

IWS Group Holdings Limited

國際永勝集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code : 8441

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.



IWS Group Holdings Limited 國際永勝集團控股有限公司 (Incorporated in the Cayman Islands with limited liability)

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

Number of Offer Shares	: 200,000,000 Shares (subject to the Offer Size Adjustment Option)
Number of Hong Kong Offer Shares	: 20,000,000 Shares (including 2,000,000 Employee Reserved Shares) (subject to reallocation)
Number of Placing Shares	: 180,000,000 Shares (subject to reallocation and the Offer Size Adjustment Option)
Offer Price	: Not more than HK\$0.39 per Offer Share, and expected to be not less than HK\$0.32 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)
Nominal Value	: HK\$0.01 per Share
Stock Code	: 8441

Sole Sponsor



Joint Bookrunners



Joint Lead Managers



Hong Kong Exchanges and Clearing Limited and 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 "Documents Delivered to the Registrar of Companies in Hong Kong 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 of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any of the other documents referred to above.

The Offer Price is expected to be fixed by the Price Determination Agreement to be entered into between the Joint Bookrunners (for themselves and on behalf of the Underwriter(s)) and our Company on the Price Determination Date, which is expected to be on or about Monday, 14 October 2019 or such later date as the Joint Bookrunners (for themselves and on behalf of the Underwriter(s)) and our Company may agree. The Offer Price will not be more than HK\$0.39 per Offer Share and is expected to be not less than HK\$0.32 per Offer Share. If, for any reason, the Joint Bookrunners (for themselves and on behalf of the Underwriter(s)) and our Company are unable to reach an agreement on the Offer Price by Friday, 18 October 2019, the Share Offer will not become unconditional and will lapse immediately.

The Joint Bookrunners (for themselves and on behalf of the Underwriter(s)) may, with our consent, reduce the number of Offer Shares offered in the Share Offer and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of reduction of the number of Offer Shares offered in the Share Offer and/or the indicative Offer Price will be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.iws.com.hk.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws of the U.S. and may not be offered, sold, pledged, or transferred within the U.S., except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable U.S. securities law.

Prior to making an investment decision, prospective investors should carefully consider all the information set out in this prospectus, including the risk factors set out in "Risk Factors" in this prospectus. Prospective investors of the Offer Shares should note that the obligations of the Underwriter(s) under the Underwriting Agreements are subject to termination by the Joint Bookrunners (for themselves and on behalf of the Underwriter(s)) upon the occurrence of any of the events set forth in "Underwriting – Underwriting Arrangements and Expenses – The Hong Kong Public Offering – Grounds for termination" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Further details of these termination provisions are set out in "Underwriting" in this prospectus.

Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. on Tuesday, 22 October 2019 provided that (i) the Share Offer has become unconditional in all respects and (ii) neither of the Underwriting Agreements has been terminated.

30 September 2019

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to higher market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

EXPECTED TIMETABLE

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

Date⁽¹⁾

Hong Kong Public Offering commences and

WHITE and **YELLOW** Application

Forms available from 9:00 a.m. on
Monday, 30 September 2019

Latest time for lodging **PINK** Application Forms

at our Company's office at 1/F, Hang Seng Castle Peak
Road Building, 339 Castle Peak Road, Cheung Sha Wan,

Kowloon, Hong Kong 12:00 noon on
Tuesday, 8 October 2019

Application lists of the Hong Kong Public

Offering open⁽²⁾ 11:45 a.m. on
Wednesday, 9 October 2019

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

Application Forms and to give **electronic**

application instructions to HKSCC⁽³⁾ 12:00 noon on
Wednesday, 9 October 2019

Application lists of the Hong Kong Public

Offering close⁽²⁾ 12:00 noon on
Wednesday, 9 October 2019

Expected Price Determination Date on or around⁽⁴⁾ Monday, 14 October 2019

Announcement of (i) the Offer Price; (ii) the level of indications of interest in the Placing; (iii) the level of applications in the Hong Kong Public Offering and the Employee Preferential Offering; (iv) the basis of allotment of the Hong Kong Offer Shares and the Employee Reserved Shares; and (v) the number of Offer Shares reallocated, if any, between the Hong Kong Public Offering and the Placing to be published on the website of our Company at www.iws.com.hk⁽⁷⁾ and the website of the Stock Exchange at www.hkexnews.hk Monday, 21 October 2019

