profits, losses, results of operation, financial, trading or other condition or prospects or risks of our Company or our Group or any member of our Group or on any present or prospective shareholder of our Company in his, her or its capacity as such; or

UNDERWRITING

- (b) has or will or may have or could be expected to have an adverse effect on the success, marketability or pricing of the Share Offer or the level of applications under the Hong Kong Public Offering or the level of interest under the Placing; or
- (c) makes or will make or may make it inadvisable, inexpedient or impracticable for any part of the Hong Kong Underwriting Agreement or the Share Offer to be performed or implemented or proceeded with as envisaged or to market the Share Offer or shall otherwise result in an interruption to or delay thereof; or
- (d) has or will or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof.

Undertakings

Undertakings by our Company pursuant to the GEM Listing Rules

Pursuant to Rule 17.29 of the GEM Listing Rules, we have undertaken to the Stock Exchange that, except pursuant to the Share Offer or any issue of Shares or securities in compliance with Rule 17.29 of the GEM Listing Rules at any time during the six-month period after the Listing Date, our Company shall not, without the prior consent of the Stock Exchange and unless in compliance with the requirements of the GEM Listing Rules, allot or issue or agree to allot or issue any Shares or other securities convertible into equity securities of our Company whether or not of a class already listed, or grant or agree to grant any options, rights, interests or encumbrances over any Shares or other securities of our Company or enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of any Shares or offer to or agree to do any of the foregoing or have any intention to do so.

Undertakings by our Company pursuant to the Hong Kong Underwriting Agreement

We have also undertaken to the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters under the Hong Kong Underwriting Agreement that, and each of our Company, our Controlling Shareholders and our executive Directors have jointly and severally irrevocably undertaken to procure, that:–

- (1) except pursuant to the Share Offer and the exercise of any options granted or to be granted under the Share Option Scheme and the Offer Size Adjustment Option during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing

UNDERWRITING

Date (the “**First Six-Month Period**”), our Company will not, without the prior written consent of the Sole Sponsor and the Joint Bookrunners 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 agree to transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any other warrants or other rights to purchase, any Shares, as applicable), or deposit any Shares or other securities of our Company, as applicable, with a depository in connection with the issue of depository receipts; or repurchase any Shares or other securities of our Company, as applicable; 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, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company, as applicable); or
- (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or
- (iv) offer to or agree to or announce any intention to effect any transaction described in (i), (ii) or (iii) above,

in each case, whether any of the transactions described in (i), (ii) or (iii) is to be settled by delivery of Shares or other securities of our Company, 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);

- (2) our Company will not, and will procure each other member of our Group not to, enter into any of the transactions specified in (i), (ii) or (iii) above or offer to or agree to or announce any intention to effect any such transaction, such that our Controlling Shareholder would cease to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company during the period of six months immediately following the expiry of the First Six-Month Period (the “**Second Six-Month Period**”); and

UNDERWRITING

- (3) in the event that, during Second Six-Month Period, our Company enters into any of the transactions specified in (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 any Shares or other securities of our Company.

Undertakings by our Controlling Shareholders pursuant to the GEM Listing Rules

Under Rule 13.16A(1) of the GEM Listing Rules, our Controlling Shareholders have undertaken to the Stock Exchange, our Company and the Sole Sponsor that except pursuant to the Share Offer that they shall not, and shall procure that the relevant registered holder(s) shall not (i) at any time during the period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholders is made in this prospectus and ending on the date which is 12 months from the Listing Date (the “**First 12-Month Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our securities in respect of which it is shown by this prospectus to be the beneficial owners; and (ii) at any time during the period of 12 months commencing on the date on which the period referred to in paragraph (i) above expires (the “**Second 12-Month Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our securities referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, they would then cease to be our Company’s controlling shareholders (as defined under the GEM Listing Rules).

Note of Rule 13.16A(1) of the GEM Listing Rules provides that our Controlling Shareholders are free to purchase additional securities and dispose of securities thus purchased in the period commencing on the date by reference to which disclosure of the shareholding of the Controlling Shareholders is made in this prospectus and ending on the date which is 24 months from the Listing Date, 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.

Under Rule 13.19 of the GEM Listing Rules, our Controlling Shareholders have also undertaken to the Stock Exchange, our Company and the Sole Sponsor that (i) in the event that our Controlling Shareholders pledges or charges any direct or indirect interest in the relevant Shares in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)), as security for a bona fide commercial loan or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, at any time during the period commencing on the date of this prospectus and ending on the date which is 12 months from the Listing Date, he/she/it must inform our Company immediately thereafter, disclosing the details specified in Rules 17.43(1) to (4) of the GEM Listing Rules; and (ii) having pledged or charged any interest in Shares under (i) above, he/she/it must inform our Company immediately in the event that he/she/it becomes aware that the pledgee or chargee has disposed of or intended to dispose of such interest and of the number of Shares affected.

UNDERWRITING

Undertakings by our Controlling Shareholders pursuant to the Hong Kong Underwriting Agreement

Our Controlling Shareholders have undertaken to our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters under the Hong Kong Underwriting Agreement, that he/she/it will not without the prior written consent of the Joint Bookrunners and unless in compliance with the GEM Listing Rules:–

- (i) at any time during the First 12-Month Period offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase for, lend or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, any of the share capital, debt capital or other securities of our Company or any interest therein held by him/her or it or any voting right or any other right attaching thereto (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such share capital or other securities of our Company or any interest therein) whether currently held or enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein or any voting right or any other right attaching thereto, whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise, or offer to or agree or contract to do any of the foregoing or announce any intention to do so, provided that the restriction shall not apply to any pledge or charge of Shares by our Controlling Shareholders in favour of an authorised institution as defined in the Banking Ordinances (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan in accordance with the GEM Listing Rules;
- (ii) at any time during the Second 12-Month Period enter into any of the transactions described in (i) above if, immediately following such transaction, he, she or it would cease to be the controlling shareholder (as defined in the GEM Listing Rules) of our Company, provided that the restriction shall not apply to any pledge or charge of Shares by our Controlling Shareholders 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 in accordance with the GEM Listing Rules; and
- (iii) in the event of a disposal by him, her or it of any share capital or any interest therein or any voting right or any other right attaching thereto during the period referred to in (ii) above, he, she or it will take all reasonable steps to ensure that such a disposal will not create a disorderly or false market for our Shares or other securities of our Company.

UNDERWRITING

Indemnity

Our Company, our Controlling Shareholders and our executive Directors have agreed to indemnify the Sole Sponsor, the Joint Bookrunners the Joint Lead Managers and the Hong Kong Underwriters from certain losses which they may suffer, including losses arising from, among others, their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company or our Controlling Shareholders or our executive Directors of the Hong Kong Underwriting Agreement.

The Placing

The Placing Underwriting Agreement

In connection with the Placing, our Controlling Shareholders, our executive Directors and our Company expect to enter into the Placing Underwriting Agreement with the Sole Sponsor, the Joint Bookrunners and the Joint Lead Managers, on the terms and conditions that are substantially similar to the Hong Kong Underwriting Agreement as described above and on the additional terms described below.

Under the Placing Underwriting Agreement, subject to the conditions set forth therein, the Placing Underwriters are expected to agree to procure subscribers to subscribe for, or failing which it shall subscribe for, 180,000,000 Placing Shares initially being offered pursuant to the Placing.

It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed. The Placing Underwriting Agreement is conditional on and subject to the Hong Kong Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that pursuant to the Placing Underwriting Agreement, (i) our Company and (ii) each of our Controlling Shareholders will make similar undertakings as those given pursuant to the Hong Kong Underwriting Agreement as described in “Undertakings” in this section.

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 the Shares held by him/her/it in our Company for a period similar to that given by them pursuant to the Hong Kong Underwriting Agreement as described in the “Undertakings” in this section.

Under the Placing Underwriting Agreement, our Company, our Controlling Shareholders and our executive Directors will agree to indemnify the Sole Sponsor, the Joint Bookrunners and the Joint Lead Managers and the Hong Kong Underwriters against certain losses which they may suffer including losses as a result of certain claims or liabilities which might be incurred by the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters.

UNDERWRITING

Fees, Commission and Expenses

The Underwriters will receive an underwriting commission of 7.0% of the aggregate Offer Price payable for the Offer Shares (including the Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option). We will bear the underwriting commissions, SFC transaction levy and Stock Exchange trading fee payable by us in connection with the issue of the new Shares together with any applicable fees relating to the Share Offer. In addition, we may, at each of our sole discretion, pay the Joint Bookrunners an additional incentive fee for all the Shares offered and sold in the Share Offer.

The aggregate commissions and fees, together with the listing fees, SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees, printing and other expenses payable by us relating to the Share Offer are estimated to amount to approximately HK\$23.8 million in total (assuming the Offer Size Adjustment Option is not exercised and based on the mid-point of our indicative price range for the Share Offer, being HK\$0.265 per Offer Share).

UNDERWRITERS' INTEREST IN OUR COMPANY

Save as provided for under the Underwriting Agreements, the Underwriters do not have any shareholding interests in any member of our Group nor have any right or option to subscribe for or nominate persons to subscribe for any Shares.

SPONSOR AND ITS INDEPENDENCE

Cinda International Capital Limited as the Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 6A.07 of the GEM Listing Rules.

COMPLIANCE ADVISER'S AGREEMENT

The Sole Sponsor has been appointed as the compliance adviser of our Company with effect from the Listing Date until dispatch of the audited consolidated financial results for the second full financial year after the Listing Date.

SPONSOR'S INTERESTS IN OUR COMPANY

Save for (i) the advisory, documentation and arrangement fees to be paid to the Sole Sponsor as the sponsor to the Listing; (ii) the fee to be paid to the Sole Sponsor as our Company's compliance adviser pursuant to the requirements under Rules 6A.19 of the GEM Listing Rules, neither the Sole Sponsor nor any of its close associates has or may have, as a result of the Share Offer, any interest in any class of securities in our Company or any of its subsidiaries (including options or rights to subscribe for such securities).

UNDERWRITING

No director or employee of the Sole Sponsor who is involved in providing advice to our Company has or may have, as a result of the Share Offer, any interest in any class of securities of our Company or any of our subsidiaries (including options or rights to subscribe for such securities that may be subscribed for or purchased by any such director or employee pursuant to the Share Offer). No director or employee of the Sole Sponsor has a directorship in our Company or any of our subsidiaries.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE STRUCTURE AND CONDITIONS OF THE SHARE OFFER

This prospectus is published in connection with the Hong Kong Public Offering as part of the Share Offer. The Share Offer consists of:

- the Hong Kong Public Offering of 20,000,000 Shares (subject to reallocation as mentioned below) as described under “The Hong Kong Public Offering” in this section; and
- the Placing of 180,000,000 Shares (subject to reallocation and the Offer Size Adjustment Option as mentioned below) as described under “The Placing” in this section.

Investors may apply for the Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the Offer Shares under the Placing, but may not do both.

The Offer Shares will represent approximately 25% of the enlarged issued share capital of the Company immediately after completion of the Share Offer.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the Placing respectively may be subject to reallocation as described in the paragraph headed “The Hong Kong Public Offering – Reallocation” in this section below.

OFFER PRICE

Offer Price

The Offer Price will be not more than HK\$0.30 per Offer Share and is expected to be not less than HK\$0.23 per Offer Share, unless otherwise announced. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

Price payable on application

Applicants under the Hong Kong Public Offering must pay, on application, the maximum indicative Offer Price of HK\$0.30 per Hong Kong Offer Share plus 1% brokerage, a 0.0027% SFC transaction levy and a 0.005% Stock Exchange trading fee, amounting to a total of HK\$3,030.23 for one board lot of 10,000 Shares. If the Offer Price as finally determined in the manner described below is less than HK\$0.30 per Hong Kong Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants without interest.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Determining the Offer Price

The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Shares in the Placing. Prospective investors will be required to specify the number of Offer Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or about Friday, 6 July 2018.

The Offer Price is expected to be fixed by agreement between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and the Company on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or about Friday, 6 July 2018 and in any event, no later than Saturday, 7 July 2018.

If, for any reason, the Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on Saturday, 7 July 2018, the Share Offer will not proceed and will lapse.

Reduction in indicative Offer Price range

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may, based on the bookbuilding process and with the prior consent of the Company, reduce the indicative Offer Price range below that disclosed in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, the Company will, as soon as practicable following the decision to make such reduction, and in any event no later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be published on the website of the Stock Exchange and the Company a notice of reduction of the Offer Price range. Such notice shall also include confirmation or revision, as appropriate, of the working capital statement, offer statistics and any financial or other information in this prospectus which may change as a result of any such reduction.

Before submitting applications for Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

The applicable final Offer Price, the level of indications of interest in the Placing, the level of applications of the Hong Kong Public Offering and the basis of allocations of the Hong Kong Offer Shares are expected to be announced on Friday, 13 July 2018 on the Stock Exchange’s website and on the Company’s website.

Results of allocations in the Hong Kong Public Offering, including the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where applicable) and the number of Hong Kong Offer Shares successfully applied for under **WHITE** and **YELLOW** Application Forms will be made available through a variety of channels as described in “How to Apply for the Hong Kong Offer Shares – 11. Publication of results”.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares is conditional upon:

(a) Listing

The Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued (including the Shares which may be made available pursuant to the Offer Size Adjustment Option) as mentioned in this prospectus.

(b) Price Determination

The Offer Price having been duly agreed on or around the Price Determination Date.

(c) Underwriting Agreements

- (i) The execution and delivery of the Placing Underwriting Agreement; and
- (ii) The obligations of the Underwriters under the Underwriting Agreements becoming unconditional in all respects. This requires that (i) none of the Underwriting Agreements is terminated in accordance with its terms or otherwise prior to 8:00 a.m. on the Listing Date, which is expected to be Monday, 16 July 2018; and (ii) all other conditions set out in the Underwriting Agreements are fulfilled, on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event, not later than the 30th day after the date of this prospectus.

If such conditions have not been fulfilled or waived prior to the dates and times specified in the Underwriting Agreements, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of lapse of the Share Offer will be published by our Company on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.kinetix.com.hk on the next Business Day following the date of such lapse. All money received will be refunded to applicants of the Hong Kong Public Offering without interests.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

The Company is initially offering Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Share Offer, subject to reallocation as mentioned below and the Offer Size Adjustment Option.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. The Hong Kong Offer Shares will represent 2.5% of our Company's enlarged issued share capital immediately after completion of the

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Share Offer. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the paragraph headed “Conditions of the Share Offer” above.

Allocation

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

Reallocation

The allocation of Offer Shares between the Hong Kong Public Offering and the Placing is subject to reallocation on the following basis:–

- (a) Where the Placing Shares are fully subscribed or oversubscribed:–
 - (i) if the Hong Kong Offer Shares are undersubscribed, the Joint Bookrunners have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the Placing, in such proportions as the Joint Bookrunners deem appropriate;
 - (ii) if the Hong Kong Offer Shares are not undersubscribed but the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then up to 20,000,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 40,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Share Offer (before any exercise of the Offer Size Adjustment Option);
 - (iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then 40,000,000 Shares will be reallocated to the Hong Kong Public Offering from the Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 60,000,000 Offer Shares, representing 30% of the number of the Offer Shares initially available under the Share Offer (before any exercise of the Offer Size Adjustment Option);

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

- (iv) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then 60,000,000 Shares will be reallocated to the Hong Kong Public Offering from the Placing, so that the number of the Offer Shares available under the Hong Kong Public Offering will be increased to 80,000,000 Offer Shares, representing 40% of the number of the Offer Shares initially available under the Share Offer (before any exercise of the Offer Size Adjustment Option); and
 - (v) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then 80,000,000 Shares will be reallocated to the Hong Kong Public Offering from the Placing, so that the number of the Offer Shares available under the Hong Kong Public Offering will be increased to 100,000,000 Offer Shares, representing 50% of the number of the Offer Shares initially available under the Share Offer (before any exercise of the Offer Size Adjustment Option).
- (b) Where the Placing Shares are undersubscribed:–
- (i) if the Hong Kong 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;
 - (ii) if the Hong Kong Offer Shares are fully or oversubscribed irrespective of the number of times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then up to 20,000,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 40,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Share Offer (before any exercise of the Offer Size Adjustment Option).