EXPECTED TIMETABLE

Results of allocation in the Hong Kong Public Offering and the Employee Preferential Offering will be available at www.tricor.com.hk/ipo/result or www.hkeipo.hk/IPOResult with a “search by ID” function from Monday, 21 October 2019

Announcement of results of allotment of the Hong Kong Public Offering and the Employee Preferential Offering (with successful applicants’ identification document numbers, where applicable) to be available through a variety of channels as described in “How to Apply for Hong Kong Offer Shares and the Employee Reserved Shares – 10. Publication of results” in this prospectus from Monday, 21 October 2019

Despatch/collection of share certificates and/or refund cheques on or before^{(4) to (11)} Monday, 21 October 2019

Dealing in the Shares on GEM to commence at 9:00 a.m.,
Tuesday, 22 October 2019

The application for the Hong Kong Public Offering will commence on Monday, 30 September 2019 through Wednesday, 9 October 2019, being slightly longer than **normal market practice** of four days. The application monies (including the brokerages, SFC transaction levies and Stock Exchange trading fees) will be held by the receiving bank on behalf of our Company and the refund monies, if any, will be returned to the applicants (or for applicants using **PINK** Application Forms, returned to the Company for onward transmission to the relevant applicant) without interest on Monday, 21 October 2019. Investors should be aware that the dealings in the Shares on the Stock Exchange are expected to commence on Tuesday, 22 October 2019.

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 “Structure of the Share Offer” in this prospectus.
2. If there is a “black” rainstorm warning or “extreme conditions” caused by a super typhoon 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 Wednesday, 9 October 2019, the application lists will not open or close on that day. Further information is set forth in “How to Apply for Hong Kong Offer Shares and the Employee Reserved Shares – 9. Effect of Bad Weather on the Opening of the Application Lists” in this prospectus.
3. Applicants who apply for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to “How to Apply for Hong Kong Offer Shares and the Employee Reserved Shares – 5. Applying by Giving Electronic Application Instructions to HKSCC via CCASS” in this prospectus.

EXPECTED TIMETABLE

4. Please note that the Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or about Monday, 14 October 2019. If, for any reason, the Offer Price is not agreed between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriter(s)) on or around Friday, 18 October 2019, the Share Offer will not become unconditional and will lapse immediately. Notwithstanding that the Offer Price may be less than the maximum Offer Price of HK\$0.39 per Offer Share, applicants must pay the maximum Offer Price of HK\$0.39 per Offer Share at the time of application, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, but the surplus application monies will be refunded, without interest, as provided in “How to Apply for Hong Kong Offer Shares and the Employee Reserved Shares” in this prospectus.
5. Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. on Tuesday, 22 October 2019 provided that (i) the Share Offer has become unconditional in all respects and (ii) neither of the Underwriting Agreements has been terminated. If the Hong Kong Public Offering does not become unconditional or either of the Underwriting Agreements is terminated, we will make an announcement as soon as possible.
6. Refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering, and in respect of successful applications if the Offer Price as finally determined is less than the price payable on application. Refund by cheque(s) will be made out to you, or if you are joint applicants, to the first-named applicant on your Application Form. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant provided by you may be printed on your refund cheque, if any. Such data may also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque, if any. Inaccurate completion of your Hong Kong identity card number/passport number may lead to a delay in encashment of, or may invalidate, your refund cheque.
7. None of our Company’s website or any of the information contained in our Company’s website forms part of this prospectus.
8. Applicants for 1,000,000 Hong Kong Offer Shares or more on **WHITE** Application Form(s) and provide all information required may collect their refund cheques (where relevant) and/or Share certificates (where relevant) personally from our Hong Kong Branch Share Registrar at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 21 October 2019 or any other day as announced by us as the date of despatch of Share certificates/refund cheques. Individuals who are eligible for personal collection must not authorise any other person(s) to make collection on their behalf. Corporate applicants which opt for personal collection must attend by their authorised representative(s) bearing a letter of authorisation from such corporation(s) stamped with the corporation’s chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar.
9. Applicants for 1,000,000 Hong Kong Offer Shares or more on **YELLOW** Application Forms and provide all information required may collect their refund cheques, if any, in person but may not collect their Share certificates personally which will be deposited into CCASS for the credit of their designated CCASS Participants’ stock accounts or CCASS Investor Participants’ stock accounts, as appropriated. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.
10. Refund cheque(s) and Share certificate(s) for applicant(s) by **PINK** Application Forms will be sent to the Company on Monday, 21 October 2019, and the Company will arrange for onward transmission to such applicant(s).
11. Uncollected Share certificates and refund cheques (if any) will be despatched by ordinary post at the applicant’s own risk to the address specified in the relevant Application Form. For further information, applicants should refer to “How to Apply for Hong Kong Offer Shares and the Employee Reserved Shares – 13. Despatch/Collection of Share Certificates and Refund Monies” in this prospectus.