In the event of reallocation of Offer Shares between the Hong Kong Public Offering and the Placing in the circumstances where (i) the Placing Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are oversubscribed by less than 15 times under paragraph (a)(ii) above or (ii) the Placing Shares are undersubscribed and the Hong Kong Offer Shares are 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\$0.23 per Offer Share) stated in this prospectus in accordance with Guidance Letter HKEX-GL-91-18.

The Offer Shares to be offered in the Hong Kong Public Offering and the Placing may, in certain circumstances (including but not limited to at the request of the SFC and/or the Stock Exchange), be reallocated as between these offerings at the discretion of the Joint Bookrunners.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him/her that he/she and any person(s) for whose benefit he/she is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the Placing. Multiple or suspected multiple applications and any application for more than 100% of the Hong Kong Offer Shares initially comprised in the Hong Kong Public Offering are liable to be rejected.

The listing of the Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum indicative Offer Price of HK\$0.30 per Hong Kong Offer Share in addition to any brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Hong Kong Offer Share. Further details are set out below in the section headed "How to Apply for the Hong Kong Offer Shares" in this prospectus.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE PLACING

Number of Offer Shares offered

Subject to reallocation as described above, the Placing will consist of an initial offering of 180,000,000 Placing Shares representing 90% of the Offer Shares under the Share Offer and 22.5% of our Company's enlarged issued share capital immediately after the completion of the Share Offer.

Allocation

The Placing will include selective marketing of the Placing Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Placing Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of the Placing Shares pursuant to the Placing will be based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of the Company and our Shareholders as a whole.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

The Joint Bookrunners may require any investor who has been offered the Placing Shares under the Placing, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Bookrunners so as to allow them to identify the relevant application under the Hong Kong Public Offering and to ensure that it is excluded from any application of the Hong Kong Offer Shares under the Hong Kong Public Offering.

OFFER SIZE ADJUSTMENT OPTION

Pursuant to the Underwriting Agreements, our Company has granted to the Joint Bookrunners (for themselves and on behalf of the Underwriters) the Offer Size Adjustment Option, which is exercisable by the Joint Bookrunners (for themselves and on behalf of the Underwriters) in its absolute discretion on or before the business day immediately before the date of allotment results announcement, in writing, to require our Company to allot and issue up to 30,000,000 additional Shares at the Offer Price, representing 15% of the total number of Shares initially available for subscription under the Share Offer. Any such additional Shares may be issued to cover any excess demand in the Share Offer at the absolute discretion of the Joint Bookrunners (for themselves and on behalf of the Underwriters).

For the avoidance of doubt, the purpose of the Offer Size Adjustment Option is to provide flexibility for the Joint Bookrunners to meet any excess demand in the Share Offer. The Offer Size Adjustment Option will not be associated with any price stabilisation activity of the Shares in the secondary market after the listing of the Shares on GEM and will not be subject to the Securities and Futures (Price Stabilizing) Rules of the SFO (Chapter 571W of the Laws of Hong Kong). No purchase of the Shares in the secondary market will be effected to cover any excess demand in the Share Offer which will only be satisfied by the exercise of the Offer Size Adjustment Option in full or in part.

Our Company will disclose in its allotment results announcement whether and to what extent the Offer Size Adjustment Option has been exercised, and will confirm in the announcement that, if the Offer Size Adjustment Option is not exercised by then, the Offer Size Adjustment Option will lapse and cannot be exercised on any future date. The allotment results announcement will be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.kinetix.com.hk.

In the event that the Offer Size Adjustment Option is exercised in full, the additional Shares will represent approximately 3.6% of our Company's enlarged issued share capital immediately following completion of the Share Offer and the exercise of the Offer Size Adjustment Option 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.

If the Offer Size Adjustment Option is exercised in full, the additional net proceeds received from the offer of the additional Shares allotted and issued will be allocated in accordance with the allocations as disclosed in "Statement of Business Objectives and Use of Proceeds", on a pro rata basis.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

COMMENCEMENT OF DEALINGS

Dealings in the Shares on GEM are expected to commence on Monday, 16 July 2018. Our Shares will be traded in board lots of 10,000 Shares each and are freely transferable. The stock code for the Share is 8606.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus on GEM and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on GEM or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

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

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

In respect of the dealings in the Shares which may be settled through CCASS, investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for the Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at www.hkeipo.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Bookrunners, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application, in full or in part, for any reason at their discretion.

2. WHO CAN APPLY

You can apply for the Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or any 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 of 1933, as amended and supplemented or otherwise modified from time to time (“**Regulation S**”)); and
- are not a legal or natural person of the PRC.

If you apply for the Hong Kong Offer Shares online through the **HK eIPO White Form** service, in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members’ names. If you are a body corporate, the Application Form must be signed by a duly authorised officer who must state his or her representative and stamped with your corporation’s chop.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

If an application is made by a person under a power of attorney, our Company and the Joint Bookrunners, as our Company's agent, may accept or reject it at their discretion, and on any conditions they think fit, including requiring evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **HK eIPO White Form** service for the Hong Kong Offer Shares.

Unless permitted by the GEM Listing Rules, you cannot apply for any Hong Kong Offer Shares if:

- you are an existing beneficial owner of Shares and/or any of the subsidiaries of our Company;
- you are a Director or chief executive officer of our Company and/or any of our subsidiaries;
- you are a core connected person (as defined in the GEM Listing Rules) of our Company, or a person who will become a core connected person of our Company immediately upon the completion of the Share Offer;
- you are an associate and/or a close associate (as defined in the GEM Listing Rules) of any of the above; or
- you have been allocated or have applied for or indicated an interest in any Placing Shares under the Placing or otherwise participate in the Placing.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through the **HK eIPO White Form** service at **www.hkeipo.hk**.

For Hong Kong 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.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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 Saturday, 30 June 2018 until 12:00 noon on Friday, 6 July 2018 from:

- (a) the following office of the Hong Kong Underwriters:

Underwriter Name	Address
Cinda International Capital Limited	45th Floor, COSCO Tower 183 Queen's Road Central Hong Kong
I Win Securities Limited	Room 1916 Hong Kong Plaza 188 Connaught Road West Sai Wan Hong Kong
HF Securities and Futures Limited	Room 1606, South Tower Concordia Plaza 1 Science Museum Road Tsim Sha Tsui Hong Kong
Mouette Securities Company Limited	Flat 1301, 13/F Tung Wai Commercial Building 109-111 Gloucester Road Wanchai Hong Kong
Alpha Financial Group Limited	Room A, 17/F, Fortune House 61 Connaught Road Central Hong Kong

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- (b) any of the following branches of the receiving bank for the Hong Kong Public Offering:

The Bank of East Asia, Limited

District	Branch Name	Address
Hong Kong Island	Main Branch	10 Des Voeux Road Central, Central
	Shau Kei Wan Branch	G/F, Ka Fook Building, 289-293 Shau Kei Wan Road, Shau Kei Wan
Kowloon	Kwun Tong Branch	7 Hong Ning Road, Kwun Tong
	Mei Foo Sun Chuen Branch	Shop N57, G/F, Mount Sterling Mall, Mei Foo

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Saturday, 30 June 2018 until 12:00 noon on Friday, 6 July 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 "The Bank of East Asia (Nominees) Limited – Kinetix 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:

Saturday, 30 June 2018	– 9:00 a.m. to 1:00 p.m.
Tuesday, 3 July 2018	– 9:00 a.m. to 5:00 p.m.
Wednesday, 4 July 2018	– 9:00 a.m. to 5:00 p.m.
Thursday, 5 July 2018	– 9:00 a.m. to 5:00 p.m.
Friday, 6 July 2018	– 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 6 July 2018, the last day for applications, or such later time as described in the paragraph headed "10. Effect of Bad Weather on the Opening and Closing of the Application Lists" below.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the **WHITE** or **YELLOW** Application Form carefully, otherwise your application may be rejected.

By submitting a **WHITE** or **YELLOW** Application Form or applying to the **HK eIPO White Form** Service Provider, among other things, you:

- (a) undertake to execute all relevant documents and instruct and authorise our Company, the Sole Sponsor and/or the Joint Bookrunners (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 Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles;
- (b) agree to comply with the Articles, the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance;
- (c) 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;
- (d) confirm that you have received and read this prospectus and have relied only on the information and representations 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;
- (e) confirm that you are aware of the restrictions on the Share Offer set out in this prospectus;
- (f) agree that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other person involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to this prospectus);
- (g) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing nor participated in the Placing;
- (h) agree to disclose to our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which any of them may require about you and the person(s) for whose benefit you have made the application;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- (i) 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 Joint Bookrunners, the Joint Lead Managers, and the Underwriters nor any of their respective officers or advisers will breach any laws 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 in this prospectus and the Application Form;
- (j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (k) agree that your application will be governed by the laws of Hong Kong;
- (l) represent, warrant and undertake that (i) you understand that the Hong Kong 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 Hong Kong Offer Shares are outside the United States (within the meaning of Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (m) warrant that the information you have provided is true and accurate;
- (n) agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;
- (o) authorise (i) our Company to place your name(s) or the name of HKSCC Nominees on the register of members of our Company as the holder(s) of any Hong Kong Offer Shares allocated to you and (ii) our Company and/or its agents to send any Share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint applications 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;
- (p) 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;
- (q) understand that our Company, our Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (r) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- (s) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to **HK eIPO White Form** Service Provider; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as its agent.

Additional Instructions for YELLOW Application Form

You should refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH THE HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in “2. Who Can Apply” above may apply through the **HK eIPO White Form** service for the Hong Kong Offer Shares to be allocated and registered in their own names through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are set out on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** Service Provider.

Time for Submitting Applications under the HK eIPO White Form Service

You may submit your application through the **HK eIPO White Form** service through the designated website at **www.hkeipo.hk** (24 hours daily, except on the last day for applications) from 9:00 a.m. on Saturday, 30 June 2018 until 11:30 a.m. on Friday, 6 July 2018 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 6 July 2018, the last day for applications, or such later time as described in the paragraph headed “10. Effect of Bad Weather on the Opening and Closing of the Application Lists” below.

No Multiple Applications

If you apply by means of the **HK eIPO White Form** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for the Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under the **HK eIPO White Form** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong 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 the above 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 Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Branch Share Registrar.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (a) 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; and
- (b) HKSCC Nominees will do the following things on your behalf:
- agree that the Hong Kong Offer Shares to be allocated 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 Hong Kong Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing;
 - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as its agent;
 - confirm that you understand that our Company, our Directors, the Sole Sponsor, the Joint Bookrunners and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted for if you make a false declaration;
 - authorise our Company to place HKSCC Nominees' name on the register of members of our Company as the holder of the Hong Kong Offer Shares allocated to you and such other registers as required under the Articles, and dispatch Share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between our Company and HKSCC;
 - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- confirm that you have received and 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 and will not rely on any other information or representations, except those in any supplement to this prospectus;
- agree that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their or the Company's respective directors, officers or representatives or any other person involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to this prospectus);
- agree to disclose to our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their or our Company's respective directors, officers or representatives or any other person involved in the Share Offer any personal data which they may require about you;
- 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 a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with our Company, 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 Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is a 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 (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;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offering;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for the Hong Kong Offer Shares;
- agree with our Company 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 our Company and on behalf of each Shareholder, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Articles and the Companies (Winding Up and Miscellaneous Provisions) Ordinance; and
- agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with 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 will 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 Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and 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 initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 10,000 Hong Kong Offer Shares. Instructions for more than 10,000 Hong Kong 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 Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Tuesday, 3 July 2018	– 8:00 a.m. to 8:30 p.m.⁽¹⁾
Wednesday, 4 July 2018	– 8:00 a.m. to 8:30 p.m.⁽¹⁾
Thursday, 5 July 2018	– 8:00 a.m. to 8:30 p.m.⁽¹⁾
Friday, 6 July 2018	– 8:00 a.m.⁽¹⁾ to 12:00 noon

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 6:00 a.m. on Monday, 2 July 2018 until 12:00 noon on Friday, 6 July 2018 (24 hours daily, except on the last day for applications).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, 6 July 2018, the last day for applications, or such later time as described in the paragraph headed “10. Effect of Bad Weather on the Opening and Closing of the Application Lists” below.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong 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 Hong Kong Offer Shares given by you or for your benefit to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their or our Company’s respective directors, officers or representatives or any other person involved in the Share Offer about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The application for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for the Hong Kong Offer Shares through the **HK eIPO White Form** service is only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day to make your electronic application. Our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their or our Company’s respective directors, officers or representatives or any other person involved in the Share Offer and the **HK eIPO White Form** Service Provider take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allocated any Hong Kong 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. If CCASS Investor Participants have problems in the connection to the CCASS Phone System or the CCASS Internet System for submission of their **electronic application instructions**, they should either (a) submit a **WHITE** or **YELLOW** Application Form or (b) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, 6 July 2018, the last day for applications, or such later time as described in the paragraph headed “10. Effect of Bad Weather on the Opening and Closing of the Application Lists” below.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees”, you must include:

- an account number; or
- some other identification code.

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**).

If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

“**Unlisted company**” means a company with no equity securities listed on the Stock Exchange.

“**Statutory control**” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum Offer Price is HK\$0.30 per Offer Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%. This means that for one board lot of 10,000 Offer Shares, you will pay HK\$3,030.23.

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for the Shares.

You must pay the maximum Offer Price, together with brokerage, SFC transaction levy and Stock Exchange trading fee, in full upon application for Hong Kong Offer Shares under the terms and conditions set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 10,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 10,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.hkeipo.hk**.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the GEM Listing Rules), and the SFC transaction levy and the Stock Exchange trading fee will be 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” in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING AND CLOSING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 6 July 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 force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, 6 July 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.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indications of interest in the Placing, the level of applications in the Hong Kong Public Offering and the basis of allocations of the Hong Kong Offer Shares on Friday, 13 July 2018 on the websites of our Company at www.kinetix.com.hk and the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and dates and in the manner set out below:

- in the announcement to be posted on the websites of our Company at www.kinetix.com.hk and the Stock Exchange at www.hkexnews.hk, respectively, by no later than 9:00 a.m. on Friday, 13 July 2018;
- from the designated results of allocations website at www.tricor.com.hk/ipo/result with a “search by ID function” on a 24-hour basis from 8:00 a.m. on Friday, 13 July 2018 to 12:00 midnight on Thursday, 19 July 2018;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- from the telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Friday, 13 July 2018 to Wednesday, 18 July 2018 on a business day; and
- in the special allocation results booklets which will be available for inspection during the opening hours of the receiving bank designated branches referred to above from Friday, 13 July 2018 to Tuesday, 17 July 2018.

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 Hong Kong Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are set out in the section headed “Structure and Conditions of the Share Offer” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allocated to you:

(a) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service, 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 which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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.

(b) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Bookrunners, the **HK eIPO White Form** Service Provider and their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(c) If the allotment of the Hong Kong Offer Shares is void:

The allotment of the Hong Kong Offer Shares will be void if the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the applications lists; or
- within a longer period of up to six weeks if the Stock Exchange notifies our Company of that longer period within three weeks of the closing date of the application lists.

(d) 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) Hong Kong Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website at **www.hkeipo.hk**;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- our Company or the Joint Bookrunners believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- you apply for more than 100% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering; or
- the Underwriting Agreements do not become unconditional or is terminated.

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\$0.30 (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering as set out in the paragraph headed “Structure and Conditions of the Share Offer – Conditions of the Share Offer” in this prospectus are not satisfied or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and 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 Friday, 13 July 2018.

14. DISPATCH/COLLECTION OF SHARE CERTIFICATES/REFUND CHEQUES

You will receive one Share certificate for all Hong Kong Offer Shares allocated to you under the Hong Kong Public Offering (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 Offer Shares. No receipt will be issued for sums paid on application.

If you apply by **WHITE** or **YELLOW** Application Form(s), 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:

- (a) Share certificate(s) for all the Hong Kong Offer Shares allocated to you (for applicants on **YELLOW** Application Forms, Share certificate(s) for the Hong Kong Offer Shares allocated to you will be deposited into CCASS as described below); and
- (b) 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 Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. 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 dispatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificate(s) are expected to be posted on or before Friday, 13 July 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 order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, 13 July 2018, provided that the Share Offer has become unconditional in all respects at or before that time and that 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 the Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk.

Personal Collection

(a) *If you apply using a WHITE Application Form:*

- If you apply for 1,000,000 Hong Kong Offer Shares or more and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) (where applicable) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Friday, 13 July 2018.
- 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 who is eligible for personal collection, your authorised representative must provide a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.
- If you do not collect your refund cheque(s) and/or Share certificate(s) personally (where applicable) within the time specified for collection, they will be dispatched promptly to you to the address specified in your Application Form by ordinary post and at your own risk.
- If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or Share certificate(s) (where applicable) will be sent to the address specified in your Application Form on or before Friday, 13 July 2018 by ordinary post and at your own risk.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

(b) *If you apply using a **YELLOW** Application Form:*

- If you apply for 1,000,000 Hong Kong Offer Shares or more and have provided all information required by your Application Form, please follow the same instructions as described above for collection of your refund cheque(s). If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address specified in the Application Form on or before Friday, 13 July 2018 by ordinary post and at your own risk.
- If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or your designated CCASS Participant's stock account as stated in your Application Form on Friday, 13 July 2018 or, in the event of a 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 Hong Kong Offer Shares credited to your designated CCASS Participant's stock account (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS Participant.
- If you apply as a CCASS Investor Participant, our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering on Friday, 13 July 2018 in the manner as described in "11. Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 13 July 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and the CCASS Internet System.

(c) *If you apply through **HK eIPO White Form** service:*

- If you apply for 1,000,000 Hong Kong Offer Shares or more through the **HK eIPO White Form** service and your application is wholly or partially successful, you may collect your Share certificate(s) (where applicable) in person from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Friday, 13 July 2018, or any other place or date notified by our Company as the place or date of dispatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.
- If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post and at your own risk.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- If you apply for less than 1,000,000 Hong Kong Offer Shares through the **HK eIPO White Form** service, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Friday, 13 July 2018 by ordinary post and at your own risk.
- If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address specified in your application instructions in the form of refund cheque(s) by ordinary post and at your own risk.

(d) *If you apply by giving electronic application instructions to HKSCC via CCASS:*

Allocation of Hong Kong Offer Shares

- For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Friday, 13 July 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/passport/Hong Kong business registration number or other identification code (Hong Kong business registration number for corporations) and the basis of allocations of the Hong Kong Offer Shares in the manner as described in the paragraph headed "11. Publication of Results" above on Friday, 13 July 2018. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 13 July 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 Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you with that broker or custodian.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Friday, 13 July 2018. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of the refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Hong Kong Offer Share initially paid on application (including brokerage, SFC transaction levy and Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Friday, 13 July 2018.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

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

Investors should seek the advice of their stockbroker or other professional advisers for details of the settlement arrangements as such arrangements may affect their rights and interests.

All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the sole purpose of inclusion in this document from the independent reporting accountants, Moore Stephens CPA Limited, Certified Public Accountants, Hong Kong.

MOORE STEPHENS

Moore Stephens CPA Limited
801-806 Silvercord, Tower 1,
30 Canton Road, Tsimshatsui,
Kowloon, Hong Kong
T +852 2375 3180
F +852 2375 3828
www.moorestephens.com.hk

大
華
馬
施
雲
會
計
師
事
務
所
有
限
公
司

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF KINETIX SYSTEMS HOLDINGS LIMITED AND CINDA INTERNATIONAL CAPITAL LIMITED

INTRODUCTION

We report on the historical financial information of Kinetix Systems Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-4 to I-40, which comprises the consolidated statements of financial position of the Group as at 31 December 2015, 31 December 2016 and 31 December 2017, the statements of financial position of the Company as at 31 December 2016 and 31 December 2017 and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the years ended 31 December 2015, 31 December 2016 and 31 December 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-40 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 30 June 2018 (the “Prospectus”) in connection with the listing of shares of the Company on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 2 (a) and (b) to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Notes 2 (a) and (b) to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group as at 31 December 2015, 31 December 2016 and 31 December 2017 and the Company's financial position as at 31 December 2016 and 31 December 2017, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Notes 2 (a) and (b) to the Historical Financial Information.

REPORT ON MATTERS UNDER RULES GOVERNING THE LISTING OF SECURITIES ON THE GEM OF THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**ADJUSTMENTS**

In preparing the Historical Financial Information no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

DIVIDENDS

We refer to Note 9 to the Historical Financial Information which states that no dividends have been declared or paid by the Company in respect of the Track Record Period.

NO HISTORICAL FINANCIAL STATEMENTS FOR THE COMPANY

No financial statements have been prepared for the Company since its date of incorporation.

Moore Stephens CPA Limited
Certified Public Accountants

Law Yuen Man, Ida
Practising Certificate Number: P05878
Hong Kong, 30 June 2018

I. HISTORICAL FINANCIAL INFORMATION**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated 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 Moore Stephens CPA Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Hong Kong dollar ("HK\$") which is also the functional currency of the Company. All values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

1. Consolidated income statements

	<i>Section II Notes</i>	Year ended 31 December		
		2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Revenue	3	187,334	184,247	180,970
Cost of sales		<u>(150,621)</u>	<u>(140,799)</u>	<u>(143,431)</u>
Gross profit		36,713	43,448	37,539
Other income and gains	3	479	776	2
Selling expenses		(3,472)	(4,669)	(4,242)
Administrative and general expenses		(14,844)	(15,103)	(20,932)
Listing expenses		–	(2,988)	(4,307)
Finance costs	4	<u>(27)</u>	<u>(2)</u>	<u>(6)</u>
Profit before tax	5	18,849	21,462	8,054
Income tax	8	<u>(3,094)</u>	<u>(4,265)</u>	<u>(2,069)</u>
Profit for the year		<u>15,755</u>	<u>17,197</u>	<u>5,985</u>
Attributable to:–				
Equity holder of the parent		15,755	17,197	5,985
Non-controlling interests		<u>–</u>	<u>–</u>	<u>–</u>
Profit for the year		<u>15,755</u>	<u>17,197</u>	<u>5,985</u>

Earnings per share information is not presented as its inclusion, for the purpose of this Historical Financial Information, is not considered meaningful due to the reorganisation mentioned in Note 1 under Section II.

The accompanying notes form part of the Historical Financial Information.

2. Consolidated statements of comprehensive income

	Year ended 31 December		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Profit for the year	15,755	17,197	5,985
Other comprehensive income for the year	<u>—</u>	<u>—</u>	<u>—</u>
Total comprehensive income for the year	<u>15,755</u>	<u>17,197</u>	<u>5,985</u>
Attributable to:—			
Equity holder of the parent	15,755	17,197	5,985
Non-controlling interests	<u>—</u>	<u>—</u>	<u>—</u>
	<u>15,755</u>	<u>17,197</u>	<u>5,985</u>

The accompanying notes form part of the Historical Financial Information.

3. Consolidated statements of financial position

	<i>Section II Notes</i>	As at 31 December		
		2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Assets				
<i>Non-current assets</i>				
Property, plant and equipment	10	320	382	372
Deposits	11	–	–	590
		<u>320</u>	<u>382</u>	<u>962</u>
<i>Current assets</i>				
Due from an immediate holding company	12	–	–*	–*
Due from related companies	12	251	534	–
Due from a director	12	–	37	–
Trade and other receivables and prepayments	11	42,699	57,637	79,702
Time deposits	13	1,531	–	–
Cash and cash equivalents	14	27,695	26,989	34,676
		<u>72,176</u>	<u>85,197</u>	<u>114,378</u>
Total assets		<u><u>72,496</u></u>	<u><u>85,579</u></u>	<u><u>115,340</u></u>
Equity and liabilities				
<i>Capital and reserves</i>				
Share capital	15	10	–*	–*
Reserves		<u>33,360</u>	<u>44,567</u>	<u>44,552</u>
Equity attributable to owners of the parent		33,370	44,567	44,552
Non-controlling interests		–	–	–
Total equity		<u><u>33,370</u></u>	<u><u>44,567</u></u>	<u><u>44,552</u></u>
<i>Non-current liabilities</i>				
Receipt in advance	16	354	49	–
<i>Current liabilities</i>				
Trade and other payables and accruals	16	37,155	37,581	68,822
Tax payable		<u>1,617</u>	<u>3,382</u>	<u>1,966</u>
		<u>38,772</u>	<u>40,963</u>	<u>70,788</u>
Total liabilities		<u><u>39,126</u></u>	<u><u>41,012</u></u>	<u><u>70,788</u></u>
Total equity and liabilities		<u><u>72,496</u></u>	<u><u>85,579</u></u>	<u><u>115,340</u></u>

* Less than HK\$1,000.

The accompanying notes form part of the Historical Financial Information.

4. Statement of financial position

	<i>Section II Notes</i>	Company	
		As at 31 December	
		2016	2017
		<i>HK\$'000</i>	<i>HK\$'000</i>
Assets			
<i>Non-current assets</i>			
Investment in a subsidiary		36,763	36,763
<i>Current assets</i>			
Due from an immediate holding company	23	—*	—*
Total assets		<u>36,763</u>	<u>36,763</u>
Equity and liabilities			
<i>Capital and reserve</i>			
Share capital		—*	—*
Reserves	24	<u>36,721</u>	<u>36,687</u>
Total equity		<u>36,721</u>	<u>36,687</u>
<i>Current liabilities</i>			
Due to subsidiaries	23	<u>42</u>	<u>76</u>
Total liabilities		<u>42</u>	<u>76</u>
Total equity and liabilities		<u>36,763</u>	<u>36,763</u>

* Less than HK\$1,000.

The accompanying notes form part of the Historical Financial Information.

5. Consolidated statements of changes in equity

	Attributable to equity owners of the Company			
	Share capital HK\$'000	Other reserve HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
Balance at 1 January 2015	10	–	22,313	22,323
Changes in equity for 2015:				
Profit for the year	–	–	15,755	15,755
Other comprehensive income for the year	–	–	–	–
Total comprehensive income for the year	–	–	15,755	15,755
Interim dividend declared (Section II Note 9)	–	–	(4,708)	(4,708)
Balance at 31 December 2015	10	–	33,360	33,370
Changes in equity for 2016:				
Profit for the year	–	–	17,197	17,197
Other comprehensive income for the year	–	–	–	–
Total comprehensive income for the year	–	–	17,197	17,197
Issue of share (Section II Note 15)	–*	–	–	–*
Transfer arising from the Group reorganisation	(10)	10	–	–
Interim dividend declared (Section II Note 9)	–	–	(6,000)	(6,000)
Balance at 31 December 2016	–*	10	44,557	44,567
Changes in equity for 2017:				
Profit for the year	–	–	5,985	5,985
Other comprehensive income for the year	–	–	–	–
Total comprehensive income for the year	–	–	5,985	5,985
Interim dividend declared (Section II Note 9)	–	–	(6,000)	(6,000)
Balance at 31 December 2017	–*	10	44,542	44,552

* Less than HK\$1,000.

The accompanying notes form part of the Historical Financial Information.

6. Consolidated statements of cash flows

	Section II Notes	Year ended 31 December		
		2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Cash flows from operating activities				
Profit before tax		18,849	21,462	8,054
Adjustments for:-				
Depreciation of property, plant and equipment	5	268	249	341
Loss on write-off property, plant and equipment	5	-	12	-
Dividend income	3	(10)	-	-
Loss on disposal of equity investments at fair value through profit or loss	5	364	-	-
Bank interest income	3	(33)	(43)	(2)
Bond interest income	3	(114)	-	-
Finance costs	4	27	2	6
Reversal for provision of warranty	5	(950)	-	-
Provision/(reversal) for foreseeable losses on contract	5	1,220	916	(641)
		19,621	22,598	7,758
Increase in trade and other receivables and prepayments		(24,189)	(15,789)	(22,014)
(Increase)/decrease in amount due from a director		(686)	(37)	37
(Increase)/decrease in amounts due from related companies		(251)	(283)	534
Increase/(decrease) in trade and other payables and accruals		13,240	(118)	31,042
Cash generated from operations		7,735	6,371	17,357
Bank interest received	3	33	43	2
Bond interest income	3	114	-	-
Hong Kong profits tax paid		(3,719)	(2,499)	(3,485)
Net cash generated from operating activities		4,163	3,915	13,874
Cash flows from investing activities				
Purchases of property, plant and equipment		(228)	(323)	(181)
Cash from acquisition of subsidiary, net	20	-	173	-
Dividend received from equity investments at fair value through profit or loss		10	-	-
Purchases of equity investments at fair value through profit or loss		(784)	-	-
Proceeds from disposal of equity investments at fair value through profit or loss		3,092	-	-
Net cash generated from/(used in) investing activities		2,090	(150)	(181)
Cash flows from financing activities				
(Increase)/decrease in time deposits		(31)	1,531	-
Dividend paid		(4,936)	(6,000)	(6,000)
Finance costs	4	(27)	(2)	(6)
Net cash used in financing activities		(4,994)	(4,471)	(6,006)
Increase/(decrease) in cash and cash equivalents		1,259	(706)	7,687
Cash and cash equivalents at beginning of the year		26,436	27,695	26,989
Cash and cash equivalents at end of the year (Section II Note 14)		27,695	26,989	34,676

The accompanying notes form part of the Historical Financial Information.

II. NOTES TO HISTORICAL FINANCIAL INFORMATION

1. GENERAL

The Company was incorporated in Cayman Islands on 16 September 2016 as an exempted company with limited liability. The registered office of the Company is P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108. The Company is an investment holding company while its subsidiaries' principal businesses are provision of information technology ("IT") infrastructure solutions services, IT development solutions services and IT maintenance and support services. The Company, together with its subsidiaries, collectively referred to as the "Group".

Pursuant to a group reorganisation as disclosed in the section headed "History, Development and Reorganisation" in the prospectus, the Company became the holding company of the Group since completion of the reorganisation. The Company's immediate and ultimate holding company is Vigorous King Limited. The Company and its subsidiaries, except for Rise Talent Limited (see Note 20 below), have been under the common control of Mr. Yu Pak Lun Larry ("Mr. Yu") throughout the Track Record Period or since their respective dates of incorporation, where this is a shorter period.

At the date of this report, the Company had direct or indirect interests in the following subsidiaries, all of which are private companies. The particulars of these subsidiaries are set out below:

Name of company	Place and date of incorporation/ establishment	Attributable equity interest		Held by the Company	Held by a subsidiary	Principal activities
		Issued and paid up capital/ registered capital	Group's effective interest			
Kinetix Limited	British Virgin Islands 14 September 2016	US\$2	100%	100%	–	Investment Holding
Kinetix Systems Limited	Hong Kong 23 October 1998	HK\$10,000	100%	–	100%	IT Solutions and Supporting Services
Rise Talent Limited	Hong Kong 10 May 2002	HK\$10,000	100%	–	100%	IT Solutions and Supporting Services

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The Historical Financial Information set out in this report has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Further details of the significant accounting policies adopted are set out in the remainder of this Note 2 under Section II.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Historical Financial Information, the Group has adopted all these new and revised HKFRSs to the Track Record Period, except for any new standards or interpretations that are not yet effective for the Track Record Period. The revised and new accounting standards and interpretations which are not yet effective for the Track Record Period and which have not been early adopted in this Historical Financial Information are set out in Note 27 under Section II.

The Historical Financial Information complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

The accounting policies set out below have been applied consistently to all periods presented in this Historical Financial Information.

(b) Basis of preparation

The Historical Financial Information has been prepared under the principles of merger accounting in accordance with the Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA. The consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the Track Record Period include the results, changes in equity and cash flows of the companies now comprising the Group as if the current group structure has been in existence throughout the Track Record Period, or since their respective dates of incorporation or acquisition from third party, where there is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2015, 31 December 2016 and 31 December 2017 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure has been in existence at that date taking into account the respective dates of incorporation or acquisition from third party, where applicable.

When applying the accounting for the reorganisation, the assets and liabilities of the companies now comprising the Group are consolidated using their existing carrying values as carried in their books and records prior to the reorganisation. No remeasurement to fair values is made as at the date of reorganisation, and no amount is recognised in respect of goodwill or excess of acquirer’s interest in the net fair value of acquiree’s identifiable assets, liabilities and contingent liabilities over cost, at the time of the reorganisation mentioned in Note I under Section II.

All material intra-group transactions and balances have been eliminated on consolidation.

(c) Basis of measurement of the Historical Financial Information

The Historical Financial Information is presented in Hong Kong dollars (“HK\$”), rounded to the nearest thousand, which is the functional currency of the Company and its subsidiaries carrying on business in Hong Kong.

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except for certain equity investments at fair value through profit or loss which have been measured at fair value.

(d) Use of estimates and judgements

The preparation of the Historical Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in Note 2 (x) under Section II.

(e) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

The financial statements of subsidiaries are included in the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

(f) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost, less provisions for depreciation and impairment losses, if any.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the item has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the consolidated profit or loss in the year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in future economic benefits expected to be obtained from the use of the item, the expenditure is capitalised as an additional cost of the item. When an item of property, plant and equipment is sold, its cost and accumulated depreciation are removed from the financial statements and any gain or loss resulting from the disposal, being the difference between the net disposal proceeds and the carrying amount of the asset, is included in consolidated profit or loss.

Depreciation is provided on the straight-line method, based on the estimated economic useful life of the individual assets, as follows:–

Leasehold improvements	30% per annum or over lease term if shorter
Equipment	30% per annum
Furniture and fixtures	20% per annum
Motor vehicles	30% per annum

(g) Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for a non-financial asset is required (other than financial assets), the recoverable amount of the asset is estimated. An asset's recoverable amount is the higher of the value in use of the asset or cash-generating unit to which it belongs and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the consolidated profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

(h) Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, into financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investments and available-for-sale financial investments. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of FVTPL.

All regular way purchases or sales of financial assets are recognised on the trade date, that is, the date that the group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:–

Financial assets at fair value through profit or loss

Financial assets at FVTPL include financial assets held for trading and those designated as at FVTPL upon initial recognition.

Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term.

Financial assets at FVTPL are carried in the consolidated statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as administrative expenses in consolidated profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for “Revenue recognition” below.

Financial assets designated upon initial recognition as at FVTPL are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period, subsequent to initial recognition, loans and receivables (including trade receivables, deposits, time deposits and cash and cash equivalents) are carried at amortised cost using the effective interest method, less any identified impairment losses. The loss arising from impairment is recognised in the consolidated profit or loss in finance costs.

(i) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is 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.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

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). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the consolidated profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the consolidated profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, 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 discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

(j) Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(k) Financial liabilities

The Group's financial liabilities include trade and other payables and accruals.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs. After initial recognition, they are subsequently measured at amortised cost using the effective interest rate method. Financial liabilities are derecognised when they are extinguished, i.e., when the obligation is discharged or cancelled, or expires.

(l) Dividends

Interim dividends are simultaneously proposed and declared, because the memorandum and articles of association of the Group entities grant the directors of the entities the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared by the directors.

(m) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if it is determined that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to consolidated profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in consolidated profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals, if any, are charged to consolidated profit or loss in the accounting period in which they are incurred.

(n) Foreign currency translation

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the consolidated profit or loss.

(o) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, as follows:—

Revenue from contracts for IT solutions is recognised using the percentage of completion, measured by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, adjusted for the effects of cost incurred that do not reflect the work performed by the Group. When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable. When it is probable that total contract costs will exceed total contract revenue, the expected loss shall be recognised as an expense immediately. However, where the contracts for IT solutions do not require the Group to carry out installation, testing and integration works, revenue is recognised upon transfer of the significant risks and rewards of ownership of the IT solutions to the customers, which is the time when the IT solutions are delivered and accepted by the customers.

Revenue from IT maintenance and support services is recognised when the services are rendered.

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' rights to receive payment have been established.

(p) Borrowing costs

All borrowing costs are charged to the consolidated profit or loss in the period in which they are incurred.

(q) Income tax

Income tax represents the sum of current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside consolidated profit or loss, either in consolidated other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the company operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:–

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:–

- When the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax is calculated, without discounting, at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(r) Other employee benefits

(i) Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

(ii) Employee long service payment

Under the Hong Kong Employment Ordinance, the Group is required to make long service payments to its employees upon the termination of their employment or retirement on ground of old age when the employee fulfils certain conditions and the termination meets the required circumstances. Further, where accrued benefits (excluding any part attributable to the employee’s contributions) have been paid to the employee, or is being held in a mandatory provident fund scheme by the employee, which is the case for most of the eligible employees of the Group, the long service payment is offset against the aforementioned amount of benefits to the extent that they relate to the employee’s years of service for which the long service payment is payable.

The Group makes its estimates of its obligations to make long service payments to its employees in the event of termination of their employment or retirement. The Group’s obligations to make such long service payments are recognised in the consolidated financial statements as long service payment liabilities at the present value (where the effect of discounting is material) of the long service payment obligations, which are estimated after deducting the entitlements accrued under the Group’s defined contribution retirement scheme that are attributable to contributions made by the Group. Service cost, net interest on the long service payment liabilities (where discounting to present value is adopted because the effect of discounting is material) and remeasurements of the long service payment liabilities are recognised in profit or loss.

(s) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments which are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

(t) Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in consolidated profit or loss.

(u) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:–

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Group's parent;

or

(b) An entity is related to the Group if any of the following conditions applies:–

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(v) Fair value measurement

The Group measures its equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:–

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of services, the nature of production processes, the type or class of customers, the methods used to provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(x) Critical accounting judgements in applying the Group's accounting policies

The Group's financial position and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the Historical Financial Information. Management bases the assumptions and estimates on historical experience and on other factors that the management believes to be reasonable and which form the basis for making judgements about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of significant accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reporting results to changes in conditions and assumptions are factors to be considered when reviewing the Historical Financial Information. The significant accounting policies are set out in Note 2 above. Management believes the following significant accounting policies involved the most significant judgements and estimates used in the preparation of the Historical Financial Information

(a) Useful lives and depreciation of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges of its property, plant and equipment. These estimates are based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will increase the depreciation charge where useful lives are less than previously estimated lives, and will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation charges in the future periods.

(b) Estimated impairment loss of trade and other receivables

The Group determines the provision for impairment of trade receivables based on an assessment of the recoverability of the receivables. This assessment is based on the aging of the trade and other receivables balance, the credit history of the customers and the current market condition. Where the expectation is different from the original estimate, such difference will affect the carrying amount of trade and other receivables and thus the impairment loss in the period in which such estimate is changed. Management reassesses the provision at the end of each reporting period to determine whether there is objective evidence of impairment.

(c) Revenue recognition

Revenue from service contract is recognised using the percentage of completion, measured by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. When the outcome of a service contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable and no profit is recognised. Management reviews and revises the estimates of contract revenue and contract costs for each contract as the contract progresses. Significant judgement in estimating the contract revenue and contract costs may have an impact on the percentage of completion of the projects and the corresponding profit taken.

When determining whether the Group is acting as a principal or an agent for accounting purposes, the management assesses whether the Group has any exposure to the significant risks and rewards associated with the provision of IT solutions or rendering of services. Revenue is recognised at the gross amount of consideration to which it expects to be entitled in exchange for the specified good or service transferred when it is determined that the Group is acting as principal. When the performance obligation is to arrange for the provision of goods or services the specified good or service by another party, revenue is recognised at the net amount representing any fee or commission to which it expects to be entitled in exchange for arranging for the other party to provide its the specified goods or services to be provided by the other party. Management reviews the terms and nature of each contract to determine the proper treatment.

3. REVENUE, OTHER INCOME AND GAINS AND SEGMENT REPORT**(a) Revenue, other income and gains**

An analysis of the Group's revenue and other income and gains is as follows:–

	Year ended 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue			
IT solutions services income	177,209	171,374	158,124
IT maintenance and support services income	10,125	12,873	22,846
	<u>187,334</u>	<u>184,247</u>	<u>180,970</u>
Other income and gains			
Bank interest income	33	43	2
Dividend income	10	–	–
Bond interest income	114	–	–
Sponsorship from supplier	273	710	–
Sundry income	49	23	–*
	<u>479</u>	<u>776</u>	<u>2</u>

* Less than HK\$1,000.

(b) Segment reporting

The Group manages its businesses by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- IT infrastructure solutions services: this segment earns revenue in relation to analyses of customers' existing IT infrastructure, procurement of hardware and/or software, installation and testing and integration services.
- IT development solutions services: this segment earns revenue from designing of IT development solutions to cater to customers' special requirements which involves system analysis and design, software development and technology consultancy.

- IT maintenance and support services: this segment represents ongoing IT maintenance and support services to systems developed by the Group and maintenance and support services on hardware and software purchased or developed from third party suppliers.

(i) *Segment revenue and results*

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment on the following bases:-

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments. The measure used for reporting segment profit is gross profit. No inter-segment sales have occurred during the Track Record Period. The Group's other income and expense items, such as general and administrative expenses, and assets and liabilities are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure, depreciation and amortisation, interest income and interest expenses is presented.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2015, 31 December 2016 and 31 December 2017 is set out below.

	Year ended 31 December 2015			Total HK\$'000
	IT infrastructure solutions services HK\$'000	IT development solutions services HK\$'000	IT maintenance and support services HK\$'000	
Reportable segment revenue	146,481	30,728	10,125	187,334
Reportable segment cost of sales	(120,253)	(24,767)	(5,601)	(150,621)
Reportable segment gross profit	<u>26,228</u>	<u>5,961</u>	<u>4,524</u>	<u>36,713</u>
	Year ended 31 December 2016			Total HK\$'000
	IT infrastructure solutions services HK\$'000	IT development solutions services HK\$'000	IT maintenance and support services HK\$'000	
Reportable segment revenue	135,874	35,500	12,873	184,247
Reportable segment cost of sales	(101,763)	(31,946)	(7,090)	(140,799)
Reportable segment gross profit	<u>34,111</u>	<u>3,554</u>	<u>5,783</u>	<u>43,448</u>

	Year ended 31 December 2017			Total HK\$'000
	IT infrastructure solutions services HK\$'000	IT development solutions services HK\$'000	IT maintenance and support services HK\$'000	
Reportable segment revenue	121,927	36,197	22,846	180,970
Reportable segment cost of sales	<u>(102,678)</u>	<u>(26,616)</u>	<u>(14,137)</u>	<u>(143,431)</u>
Reportable segment gross profit	<u>19,249</u>	<u>9,581</u>	<u>8,709</u>	<u>37,539</u>

(ii) Geographic information

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the services were provided or the goods delivered.

The geographical information of the Group's revenue from external customers for the years ended 31 December 2015, 31 December 2016 and 31 December 2017 is set out below.

	Year ended 31 December		
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Hong Kong	187,112	180,645	177,566
Macau	<u>222</u>	<u>3,602</u>	<u>3,404</u>
	<u>187,334</u>	<u>184,247</u>	<u>180,970</u>

The geographical information of the Group's non-current assets as at 31 December 2015, 31 December 2016 and 31 December 2017 is set out below.

	Year ended 31 December		
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Hong Kong	320	382	962
Macau	<u>–</u>	<u>–</u>	<u>–</u>
	<u>320</u>	<u>382</u>	<u>962</u>

(iii) Information about major customers

During the years ended 31 December 2015, 31 December 2016 and 31 December 2017, there are customers located in Hong Kong accounted for greater than 10% of the Group's total revenue:-

	Year ended 31 December		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Customer A ^d	- ^a	25,676	21,094
Customer B ^d	- ^a	20,628	- ^c
Customer C ^e	20,576	- ^b	- ^c
	<u>20,576</u>	<u>-</u>	<u>-</u>

Notes:

- Customer A and Customer B did not contribute greater than 10% of the Group's total revenue for the year ended 31 December 2015.
- Customer C did not contribute greater than 10% of the Group's total revenue for the year ended 31 December 2016.
- Customer B and Customer C did not contribute greater than 10% of the Group's total revenue for the year ended 31 December 2017.
- Revenue derived from IT infrastructure solutions services.
- Revenue derived from IT infrastructure solutions services and IT development solutions services.

4. FINANCE COSTS

An analysis of finance costs is as follows:-

	Year ended 31 December		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Interest on short term borrowings	19	-	-
Overdraft interests	6	2	-
Other bank charges	2	-	6
	<u>27</u>	<u>2</u>	<u>6</u>

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):-

	Year ended 31 December		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Auditor's remuneration	260	180	230
Cost of hardware and software recognised as expenses	108,423	100,415	102,748
Cost of IT solutions services*	36,327	32,378	27,848
Cost of IT maintenance and support services*	5,601	7,090	13,476
Depreciation of property, plant and equipment (Section II Note 10)	268	249	341
Reversal of provision for warranty	(950)	–	–
Loss on disposal of equity investments at fair value through profit or loss	364	–	–
Loss on write-off of property, plant and equipment	–	12	–
Foreign exchange differences, net	–	35	14
Minimum lease payments under operating lease			
– office premises	1,203	1,401	1,401
– director's quarter	336	325	348
Provision/(reversal) for foreseeable losses on contract#	1,220	916	(641)
Retirement fund scheme contributions (included in staff costs below)	792	1,036	1,226
Employee benefit expense (excluding compensation of key management personnel (Section II Note 6))			
– Wages and salaries (including retirement fund contributions)	18,341	23,113	26,222
	<u>18,341</u>	<u>23,113</u>	<u>26,222</u>

* Included in the above costs are subcontracting costs amounting to HK\$30,800,000, HK\$23,953,000, HK\$29,239,000 for the years ended 31 December 2015, 31 December 2016 and 31 December 2017, respectively.

Included in cost of sales.

6. COMPENSATION OF KEY MANAGEMENT PERSONNEL AND DIRECTORS' REMUNERATION

Compensation of key management personnel of the Group during the year was as follows:-

	Year ended 31 December		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Short-term employee benefits	3,118	5,405	5,767
Post-employment benefits	90	122	126
	<u>3,118</u>	<u>5,405</u>	<u>5,767</u>
Total compensation paid to key management personnel	<u>3,208</u>	<u>5,527</u>	<u>5,893</u>

The above compensation of key management personnel includes directors' remuneration for the years ended 31 December 2015, 31 December 2016 and 31 December 2017.

The following table sets out the remuneration received or receivable by the Company's directors:

For the year ended 31 December 2015:–

	Directors' fee <i>HK\$'000</i>	Salaries, allowance and other benefits in kind <i>HK\$'000</i>	Contribution to defined contribution plan <i>HK\$'000</i>	Total <i>HK\$'000</i>
Executive directors				
Yu Pak Lun Larry (Chief executive officer)	–	636	18	654
Law Cheung Moon (Head of professional resources)	–	638	18	656
Leung Patrick Cheong Yu (Sales director)	–	700	18	718
Wong Tsun Ho Ian (Head of enterprise services)	–	604	18	622
Non-executive directors				
Cheung Wah Kit Jason	–	–	–	–
Yeung Wai Keung	–	–	–	–
Lam Yau Hin	–	–	–	–
	–	2,578	72	2,650

For the year ended 31 December 2016:–

	Directors' fee <i>HK\$'000</i>	Salaries, allowance and other benefits in kind <i>HK\$'000</i>	Contribution to defined contribution plan <i>HK\$'000</i>	Total <i>HK\$'000</i>
Executive directors				
Yu Pak Lun Larry (Chief executive officer)	–	896	18	914
Law Cheung Moon (Head of professional resources)	–	755	18	773
Leung Patrick Cheong Yu (Sales director)	–	634	18	652
Wong Chun Pan Dennis (Head of sales)	–	899	18	917
Wong Tsun Ho Ian (Head of enterprise services)	–	751	18	769
Non-executive directors				
Cheung Wah Kit Jason	–	–	–	–
Yeung Wai Keung	–	–	–	–
Lam Yau Hin	–	–	–	–
	–	3,935	90	4,025

For the year ended 31 December 2017:–

	Directors' fee <i>HK\$'000</i>	Salaries, allowance and other benefits in kind <i>HK\$'000</i>	Contribution to defined contribution plan <i>HK\$'000</i>	Total <i>HK\$'000</i>
Executive directors				
Yu Pak Lun Larry (Chief executive officer)	–	1,030	18	1,048
Law Cheung Moon (Head of professional resources)	–	616	18	634
Leung Patrick Cheong Yu (Sales director)	–	698	18	716
Wong Chun Pan Dennis (Head of sales)	–	998	18	1,016
Wong Tsun Ho Ian (Head of enterprise services)	–	645	18	663
Non-executive directors				
Cheung Wah Kit Jason	–	–	–	–
Yeung Wai Keung	–	–	–	–
Lam Yau Hin	–	–	–	–
	–	3,987	90	4,077

Notes:

- (i) No director received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the Track Record Period. No director waived or agreed to waive any emoluments during the Track Record Period.
- (ii) The Group did not have any share option scheme for the purchase of ordinary shares in the Group during the Track Record Period.
- (iii) The emoluments paid to or for the executive directors are generally emoluments paid in respect of those persons' other services in connection with the management of the affairs of the Company and its subsidiaries.
- (iv) Mr. Wong Tsun Ho Ian, Mr. Law Cheung Moon, Mr. Leung Patrick Cheong Yu and Mr. Wong Chun Pan Dennis were appointed as executive directors on 26 May 2017.

7. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Out of the five individuals with the highest emoluments, four, four and two for each of the years ended 31 December 2015, 31 December 2016 and 31 December 2017, respectively, are directors whose emoluments are disclosed in Note 6 under Section II. The emoluments of the remaining one, one and two individuals, whose emoluments fell within the salary band of Nil to HK\$1,000,000, and Nil, Nil and one individual, whose emoluments fell within the salary band of HK\$1,500,001 to HK\$2,000,000, for the years ended 31 December 2015, 31 December 2016 and 31 December 2017, respectively, are as follows:–

	Year ended 31 December		
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Short-term employee benefits	540	840	3,517
Post-employment benefits	18	18	54
Total	558	858	3,571

8. INCOME TAX

Provision for Hong Kong profits tax has been made at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the Track Record Period.

Details of income tax are as follows:-

	Year ended 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax			
– provision for the year	3,114	4,277	2,069
– prior year overprovision	(20)	(12)	–
	<u>3,094</u>	<u>4,265</u>	<u>2,069</u>

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and the subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:-

	Year ended 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before tax	<u>18,849</u>	<u>21,462</u>	<u>8,054</u>
Tax at Hong Kong profits tax rate of 16.5%	3,110	3,541	1,328
Income not subject to tax	(2)	(5)	–
Tax effect of temporary differences not recognised	6	–	23
Tax effect of expenses that are not deductible in determining taxable profit	–	494	718
Prior year overprovision	(20)	(12)	–
Others	–	247	–
Tax charge	<u>3,094</u>	<u>4,265</u>	<u>2,069</u>

9. DIVIDEND

During the years ended 31 December 2015, 31 December 2016 and 31 December 2017, Kinetix Systems Limited declared and paid dividends of HK\$4,708,000, HK\$6,000,000 and HK\$6,000,000, respectively, to its members. No dividends have been declared or paid by the Company in respect of the Track Record Period.

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost					
1 January 2015	–	427	1,268	1,172	2,867
Additions	10	8	210	–	228
Written off	–	(370)	(87)	(588)	(1,045)
	<u>10</u>	<u>(370)</u>	<u>(87)</u>	<u>(588)</u>	<u>(1,045)</u>
31 December 2015	10	65	1,391	584	2,050
Additions	74	24	225	–	323
Written off	–	(7)	(440)	(350)	(797)
	<u>74</u>	<u>(7)</u>	<u>(440)</u>	<u>(350)</u>	<u>(797)</u>
31 December 2016	84	82	1,176	234	1,576
Additions	150	–	181	–	331
Disposals	–	–	–	(234)	(234)
	<u>150</u>	<u>–</u>	<u>181</u>	<u>(234)</u>	<u>331</u>
31 December 2017	<u>234</u>	<u>82</u>	<u>1,357</u>	<u>–</u>	<u>1,673</u>
Accumulated depreciation					
1 January 2015	–	389	946	1,172	2,507
Depreciation provided for the year	2	13	253	–	268
Written off	–	(370)	(87)	(588)	(1,045)
	<u>2</u>	<u>(370)</u>	<u>(87)</u>	<u>(588)</u>	<u>(1,045)</u>
31 December 2015	2	32	1,112	584	1,730
Depreciation provided for the year	17	16	216	–	249
Written off	–	(6)	(429)	(350)	(785)
	<u>17</u>	<u>(6)</u>	<u>(429)</u>	<u>(350)</u>	<u>(785)</u>
31 December 2016	19	42	899	234	1,194
Depreciation provided for the year	145	15	181	–	341
Disposals	–	–	–	(234)	(234)
	<u>145</u>	<u>15</u>	<u>181</u>	<u>(234)</u>	<u>341</u>
31 December 2017	<u>164</u>	<u>57</u>	<u>1,080</u>	<u>–</u>	<u>1,301</u>
Net book value					
31 December 2015	<u>8</u>	<u>33</u>	<u>279</u>	<u>–</u>	<u>320</u>
31 December 2016	<u>65</u>	<u>40</u>	<u>277</u>	<u>–</u>	<u>382</u>
31 December 2017	<u>70</u>	<u>25</u>	<u>277</u>	<u>–</u>	<u>372</u>

11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	Notes	As at 31 December		
		2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Trade receivables	(a)	25,876	40,213	22,553
Unbilled receivables	(b)	5,549	6,023	41,776
Amounts due from customers for contract work	(c)	7,387	7,396	7,505
Deposits	(d)	3,204	2,692	4,040
Prepayments		–	1,074	3,094
Payment in advance		683	239	1,324
		<u>42,699</u>	<u>57,637</u>	<u>80,292</u>
Analysed as:-				
Non-current portion		–	–	590
Current portion		<u>42,699</u>	<u>57,637</u>	<u>79,702</u>
		<u>42,699</u>	<u>57,637</u>	<u>80,292</u>

- (a) The following is an aging analysis of trade receivables from third parties presented based on the invoice date at the end of the reporting period:-

	As at 31 December		
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
0 – 30 days	12,846	20,017	20,327
31 – 90 days	3,759	6,825	1,797
91 – 180 days	9,101	10,923	368
Over 180 days	170	2,448	61
	<u>25,876</u>	<u>40,213</u>	<u>22,553</u>

The following is an aging analysis of trade receivables from third parties presented based on the due date at the end of the reporting period:-

	As at 31 December		
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Neither past due nor impaired	11,128	21,591	20,458
Less than 1 month past due	3,691	4,571	1,576
1 to 3 months past due	10,887	10,803	458
3 to 6 months past due	–	800	–
More than 6 months past due	170	2,448	61
	<u>25,876</u>	<u>40,213</u>	<u>22,553</u>

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that are new or have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality or there were settlements subsequent to the end of the reporting period and the balances are still considered fully recoverable.

(b) Unbilled receivables

The unbilled receivables were mainly attributable to completed IT infrastructure solutions services involving software and/or hardware and completed maintenance and support services which will be billed within the next twelve months from the end of the reporting dates in accordance with the payment terms stipulated in the relevant contracts, quotation, purchase orders and service agreements entered into between the Group and the customers. These receivables were neither past due nor impaired and relate to a number of customers for whom there was no recent history of default.

(c) Amounts due from/to customers for contract work

Amounts due from/to customers for contract work involving IT infrastructure solutions and IT development solutions services represented the balances of aggregate cost incurred and recognised profits for the contracts for solutions services which are recognised based on the percentage of completion method net of the sum of recognised losses and progress billings. The net balance sheet position for ongoing contracts is as follows:–

	As at 31 December		
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Aggregate costs incurred plus recognised profits less recognised losses to date	25,685	28,154	39,147
Less: Progress billings	(20,643)	(24,939)	(32,578)
	<u>5,042</u>	<u>3,215</u>	<u>6,569</u>
Analysed for reporting purposes as:–			
Amounts due from customers for contract work	7,387	7,396	7,505
Amounts due to customers for contract work (<i>Section II Note 16</i>)	(2,345)	(4,181)	(936)
	<u>5,042</u>	<u>3,215</u>	<u>6,569</u>

(d) Margin deposits

As at 31 December 2015, 31 December 2016 and 31 December 2017, included in deposits are margin deposits of HK\$1,285,000, HK\$422,000 and HK\$820,000, respectively, which were pledged to a bank to secure the bank to provide performance guarantee to the Group for the due performance and observance of the Group's obligations under the contacts entered into between the Group and their customers.

12. DUE FROM AN IMMEDIATE HOLDING COMPANY/DUE FROM RELATED COMPANIES/DUE FROM A DIRECTOR

Amount due from an immediate holding company, amounts due from related companies and amount due from a director are non-trade in nature, unsecured, interest-free and are repayable on demand. The Company's ultimate controlling shareholder and director, Mr. Yu, is a key management personnel of Rise Talent Limited as at 31 December 2015. The related companies, Broad Vision Investment Limited and Aztex Solutions Limited, are controlled by Mr. Yu as at 31 December 2016 and 31 December 2017.

	As at 31 December		
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Director			
Yu Pak Lun Larry	–	37	–
	<u>–</u>	<u>37</u>	<u>–</u>
Related companies			
Rise Talent Limited	251	–	–
Broad Vision Investment Limited	–	505	–
Aztex Solutions Limited	–	29	–
	<u>–</u>	<u>534</u>	<u>–</u>
Total	<u>251</u>	<u>534</u>	<u>–</u>

	Maximum amount outstanding during the year ended 31 December		
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Director			
Yu Pak Lun Larry	–	37	37
	<u>–</u>	<u>37</u>	<u>37</u>
Related companies			
Rise Talent Limited	251	–	–
Broad Vision Investment Limited	–	505	505
Aztex Solutions Limited	–	29	29
	<u>–</u>	<u>534</u>	<u>534</u>
Total	<u>251</u>	<u>534</u>	<u>534</u>

13. TIME DEPOSITS

As at 31 December 2015, 31 December 2016 and 31 December 2017, time deposits of HK\$1,531,000, HK\$Nil and HK\$Nil, respectively are pledged to a bank to secure the bank to provide guarantee to the Group for the due performance and observance of the Group's obligations under the contacts entered into between the Group and their customers.

In 2015, time deposits carry interest at 1.01% to 1.05% per annum and they were matured on 4 February 2016.

14. CASH AND CASH EQUIVALENTS

	As at 31 December		
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Savings accounts	24,913	25,642	33,814
Current accounts	68	1,346	861
Brokerage account	2,714	–	–
Cash on hand	–	1	1
	27,695	26,989	34,676
	27,695	26,989	34,676

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Balances held on brokers' accounts earn interest at interest rate offered by respective brokers.

At 31 December 2016 and 31 December 2017, the Group did not have any credit facilities from banks. At 31 December 2015, the Group's total credit facilities amounted to HK\$12,000,000 and the Group did not utilise the bank credit facilities granted.

At 31 December 2015, the bank credit facilities were secured by way of the following:–

- (a) Personal guarantees given by the directors of Kinetix Systems Limited, Yu Pak Lun Larry and Lam Tai Wai David; and
- (b) Guarantee issued by Hong Kong Mortgage Corporation Limited under the SME Financing Guarantee Scheme and annual guarantee fee charged at rates ranging from 0.5% to 1% of the limit of the facility.

The financial guarantees were issued by Yu Pak Lun Larry and Lam Tai Wai David at Nil consideration. The transactions were not at arm's length and, in the opinion of the directors, it is not possible to measure reliably the fair value of these transactions in accordance with HKAS 39 "Financial instruments: Recognition and Measurement: Financial Guarantee Contracts". Accordingly, the guarantees have not been accounted for as financial liabilities and measured at fair value.

15. SHARE CAPITAL

	Notes	As at 31 December		
		2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Issued and fully paid:				
Ordinary shares	(a)	10	–*	–*
		10	–*	–*

* Less than HK\$1,000.

- (a) The numbers of ordinary shares as at 31 December 2015, 31 December 2016 and 31 December 2017 were 10,000, 100 and 100, respectively.

The Group

The issued share capital as at 31 December 2015 represented the share capital of Kinetix Systems Limited. The share capital as at 31 December 2016 and 31 December 2017 represented the share capital of the Company.

The Company

On 16 September 2016, the Company was incorporated in Cayman Islands with limited liability. The initial authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. On the date of incorporation, one share was allotted and issued to the initial subscriber of the Company. The one share was transferred by the initial subscriber to Vigorous King Limited (“VKL”), which is fully owned by Mr. Yu, and fully paid. On the same date, 99 Shares were allotted and issued at par to VKL. Accordingly, the Company has been owned as to 100% by VKL since the date of its incorporation.

16. TRADE AND OTHER PAYABLES AND ACCRUALS

	<i>Notes</i>	As at 31 December		
		2015	2016	2017
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	(a)	18,552	8,399	15,028
Accrued purchases and service costs	(b)	10,206	17,559	49,162
Amounts due to customers for contract work	<i>Section II</i> <i>II(c)</i>	2,345	4,181	936
Customers' deposits received		237	868	–
Other payables and accruals		2,918	4,058	1,056
Receipt in advance		3,251	2,565	2,640
		<u>37,509</u>	<u>37,630</u>	<u>68,822</u>
Analysed as:-				
Non-current portion		354	49	–
Current portion		<u>37,155</u>	<u>37,581</u>	<u>68,822</u>
		<u>37,509</u>	<u>37,630</u>	<u>68,822</u>

- (a) Trade payables principally comprise amounts outstanding for purchases and service costs and have an average credit term of 30 days.

The following is an aging analysis of trade payables presented based on invoice date:-

	As at 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	13,588	690	11,688
31 – 60 days	3,504	441	2,954
61 – 90 days	128	4,548	67
Over 90 days	<u>1,332</u>	<u>2,720</u>	<u>319</u>
	<u>18,552</u>	<u>8,399</u>	<u>15,028</u>

- (b) Accrued purchases and service costs

The accrued purchases and service costs were mainly attributable to services carried out by subcontractors/goods provided by suppliers which will be billed within the next twelve months from the end of the reporting dates in accordance with the payment terms stipulated in the relevant contracts, quotation, purchase orders and service agreements entered into between the Group and the suppliers or subcontractors.

17. CONTINGENT LIABILITIES

As at 31 December 2015, 31 December 2016 and 31 December 2017, the margin deposits of the Group amounted to HK\$1,285,000, HK\$422,000 and HK\$820,000, respectively. As at 31 December 2015, the time deposits of the Group amounted to HK\$1,531,000. These were pledged to banks to secure the banks to provide guarantee to Group in favour of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and their customers. If the Group fails to provide satisfactory performance to their customers to whom performance guarantee have been given, such customers may demand the bank to pay them the sum or sum stipulated in such demand. The margin deposits and time deposits will be forfeited or deducted to compensate the bank accordingly. The margin deposits and time deposits will be released upon completion of the contract works.

18. OPERATING LEASE ARRANGEMENTS

At the end of the reporting period, the Group had minimum outstanding commitments under non-cancellable operating leases in respect of office premises and director's quarter as follows:-

	As at 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	–	1,641	2,549
In the second and fifth years, inclusive	–	275	5,799
	<u>–</u>	<u>1,916</u>	<u>8,348</u>

19. RELATED PARTY TRANSACTIONS

- (a) Transactions with related party in which both directors of Kinetix Systems Limited have beneficial interests during the year not disclosed elsewhere in these financial statements are summarised as follows:-

	Year ended 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
IT maintenance and support services provided to a related company	<u>1,029</u>	<u>140</u>	<u>–</u>

The above transactions were made at rates and terms in the normal course of business as agreed between the parties.

- (b) Details of compensation of key management personnel of the Company are included in Note 6 under Section II to the financial statements.
- (c) Details of the Group's balance with the Company's director at the end of the reporting period are included in Note 12 under Section II.

20. BUSINESS COMBINATION**Business combination not under common control.**

On 30 June 2016, the Group acquired 100% equity interest in Rise Talent Limited from the directors of Kinetix Systems Limited at a cash consideration of HK\$167,000.

The fair values of the identifiable assets and liabilities of Rise Talent Limited as at the date of acquisition were as follows:-

	As at 30 June 2016 HK\$'000
Net assets acquired:-	
Trade receivables and prepayment	65
Cash and cash equivalents	340
Trade payables and accruals	(224)
Other payables	(14)
	<u>167</u>
Total identifiable net assets at fair value	<u>167</u>
Satisfied by cash	<u><u>167</u></u>

An analysis of the cash flows in respect of the acquisition of Rise Talent Limited is as follows:

	As at 30 June 2016 HK\$'000
Cash consideration	(167)
Cash and cash equivalents acquired	340
	<u>173</u>
Net cash inflows included in investing activities	<u><u>173</u></u>

If the acquisition has been completed on 1 January 2016, total Group's revenue for the year ended 31 December 2016 would have been HK\$184,247,000, and profit for the year would have been HK\$17,268,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016 nor is it intended to be a projection of future results.

21. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:–

	As at 31 December		
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
<u>Financial assets</u>			
Loans and receivables	58,557	70,465	61,269
<u>Financial liabilities</u>			
Amortised cost	21,470	12,457	16,084

22. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2015, interim dividend of HK\$1,000,000 was settled through the current account with a director who is also the shareholder of the Group.

23. DUE FROM AN IMMEDIATE HOLDING COMPANY/DUE TO SUBSIDIARIES

Amount due from an immediate holding company and amounts due to subsidiaries are non-trade in nature, unsecured, interest-free and are repayable on demand.

24. RESERVES OF THE COMPANY

	Other reserve (Note) HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
On incorporation	–	–	–
Loss and total comprehensive loss for the period Arising from reorganisation	–	(42)	(42)
	36,763	–	36,763
At 31 December 2016	36,763	(42)	36,721
Loss and total comprehensive loss for the year	–	(34)	(34)
At 31 December 2017	36,763	(76)	36,687

Note: Other reserve represents member's deemed contribution arising from reorganisation.

25. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS**(a) Financial risk management**

The Group is exposed to a variety of risks including foreign currency risk, credit risk, liquidity risk, interest rate risk and equity price risk arising in the normal course of the business activities.

The Group does not have any written risk management policies and guidelines. The directors of the Company monitor the financial risk management of the Group and take such measures as considered necessary from time to time to minimise such financial risks.

(i) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group is exposed to foreign currency risk related primarily to income and costs that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States dollars ("US\$"). The Group does not hold or issue any derivative financial instruments for trading purposes or to hedge against fluctuations in foreign exchange rates. The Group mitigates this risk by conducting the sales and purchases transactions in the same currency, whenever possible.

In the opinion of the directors, the rate of exchange of the US\$ to the HK\$ is reasonably stable under the linked exchange rate system and, accordingly, the Group does not have any significant foreign exchange risk arising from US\$. As a result, no sensitivity analysis is performed.

(ii) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade and other receivables). The Group performs ongoing credit evaluation of the debtors' financial condition and maintains an account for allowance for impairment losses of trade and other receivables based upon the expected collectibility of all trade and other receivables. At the end of the reporting period, the Group considers that no allowance for impairment losses on trade and other receivables is required.

As at 31 December 2015, 31 December 2016 and 31 December 2017, the Group has concentration of credit risk as 0%, 31% and 0%, respectively and 42%, 56% and 17%, respectively of the total trade receivables arose from the Group's largest customer and the five largest customers, respectively. As at 31 December 2015, 31 December 2016 and 31 December 2017, approximately 55%, 53%, 47%, respectively, of the Group's trade receivables were due from two, two and two customers for each of the years ended 31 December 2015, 31 December 2016 and 31 December 2017, respectively. Each of whom accounted for more than 10% of the Group's outstanding trade receivables as at 31 December 2015, 31 December 2016 and 31 December 2017.

The directors of the Company consider the credit risks arising from the abovementioned customers are not significant as the counterparties are well established companies which are listed companies, subsidiaries of listed companies or information and communication technology companies with sound financial position. The Group has closely monitored the recoverability of the balances due from these counterparties and taken effective measures to ensure timely collection of outstanding balances. In addition, the Group has set up long-term cooperative relationship with these customers. In view of the history of business dealings with these customers and the sound collection history of the receivables due from them, the Group believes that there is no material credit risk inherent in the Group's outstanding receivable balances due from these customers.

The Group makes periodic assessment on the recoverability of the trade receivables based on the historical payment records, the length of overdue period, the financial strength of the debtors and whether there are any disputes with the debtors. The directors of the Company consider the Group's risk of concentration on credit risk of abovementioned customers is low.

Time deposits and bank balances of the Group are held with financial institutions of good standing.

(iii) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

Prudent liquidity risk management implies maintaining sufficient cash. The Group monitors and maintains a level of bank balances deemed adequate to finance the Group's operations.

All of the financial liabilities of the Group are repayable on demand or fall due within one year.

(iv) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Except for the deposits placed with banks, the Group has no other significant interest-bearing assets or liabilities. Accordingly, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

(b) Fair values of financial instruments

The carrying amounts of financial assets and financial liabilities, all of which have a maturity of less than one year, are assumed to approximate their fair values.

26. CAPITAL MANAGEMENT

The Group manages its capital to ensure that all entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through optimisation of the balance between debt and equity.

As at 31 December 2015, 31 December 2016 and 31 December 2017, the capital of the Group consists of cash and cash equivalents of HK\$27,695,000, HK\$26,989,000 and HK\$34,676,000, respectively and equity comprising share capital of HK\$10,000, HK\$1 and HK\$1, respectively and retained earnings of HK\$33,360,000, HK\$44,557,000 and HK\$44,542,000, respectively disclosed in the statement of changes in equity.

The Group reviews the capital structure on an ongoing basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and the issue of new debt or the repayment of existing debt.

The Group's overall strategy remains unchanged throughout the Track Record Period.

27. NEW AND REVISED HKFRSs NOT YET ADOPTED

The Group has not applied the following new and revised HKFRSs, which have been issued but are not yet effective, in these financial statements:–

		Effective for annual reporting periods beginning on or after
HKAS 28 and HKFRS 10 amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined*
HKAS 40 Amendments	Transfer of Investment Property	1 January 2018
HKFRS 2 Amendments	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 15 Amendments	Clarification to HKFRS 15 Revenue Contracts with Customers	1 January 2018
HK (IFRIC) – Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle	1 January 2019
HKFRS 16	Leases	1 January 2019
HKFRS 9 Amendments	Prepayments Features with Negative Compensation	1 January 2019
HK (IFRIC) – Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019

* The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2017. The effective date has now been deferred. Early application of the amendments continues to be permitted.

The Group has already commenced an assessment of the related impact of adopting the above new and revised HKFRSs. So far, it has concluded that the above new and revised HKFRSs will be adopted at the respective effective dates and the adoption of them is unlikely to have a significant impact on the consolidated financial statements of the Group except for the following:–

HKFRS 9 “Financial Instruments”

HKFRS 9 has introduced new requirements for a) classification and measurement of financial assets, b) impairment of financial assets and c) general hedge accounting.

With regards to the classification and measurement of financial assets, financial assets that are within the scope of HKFRS 9 are subsequently measured at either amortised cost or fair value. Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of each of the subsequent accounting periods. All other financial assets are measured at fair value at the end of each of the subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income (“FVTOCI”). All other debt instrument financial assets and equity investments are measured at their fair value at the end of subsequent accounting periods with changes in fair value recognised in consolidated profit or loss, except that the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is neither held for trading nor being contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 applies) in consolidated other comprehensive income, with only dividend income generally recognised in consolidated profit or loss and the cumulative fair value changes will not be reclassified to consolidated profit or loss upon derecognition of the investment.

With regards to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in consolidated other comprehensive income, unless the recognition of such changes in consolidated other comprehensive income would create or enlarge an accounting mismatch in consolidated profit or loss. Changes in fair value attributable to a financial liability’s credit risk are not subsequently reclassified to consolidated profit or loss. This differs from the accounting treatment under HKAS 39, whereby the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is recognised in consolidated profit or loss.

With regards to impairment of financial assets, HKFRS 9 has adopted an expected credit loss model, as opposed to the incurred credit loss model required under HKAS 39. In general, the adoption of the expected credit loss model will require the Group to assess at each reporting date whether there is a significant increase in credit risk of its financial assets since initial recognition and to recognise loss allowance equal to the lifetime or 12-month expected credit losses depending on whether or not there is a significant increase in credit risk.

With regards to the general hedge accounting requirements, HKFRS 9 retains the three types of hedge accounting mechanisms currently available in HKAS 39. HKFRS 9 will provide greater flexibility as to the types of transactions eligible for hedge accounting, specifically by broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an ‘economic relationship’. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about the group’s risk management activities have also been introduced.

HKFRS 9 contains specific transitional provisions for (a) classification and measurement of financial assets; (b) impairment of financial assets; and (c) hedge accounting, which will be adopted by the group when it applies HKFRS 9 in the year ending 31 December 2018.

The amendments to HKFRS 9 Prepayment Features with Negative Compensation mainly clarify and provide additional guidance as to when a debt instrument financial asset with a prepayment option would satisfy the “solely payment of principal and interest’ test.

The directors of the Company are of the view that if the expected credit loss model under HKFRS 9 were to be applied by the Group, it will not result in any significant impact on the Group’s financial position and result of operations.

The Group will apply the new rules retrospectively since 1 January 2018, with the practical expedients permitted under the standard.

HKFRS 15 “Revenue from Contracts with Customers”

HKFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, HKFRS 15 introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company have undertaken a preliminary assessment of the effect of the adoption of HKFRS 15. Based on the assessment, it was determined that the Group will continue to use input method when measuring revenue using the percentage of completion, which is based on costs incurred compared to total costs when applying HKFRS 15. In addition, the directors of the Company expect that there will be no change arising from the adoption of the guidance in HKFRS 15 concerning the financial impact of the uninstalled hardware and/or software. It is expected that adopting HKFRS 15 will not have a material impact on the Group’s financial position and result of operations.

The Group will apply the new rules retrospectively since 1 January 2018, with the practical expedients permitted under the standard.

HKFRS 16 “Leases”

HKFRS 16, ‘Leases’ addresses the definition of a lease, recognition and measurement of leases. The standard replaces HKAS 17 ‘Leases’ and related interpretations. The Group is a lessee of office premises and director’s quarter which are currently classified as operating leases. The Group’s current accounting policy for such leases is set out in Note 18 under Section II. The Group had total future minimum lease payments under non-cancellable operating leases, which are not reflected in the consolidated statements of financial position, falling due as follows:-

	As at 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Future minimum lease payment payable:			
– Within one year	–	1,641	2,549
– Later than one year and not later than five years	–	275	5,799
	<u>–</u>	<u>1,916</u>	<u>8,348</u>

HKFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to recognise certain leases outside of the consolidated statements of financial position. Instead, all non-current leases must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus each lease will be mapped in the Group's consolidated statements of financial position. Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation. The new standard will therefore result in an increase in right-of-use asset and an increase in financial liability in the consolidated statements of financial position. This will affect related ratios, such as increase in debt to capital ratio. In the consolidated statements of comprehensive income, lease will be recognised in the future as depreciation and amortisation and will no longer be recorded as property rental and related expenses. Interest expense on the lease liability will be presented separately from depreciation and amortisation under financial costs. As a result, the property rental and related expenses under otherwise identical circumstances will decrease, while depreciation and amortisation and the interest expense will increase. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to consolidated profit or loss in the initial year of the lease, and decreasing expenses during the latter part of the lease term. The new standard is not expected to apply until the financial year 2019, including the adjustment of prior years. The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in a significant impact on the Group's results and it is expected that a certain portion of the lease commitments of the Group will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

There are no other new standards and amendments to standards and interpretations that are not yet effective that would be expected to have a material impact on the Group.

28. EVENTS AFTER THE REPORTING PERIOD

Save as elsewhere disclosed in this report, no significant events took place subsequent to 31 December 2017 and up to the date of this report.

29. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 31 December 2017.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set out in this Appendix does not form part of the accountants' report from Moore Stephens CPA Limited, Certified Public Accountants, Hong Kong, the Company's Reporting Accountants, as set out in Appendix I to this prospectus (the "Accountants' Report"), and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. STATEMENT OF UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company prepared in accordance with paragraph 7.31 of the GEM Listing Rules is for illustrative purpose only, and is set out below to illustrate the effect of the Share Offer on the audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2017, as if the Share Offer had taken place on 31 December 2017.

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2017 or at any future date following the Share Offer.

	Audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2017 <i>HK\$'000</i> <i>(Note 1)</i>	Estimated net proceeds from the Share Offer <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2017 <i>HK\$'000</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2017 per Share <i>HK\$</i> <i>(Note 3)</i>
Based on Offer Price of HK\$0.23 per Share	44,552	29,940	74,492	0.09
Based on Offer Price of HK\$0.30 per Share	44,552	42,960	87,512	0.11

Notes:

- (1) The audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2017 is extracted from the Accountants' Report set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Share Offer are based on 200,000,000 Offer Shares at the Offer Price of lower limit and upper limit of HK\$0.23 and HK\$0.30 per Offer Share, respectively, after deduction of the underwriting fees and related expenses payable by the Company in connection with the Share Offer, excluding those expenses which had been recognised in profit or loss on or prior to 31 December 2017.

The calculation of such estimated net proceeds does not take into account of any Shares which may be allotted and issued pursuant to the exercise of Offer Size Adjustment Option, the exercise of options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares referred to in the section headed "General Mandate to Issue Shares" or the section headed "Repurchase Mandate".

- (3) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2017 per Share is calculated based on 200,000,000 Shares in issue assuming that the Share Offer and the Capitalisation Issue had been completed on 31 December 2017 and does not take into account of any Shares which may be allotted and issued pursuant to the exercise of Offer Size Adjustment Option, the exercise of options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares referred to in the section headed "General Mandate to Issue Shares" or the section headed "Repurchase Mandate".
- (4) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2017 to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2017.

B. UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the purpose of incorporation in this Prospectus, received from the Company’s reporting accountants, Moore Stephens CPA Limited, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information of the Group.

MOORE STEPHENS

Moore Stephens CPA Limited
801-806 Silvercord, Tower 1,
30 Canton Road, Tsimshatsui,
Kowloon, Hong Kong

T +852 2375 3180
F +852 2375 3828

www.moorestephens.com.hk

大
華
馬
施
雲
會
計
師
事
務
所
有
限
公
司

**INDEPENDENT REPORTING ACCOUNTANTS’ ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

To the Directors of Kinetix Systems Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Kinetix Systems Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The unaudited pro forma financial information consists of the statement of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2017 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 30 June 2018 (the “Prospectus”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described in Notes 1 to 4 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed share offer of the shares of the Company on GEM of The Stock Exchange of Hong Kong Limited (the “Share Offer”) on the Group’s financial position as at 31 December 2017 as if the Share Offer had taken place at 31 December 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 as at 31 December 2017, on which an accountants’ report set out in Appendix I to the Prospectus has been published.

Directors' Responsibilities 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 "GEM Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2017 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, 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 on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

Yours faithfully,
Moore Stephens CPA Limited
Certified Public Accountants

Law Yuen Man, Ida
Practising Certificate Number: P05878
Hong Kong, 30 June 2018

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 16 September 2016 under the Cayman Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "**Memorandum**") and its Amended and Restated Articles of Association (the "**Articles**").

1. MEMORANDUM OF ASSOCIATION

1.1 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.

1.2 By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 22 June 2018. A summary of certain provisions of the Articles is set out below.

2.1 Shares

2.1.1 Classes of shares

The share capital of the Company consists of ordinary shares.

2.1.2 Variation of rights of existing shares or classes of shares

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting,

but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorised representative) or 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.

2.1.3 Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; and (g) change the currency of denomination of its share capital.

2.1.4 Transfer of shares

Subject to the Cayman Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

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

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

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 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.

2.1.5 Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

2.1.6 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.

2.1.7 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.

2.2 Directors

2.2.1 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.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

The office of a Director shall be vacated if he:

- (a) resign;
- (b) dies;
- (c) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (d) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (e) he is prohibited from being or ceases to be a director by operation of law;
- (f) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (g) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (h) 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.

2.2.2 Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

2.2.3 Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

2.2.4 Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

2.2.5 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.

2.2.6 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.

2.2.7 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.

2.2.8 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.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

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:

- (a) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (b) 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;
- (c) 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;
- (d) 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
- (e) 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.

2.2.9 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.

2.3 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.

2.4 Meetings of member

2.4.1 Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An “ordinary resolution”, by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

2.4.2 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

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

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 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 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.

2.4.3 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.

2.4.4 Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Law and the 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:

- (a) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (b) 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.

2.4.5 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.

2.4.6 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.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

2.5 Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarised financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

2.6 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:

2.6.1 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;

2.6.2 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

2.6.3 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:

- (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the 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
- (b) 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.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

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.

2.7 Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

2.8 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarised in paragraph 3.6 of this Appendix.

2.9 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:

2.9.1 if the Company is wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively; and

2.9.2 if the Company is wound up and the surplus assets available for distribution among the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

2.10 Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3 CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 16 September 2016 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

3.1 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.

3.2 Share capital

Under Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- 3.2.1 paying distributions or dividends to members;
- 3.2.2 paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- 3.2.3 any manner provided in section 37 of the Cayman Companies Law;
- 3.2.4 writing-off the preliminary expenses of the company; and
- 3.2.5 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.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

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.

3.3 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.

3.4 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 Cayman Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

3.5 Dividends and distributions

Subject to a solvency test, as prescribed in the Cayman Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

3.6 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.

3.7 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).

3.8 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.

3.9 Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

3.10 Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

3.10.1 no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

3.10.2 no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

(a) on or in respect of the shares, debentures or other obligations of the Company;
or

(b) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from 8 November 2016.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

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.

3.11 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.

3.12 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.

3.13 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.

3.14 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.

3.15 Register of Directors and officers

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

3.16 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.

3.17 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.

3.18 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.

3.19 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" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation**

Our Company was incorporated in the Cayman Islands on 16 September 2016 as an exempted company with limited liability under the Companies Law.

Our Company has been registered in Hong Kong under Part 16 of the Companies Ordinance as a non-Hong Kong company on 6 February 2017 and its principal place of business in Hong Kong is at Room 2702, Rykadan Capital Tower, 135 Hoi Bun Road, Kwun Tong, Hong Kong. In compliance with the requirements of the Companies Ordinance, Mr. Yu has been appointed as its authorised representative for the acceptance of service of process and any notice required to be served on our Company in Hong Kong.

Our Company was incorporated in the Cayman Islands and is subject to the Cayman Islands law. Its constitution comprises a memorandum of association and articles of association. A summary of certain relevant parts of its constitution and certain relevant aspects of the Companies Law is set out in Appendix III to this prospectus.

2. Changes in Share Capital of our Company*(a) Authorised share capital*

- (i) As at the date of incorporation of our Company on 16 September 2016, our authorised share capital was HK\$380,000 divided into 38,000,000 shares having a par value of HK\$0.01 each.
- (ii) On the date of incorporation, 1 Share of HK\$0.01 was allotted and issued at par to the initial subscriber, who subsequently transferred the Share to VKL for a consideration of HK\$0.01.
- (iii) On the date of incorporation, 99 Shares of HK\$0.01 each were allotted and issued to VKL for a consideration of HK\$0.99. The consideration was settled by cash on the same day.
- (iv) On 22 June 2018, the authorised share capital of our Company was further increased to HK\$100,000,000 by creation of further 9,962,000,000 Shares pursuant to a resolution passed by the Shareholders.
- (v) Immediately following completion of the Capitalisation Issue and the Share Offer but taking no account of any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option or any options which have been or may be granted under the Share Option Scheme, the authorised share capital of our Company will be HK\$100,000,000 divided into 10,000,000,000 Shares, of which 800,000,000 Shares will be issued fully paid or credited as fully paid, and 9,200,000,000 Shares will remain unissued.

Other than pursuant to the exercise of the Offer Size Adjustment Option and the exercise of any options which have been or 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 paragraph headed “Further information about our Company – 3. Resolutions in Writing of the Shareholders passed on 22 June 2018” of this Appendix and the section headed “History, Development and Reorganisation”, there has been no alteration in the share capital of our Company since its incorporation.

(b) Founder shares

Our Company has no founder shares, management shares or deferred shares.

3. Resolutions in Writing of the Shareholders passed on 22 June 2018

Resolutions in writing were passed by the Shareholders on 22 June 2018 pursuant to which, among other matters:

- (a) our Company approved and adopted the amended and restated Articles of Association with effect from the Listing Date;
- (b) the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares of a par value of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 Shares of a par value of HK\$0.01 each by the creation of 9,962,000,000 Shares of a par value of HK\$0.01 each;
- (c) conditional on (aa) the Stock Exchange granting the listing of, and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus; (bb) the Offer Price having been determined; (cc) the execution and delivery of the Underwriting Agreement 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 the day falling 30 days after the date of this prospectus;
 - (i) the Share Offer and the Offer Size Adjustment Option were approved and the Directors were authorised to allot and issue of the Offer Shares pursuant to the Share Offer and such number of Shares as may be required to be allotted and issued upon the exercise of the Offer Size Adjustment Option;
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “Other information – Share Option Scheme” in this Appendix, were approved and adopted and the Directors or any committee

thereof established by the Board were authorised to administer the Share Option Scheme and to modify/amend 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 HK\$5,999,999 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 599,999,900 Shares for allotment and issue to holders of Shares whose names appear on the register of members of our Company as at the close of business on the date prior to the Listing Date (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 of Association, or pursuant to the exercise of any options which may be granted under the Share Option Scheme, or under the Share Offer or the Capitalisation Issue or upon the exercise of the Offer Size Adjustment Option, Shares with an aggregate number of Shares not exceeding the sum of (aa) 20% of the number of Shares in issue and to be issued immediately following completion of the Share Offer and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option, and (bb) the number of such Shares which may be repurchased by our Company itself 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 (unless renewed by an ordinary resolution of the Shareholders in a general meeting, whether unconditionally or subject to condition), or the date by which the next annual general meeting of our Company is required by the Articles of Association, the Companies Law or any other applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors, whichever occurs first;

- (v) a general unconditional mandate (the “**Repurchase Mandate**”) was given to the Directors to exercise all powers of our Company to repurchase Shares on the Stock Exchange or on any 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, such number of Shares not exceeding 10% of the number of Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue, but excluding any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option until the conclusion of the next annual general meeting of our Company (unless renewed by an ordinary resolution of the Shareholders in a general meeting, whether unconditionally or subject to condition), or the date by which the next annual general meeting of our Company is required by the Articles of Association or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors, whichever occurs first; and
 - (vi) the extension of the general mandate to allot, issue and deal with Shares pursuant to sub-paragraph (iv) above by the addition of such Shares repurchased by our Company pursuant to sub-paragraph (v) above.
- (d) our Company approved the form and substance of each of the service agreements made between the executive Directors and our Company, and the form and substance of each of the appointment letters made between each of the independent non-executive Directors with our Company.

4. Changes in share capital of subsidiaries

Our Company’s subsidiaries as at 31 December 2017 are set out under the financial statement in the Accountant’s Report as included in Appendix I to this prospectus.

Save as disclosed in the section headed “History, Development and Reorganisation” in this prospectus, there has not been any changes in the share capital to any of the subsidiaries of our Company within the two years preceding to the date of this prospectus.

5. Securities repurchase mandate

Restriction on Share Repurchase

The GEM Listing Rules permits companies whose primary listing is on the GEM to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

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 in writing passed by the Shareholders on 22 June 2018, the Repurchase Mandate was given to the Directors authorising any repurchase by our Company of Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares not exceeding 10% of the number of Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue, but excluding any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and/or, the Share Option Scheme, such mandate to expire at the conclusion of the next annual general meeting of our Company (unless renewed by an ordinary resolution of the Shareholders in a general meeting, whether unconditionally or subject to condition), or the date by which the next annual general meeting of our Company is required by the Articles of Association or applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to the Directors, whichever occurs first.

(b) *Source of funds*

Repurchases of Shares by our Company must be paid out of funds legally available for the purpose in accordance with our Company's Memorandum of Association and Articles of Association, the GEM Listing Rules 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 from time to time. Any repurchase of Shares by our Company may be made out of profits or share premium account of our Company or out of proceeds of a fresh issue of Shares made for that purpose or, if so authorised by the Articles of Association and subject to the Companies Law, out of capital. Any premium payable on a redemption or repurchase over the par value of the Shares to be purchased must be paid for out of profits of our Company or out of our Company's share premium account or, if so authorised by the Articles of Association and subject to the Companies Law, out of capital.

Any premium payable on a redemption or repurchase over the par value of the Shares to be purchased must be paid for out of profits of our Company or out of our Company's share premium account or, if so authorised by the Articles of Association and subject to the Companies Law, out of capital.

(c) *Reasons for repurchases*

The Directors believe that it is in the best interest 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 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 of Association, the GEM Listing Rules and the applicable laws of the Cayman Islands.

On the basis of our current financial position as disclosed in this prospectus and taking into account our current working capital position, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or the gearing position 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 our working capital requirements or the gearing levels which in the opinion of the Directors are from time to time appropriate for us.

The exercise in full of the Repurchase Mandate, on the basis of 800,000,000 Shares in issue immediately after the Listing, would result in up to 80,000,000 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 close associates has a present intention, in the event that the Repurchase Mandate is approved by Shareholders, to sell any Shares to our Company or its 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 of Association 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. As a result, a Shareholder or a group of Shareholders acting in concert (within the meaning under the Takeovers Code), depending on the level of increase of such Shareholders' interest, could obtain or consolidate control of our Company and may become obliged under Rule 26 of the Takeovers Code to make a mandatory offer unless a whitewash waiver is obtained. 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 sell any of the Shares held by them to our Company, in the event that our Company is authorised to make purchase of Shares.

FURTHER INFORMATION ABOUT THE BUSINESS OF OUR COMPANY

6. 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) Instrument of transfer and bought and sold notes all dated 30 June 2016 between Mr. Lam and KSL, pursuant to which Mr. Lam transferred 6,000 shares in RTL to KSL at a consideration of HK\$100,024.80;
- (b) Instrument of transfer and bought and sold notes all dated 30 June 2016 between Mr. Yu and KSL, pursuant to which Mr. Yu transferred 4,000 shares in RTL to KSL at a consideration of HK\$66,683.20;
- (c) Instrument of transfer and bought and sold notes all dated 31 October 2016 between Mr. Yu and KL, pursuant to which Mr. Yu transferred 10,000 shares in KSL to KL at a consideration of HK\$36,763,018;
- (d) Instrument of transfer and bought and sold notes all dated 30 November 2016 between KSL and Mr. Yu, pursuant to which KSL transferred 4,000 shares in ASL to Mr. Yu at a consideration of HK\$1.00;
- (e) Instrument of transfer and bought and sold notes all dated 30 November 2016 between KSL and Mr. Yu, pursuant to which KSL transferred 4,950 shares in BVIL to Mr. Yu at a consideration of HK\$1.00;
- (f) the Deed of Indemnity;
- (g) the Non-Competition Agreement; and
- (h) the Hong Kong Underwriting Agreement.

7. Intellectual Property Rights

(a) Trademarks

As at the Latest Practicable Date, our Group was the registered proprietor and beneficial owner of the following material trademarks:

Trademark	Registered Owner	Place of Registration	Class	Registration Number	Registration Date	Expiry Date
A 	KSL	Hong Kong	35, 42	303987811	9 December 2016	8 December 2026
B 						

(b) Domain Names

As at the Latest Practicable Date, we had the following material registered domain name(s):

Name of Registrant	Domain name	Date of registration	Expiry date
KSL	kinetix.com.hk	17 March 1999	1 October 2018

Save as disclosed above, we were not the registered proprietor or beneficial owner of any registered trademarks, patents and we were not the applicant of any trademark applications or patent applications.

8. Connected transactions and related party transactions

Save as disclosed in the sections headed “Business”, “Relationship with our Controlling Shareholders”, and in note 19 in the Accountant’s Report, the text of which is set out in Appendix I to this prospectus, during the two years immediately preceding the date of this prospectus, our Company has not engaged in any other material connected transactions or related party transactions.

FURTHER INFORMATION ABOUT DIRECTORS AND SHAREHOLDERS

9. Directors

(a) 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 on the Listing Date until terminated by not less than three months’ notice in writing served by either party on the other. The executive Directors are entitled to their respective basic remuneration set out below.

The current basic annual remuneration payable by us to the executive Directors is as follows:

Name	Approximate annual remuneration (HKD)
Mr. Yu	600,000
Mr. Wong Tsun Ho Ian	600,000
Mr. Law Cheung Moon	600,000
Mr. Leung Patrick Cheong Yu	480,000
Mr. Wong Chun Pan Dennis	840,000

Independent Non-executive Directors

Each of the independent non-executive Directors has been appointed for an initial term of three years commencing on 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 his/her appointment or any time thereafter. The appointments are subject to the provisions of the Articles of Association 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\$60,000 per annum. Save for directors' fees, none of the independent non-executive Directors is expected to receive any other remuneration for holding his office as an independent non-executive Director.

Save as aforesaid, none of the Directors has or is proposed to have a service contract with 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).

(b) Directors remuneration

- (i) The aggregate emoluments paid and benefits in kind granted by us to the Directors in respect of FY2015, FY2016 and FY2017 were approximately HK\$2.7 million, HK\$4.0 million and HK\$4.1 million, respectively.
- (ii) Under the arrangements currently in force, the aggregate emoluments (excluding discretionary bonus) payable by us to and benefits in kind receivable by the Directors (including the independent non-executive Directors in their respective capacity as Directors) for FY2018 are expected to be approximately HK\$5.9 million.

- (iii) None of the Directors or any past directors of any member of our Group has been paid any sum of money for FY2015, FY2016 and FY2017 (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 waive any emoluments for FY2016 and FY2017.
- (c) ***Interests and short positions of Directors and chief executive in the shares, underlying shares or debentures of our Company and its associated corporations***

Immediately following completion of the Capitalisation Issue and the Share Offer and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and the options which have been or may be granted under the Share Option Scheme, the interests and short positions of the Directors and chief executive in the shares, underlying shares or debentures of our Company and its 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 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

Director	Nature of interest	Number and class of securities⁽¹⁾	Approximate shareholding percentage
Mr. Yu	Interest in controlled corporations ⁽²⁾	600,000,000 Shares (L)	75%

Notes:

- (1) The letter “L” denotes the Directors’ long position in the Shares.
- (2) Our Company will be held as to approximately 75% by VKL immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon exercise of the Offer Size Adjustment Option and the options which have been or may be granted under the Share Option Scheme). VKL is held as to 100% by Mr. Yu.

Associated corporation – VKL

Director	Nature of interest	Number and class of securities in the associated corporation	Approximate shareholding percentage
Mr. Yu	Beneficial owner	1 Share	100%

10. Substantial Shareholders

So far as is known to the Directors, immediately following completion of the Capitalisation Issue and the Share Offer (without taking account any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and the options which have been or may be granted under the Share Option Scheme), the following persons (other than the Directors and chief executive) 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 are, directly or indirectly, interested in 10% or more of the issued voting shares of any member of our Group:

Our Company

Shareholders	Capacity/ Nature of interest	Number and class of securities⁽¹⁾	Approximate percentage of interest in the Company
VKL ⁽²⁾	Beneficial owner	600,000,000 Shares (L)	75%
Ms. Tong Po Ki Vicky ⁽³⁾	Interest of spouse	600,000,000 Shares (L)	75%

Notes:

- (1) The letter “L” denotes a person’s long position (as defined under Part XV of the SFO) in the Shares.
- (2) VKL is held as to 100% by Mr. Yu. Therefore, Mr. Yu is deemed to be interested in the Shares which VKL is interested in by virtue of the SFO.
- (3) Ms. Tong Po Ki Vicky is the spouse of Mr. Yu. Therefore, Ms. Tong is deemed to be interested in the Shares which Mr. Yu is interested in by virtue of the SFO.

11. Disclaimers

Save as disclosed in this prospectus and as at the Latest Practicable Date:

- (a) and taking no account of any Shares which may be taken up or acquired under the Share Offer or upon the exercise of the Offer Size Adjustment Option and any options which have been or may be granted under the Share Option Scheme, the Directors are not aware of any other person (not being a Director or the chief

executive of our Company) who will, immediately following completion of the Capitalisation Issue and the Share Offer, have interests and/or short positions in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of issued voting shares of any other member of our Group;

- (b) none of the Directors or the chief executive of our Company has any interest or short position in the Shares, underlying Shares or debentures of our Company, our subsidiary or any of the associated corporation (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 he/she 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 5.67 of the GEM Listing Rules, in each case once the Shares are listed;
- (c) none of the Directors nor any of the parties listed in the paragraph headed “Other information – Consents of Experts” in this Appendix was interested, directly or indirectly, in the promotion of, or in any assets which had 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 the subsidiaries of our Company, or were proposed to be acquired or disposed of by or leased to our Company or any 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 the Directors nor any of the parties listed in the paragraph headed “Other information – Consents of Experts” in this Appendix was materially interested in any contract or arrangement subsisting at the date of this prospectus which was significant to the business of our Group taken as a whole;
- (e) save in connection with the Underwriting Agreements, none of the experts referred to in the paragraph headed “Other information – Consents of Experts” in this Appendix:
 - (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; and
- (f) None of the Directors or their respective associates or, to the knowledge of the Directors, any Shareholder who held more than 5% of the total Shares as at the Latest Practicable Date had any interest in the five largest customers or the five largest suppliers of our Company.

OTHER INFORMATION**12. Share Option Scheme**

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the resolutions in writing of the Shareholders passed on 22 June 2018. The terms of the Share Option Scheme are in compliance with the provisions of Chapter 23 of the GEM Listing Rules.

(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 the paragraph headed “Other information – Share Option Scheme – Who may join” in this Appendix) have had or may have made to us. 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 our benefit; and
- (ii) attracting and retaining or otherwise maintaining on-going business relationships with the Eligible Participants whose contributions are or will be beneficial to our long-term growth.

(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 the paragraph headed “Other Information – Share Option Scheme – Price of Shares” in this Appendix to the following persons (“**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 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 us, the assessment criteria of which are:
 - (aa) contribution to our development and performance;

- (bb) quality of work performed for us;
- (cc) initiative and commitment in performing his/her duties; and
- (dd) length of service or contribution to us.

(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 the paragraphs headed “Other information – Share Option Scheme – Rights on ceasing employment/death”, “Other information – Share Option Scheme – Rights on dismissal”, “Other information – Share Option Scheme – Rights on takeover”, “Other information – Share Option Scheme – Rights on winding-up” and “Other information – Share Option Scheme – Rights on compromise or arrangement between our Company and its members or creditors” in this Appendix, 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 the paragraph headed “Other information – Share Option Scheme – Effect of alterations to capital” in this Appendix, 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 which may be issued upon exercise of all options to 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 80,000,000 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 our 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 relevant class of 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 the paragraph headed “Other information – Share Option Scheme – Effect of alterations to capital” in this Appendix whether by way of capitalisation issue, rights issue, sub-division or consolidation 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 Rule 23.02(2)(d) and the disclaimer required under Rule 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/her close associates (as defined in the GEM Listing Rules) (or his/her associates if the participant is a connected person) 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 exercise 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 the paragraph headed “Other information – Share Option Scheme – Acceptance of an offer of options” in this Appendix;
 - (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; and

(hh) the method of acceptance of the option which shall, unless the Board otherwise determines, be as set out in the paragraph headed “Other information – Share Option Scheme – Acceptance of an offer of options” in this Appendix.

(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 quotations sheet 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 closing prices of the Shares as stated in the Stock Exchange’s daily quotations sheets for the five business days immediately preceding the date of grant; 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 quotations sheet 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 the grantee, his/her associates and 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 sub-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) Restriction on the time of grant of Options

A grant of options may not be made after inside information has come to our Company's knowledge until such 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 any other interim period (whether or not required under the GEM Listing Rules); and
- (ii) the deadline for our Company to publish an announcement of the results for any year, or half-year, or quarterly or any 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, assign, charge, mortgage, encumber or otherwise dispose of or create any interest whatsoever 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 by a grantee 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 10 years from that date. The minimum period for which an option must be held before it can be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 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 10 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/her relationship with our Company and/or any of its subsidiaries on one or 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/her relationship with our Company and/or any of its subsidiaries under paragraph (m) below has occurred, the grantee or his/her 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/she 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/her creditors generally, or has been convicted of any criminal offence involving his/her integrity or honesty, his/her option will lapse and not be exercisable after the date of termination of his/her employment.

(n) Rights on takeover

If a general offer is made to all the Shareholders (or all such Shareholders other than the offeror or 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/her 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 our 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 compromise 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, subdivision or consolidation of shares 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) as that to 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 the paragraphs headed “Other information – Share Option Scheme – Rights on ceasing employment/death”, “Other information – Share Option Scheme – Rights on dismissal” and “Other information – Share Option Scheme – Rights on takeover” in this Appendix;
- (iii) the date upon which the scheme of arrangement of our Company referred to in the paragraph headed “Other information – Share Option Scheme – Rights on compromise or arrangement between our Company and its members and creditors” in this Appendix becomes effective;
- (iv) subject to the paragraph headed “Other information – Share Option Scheme – Rights on winding-up” in this Appendix, 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 the paragraph headed "Other information – Share Option Scheme – Rights are personal to grantee" in this Appendix or the options are cancelled in accordance with the paragraph headed "Other information – Share Option Scheme – Cancellation of Options" in this Appendix.

(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; and
- (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 and any adjustment to be made to the exercise price of the Share Option Scheme or the options shall still comply with Chapter 23 of the GEM Listing Rules, the supplemental guidance of 5 September 2005 and any future guidance or interpretation of the GEM Listing Rules from time to time 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 the 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 the paragraph headed "Other information – Share Option Scheme – Rights are personal to grantee" in this Appendix.

(v) *Termination of the Share Option Scheme*

Our Company may by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further 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 persons who may be affected thereby.

(x) *Conditions of the Share Option Scheme*

The Share Option Scheme is conditional on:

- (i) the Stock Exchange 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 Agreement becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s) by the Joint Bookrunners (for themselves and on behalf of the Underwriters)) and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise; and
- (iii) the commencement of dealings in the Shares on the Stock Exchange.

If the above conditions 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 there under.

(y) *Disclosure in annual and interim reports*

Our Company will disclose details of the Share Option Scheme in its annual and interim 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 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 Stock Exchange for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme, being 80,000,000 Shares in total.

13. Estate duty, Tax and other Indemnities

On 22 June 2018, our Controlling Shareholders (the “**Indemnifiers**”) entered into the Deed of Indemnity in favour of the Company (for itself and as trustee for each of its present subsidiaries) (being the material contract (f) referred to in paragraph 6 above) to provide indemnities on a joint and several basis, in respect of, among other matters:

- (a) any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of any transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any member of our Group at any time on or before the Listing;
- (b) tax liabilities (including all fines, penalties, costs, charges, expenses and interests incidental or relating to taxation), together with all reasonable costs, expenses or other liabilities 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 deemed to be so earned, accrued, received or 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;
- (c) 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 failure, delay or defects of corporate or regulatory compliance or errors, discrepancies or missing documents in the statutory records of any member of our Group under, or any breach of any provision of, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance or any other applicable laws, rules or regulations on or before the date on which the Share Offer becomes unconditional;

- (d) all claims, payments, suits, damages, settlements, sums, outgoings, fees, losses and any associated costs and expenses which would be incurred or suffered directly or indirectly, from or on the basis of or in connection with the legal proceedings and non-compliance matters by any member of our Group as described in the section headed “Business – Legal Proceedings and Legal Compliance” in this prospectus or in connection with any other non-compliance of any member of our Group which has occurred at any time on or before the Listing Date;
- (e) any depletion or reduction in value of its assets or any loss (including all legal costs and suspension of operation), cost, expenses, damages or other liabilities which any member of our Group may incur or suffer arising from or in connection with the implementation of the Reorganisation; and
- (f) all claims, payments, suits, damages, settlements, sums, outgoings, fees, losses and any associated costs and expenses which would be incurred or suffered directly or indirectly, from or on the basis of or in connection with the non-registration of the Group’s tenancy agreement in relation to the premises in Kwun Tong.

The Indemnifier is 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 31 December 2017; or
- (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 January 2018 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 Indemnifier, 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; and
 - (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 this prospectus; or
- (c) to the extent that such taxation liabilities or 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 any other relevant authority (whether in Hong Kong

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 31 December 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.

14. Litigation

As at the Latest Practicable Date, save as disclosed in the section headed "Business – Legal Proceedings and Legal Compliance" in this prospectus, neither our Company nor any of our subsidiaries was engaged in any litigation, arbitration or administrative proceedings of material importance and no litigation, arbitration or administrative proceedings of material importance is known to the Directors to be pending or threatened against our Company or any of its subsidiaries, that would have a material adverse effect on the results of operations or financial conditions of our Company.

15. Preliminary Expenses

Our preliminary expenses are approximately US\$4,300. All preliminary expenses and all expenses relating to the Share Offer will be borne by our Company.

16. Promoters

Our Company has no promoter for the purpose of the GEM Listing Rules.

Save as disclosed in this prospectus, no amount or benefit has been paid or given within two years preceding the date of this prospectus, or intended to be paid or given to any promoter in connection with the Share Offer or the related transactions described in this prospectus.

17. Agency Fees or Commissions Paid or Payable

The commission and expenses relating to the Share Offer that are to be borne by our Company are set out in the section headed "Underwriting" in this prospectus.

18. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and any Shares which may be issued upon the exercise of the Offer Size Adjustment Option and any options which have been or may be granted under the Share Option Scheme on the Stock Exchange. All necessary arrangements have been made to enable the securities to be admitted into CCASS. The Sole Sponsor is independent from our Company pursuant to Rule 6A.07 of the GEM Listing Rules.

The Sole Sponsor will also receive a fee of HK\$4.0 million to act as the sponsor to our Company in connection with the Listing.

19. Qualification of Experts

The qualifications of the experts who have given opinions in this prospectus are as follows:

Name	Qualification
Cinda International Capital Limited	Licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities
Moore Stephens CPA Limited	Certified Public Accountants
Moore Stephens Advisory Services Limited	Internal Control Consultant
Appleby	Cayman Islands legal advisers to our Company
Frost & Sullivan International Limited	Industry consultant
Mr. Harrison C.H. Cheung	Barrister-at-law of Hong Kong

20. Consents of Experts

Each of the experts as referred to in the paragraph headed “Other information – Qualification of Experts” in this Appendix has given, and has not withdrawn, their respective written consents to the issue of this prospectus with the copies of their reports, valuation letters or opinion (as the case may be) and the references to their names or summaries of opinions included herein in the form and context in which they respectively appear.

21. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

22. 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*

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(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.

23. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

24. Miscellaneous

(a) Save as disclosed herein:

(i) within two years preceding the date of this prospectus:

(aa) no share or loan capital or debenture 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; and

(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 subscriptions, for any shares in or debentures of our Company or any of our subsidiaries;

- (ii) no share or loan capital or debenture of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and

- (b) The Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2017 (being the date to which the latest combined audited financial statements of our Group was made up) up to the date of this prospectus.

- (c) There has not been any interruption in the business of our Group which may have or has had a significant effect on our financial position in the 12 months preceding the date of this prospectus.

- (d) There is no arrangement under which future dividends are waived or agreed to be waived.

- (e) Our Company has no outstanding convertible debt securities or debentures.

- (f) No company within our Group is presently listed on any stock exchange or traded on any trading system.

25. Others

The English text of this prospectus shall prevail over the Chinese text.

APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, amongst other documents, copies of the **WHITE**, **YELLOW** and **GREEN** Application Forms, copies of the written consents referred to in the paragraph headed “Other information – Consents of Experts” in Appendix IV to this prospectus, and certified copies of the material contracts referred to in the paragraph headed “Further information about the business of our Company – Summary of Material Contracts” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Li & Partners at 22nd Floor, World-Wide House Central, Hong Kong, during normal business hours from 9:00 a.m. up to 5:00 p.m. up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum of Association and the Articles of Association;
- (b) the Accountant’s Report from Moore Stephens CPA Limited in respect of the historical financial information for FY2015, FY2016 and FY2017, the text of which is set out in Appendix I to this prospectus;
- (c) the audited consolidated financial statements of the companies comprising our Group for FY2015, FY2016 and FY2017 or for the period from their respective dates of incorporation to 31 December 2017 where there is a shorter period;
- (d) the report on the unaudited pro forma financial information of our Group from Moore Stephens CPA Limited, the text of which is set out in Appendix II to this prospectus;
- (e) the Companies Law;
- (f) the letter of advice prepared by Appleby summarising certain aspects of the Cayman Islands company law referred to in Appendix III to this prospectus;
- (g) the material contracts referred to in the paragraph headed “Further information about the business of our Company – Summary of Material Contracts” in Appendix IV to this prospectus;
- (h) the written consents referred to in the paragraph headed “Other information – Consents of Experts” in Appendix IV to this prospectus;
- (i) the Share Option Scheme;

**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF
COMPANIES AND AVAILABLE FOR INSPECTION**

- (j) the service contracts referred to in the paragraph headed “Further information about directors and shareholders – Directors – Particulars of Directors’ service contracts” in Appendix IV to this prospectus;
- (k) the Frost & Sullivan Report;
- (l) the report for pre-listing internal control review of the Company on certain aspects prepared by Moore Stephens Advisory Services Limited; and
- (m) the legal opinion issued by Mr. Harrison C.H. Cheung.