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IMPORTANT NOTICE TO INVESTORS

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

You should rely only on the information contained in this prospectus to make your investment decision. We 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 us, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriter(s), any of our or their affiliates or any of their respective directors, officers, employees or agents or any other person or party involved in the Share Offer.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. Since this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are an established facility services provider specialised in providing security services and with a growing focus on facility management services across public and private sectors in Hong Kong. We have over 10 years’ experience in providing security services at railway stations and facilities, sea, land and railway immigration control points and public amenities as well as crowd coordination and management services at various large-scale events and emergency and critical incidents in Hong Kong. According to the Frost & Sullivan Report, our Group was the largest public security services provider in Hong Kong, representing approximately 6.7% and 18.5% of the market share in terms of revenue in 2017 and 2018, respectively.

Throughout a decade of our development, we believe our “IWS” brand has established a reputation of offering quality security services amongst our clients in Hong Kong. Up to 31 March 2019, we had been able to secure contracts from the Railway Corporation for the provision of security services at different railway stations along 13 railway lines for nine consecutive years. Furthermore, during the Track Record Period, we were providing security services at ten sea, land and railway immigration control points out of a total of 14 immigration control points in Hong Kong with our Group providing services at three of the land immigration control points as early as 2009. We also provided crowd coordination and management services for large-scale sports and recreational events at the largest outdoor multi-purpose recreation and sports venue in Hong Kong which can accommodate 40,000 audience. Since April 2018, we have started providing general manned guarding, manpower support and car parking rental and management services to several mega-scale railway and transportation infrastructure contracts relating to Guangshen’gang XRL (i.e. the XRL Contracts) from the Railway Corporation for a term of three years until September 2021. As at the Latest Practicable Date, we served over 50 clients at more than 100 locations in Hong Kong.

We are committed to satisfying our clients’ different needs by providing a spectrum of facility services. In order to fulfill this commitment, in 2016, facility management services were formally introduced as one of our principal business segments covering property management services, car parking rental and management services, cleaning services and hotel management services. In less than 36 months’ time, we were engaged to manage over 13 properties, carparks and facilities with gross floor area of approximately over 400,000 sq.ft. in Hong Kong up to 31 March 2019.

SUMMARY

OUR BUSINESS MODEL

Our Business and Services

We have two principal business segments, namely security services and facility management services, each with a number of key service lines:

- (i) **Security services** – Our security services range from providing security service personnel primarily for general manned guarding, manpower support to event and crisis security at railway stations and facilities, sea, land and railway immigration control points, public amenities, private commercial, residential and other properties in Hong Kong. In this business segment, our major clients from the Hong Kong public sector include the Railway Corporation, the Immigration Authority and the Health Authority, while our clients from the Hong Kong private sector mainly include property owners property management companies and property developers.
- (ii) **Facility management services** – Our facility management services involve the provision of property management services, car parking rental and management services, cleaning services and hotel management services primarily in the private sector for property owners, property management companies and property developers with a focus on commercial and residential properties in Hong Kong such as shopping mall, office building and hotel. We also commenced such service in the public sector during FY2019.

Our services may be provided on a single, multi-service or integrated basis. The following table sets forth the breakdown of our revenue by our major service categories for the periods indicated:

	FY2017		FY2018		FY2019	
	(HK\$'000)	%	(HK\$'000)	%	(HK\$'000)	%
Security services						
– General manned guarding services	98,836	95.6	103,872	79.4	161,855	54.8
– Manpower support services	–	–	7,604	5.8	105,216	35.7
– Event and crisis security services	655	0.6	1,005	0.8	385	0.1
	<u>99,491</u>	<u>96.2</u>	<u>112,481</u>	<u>86.0</u>	<u>267,456</u>	<u>90.6</u>
Facility management services						
– Property management services	2,491	2.4	13,103	10.0	12,958	4.4
– Car parking rental and management services	677	0.7	1,537	1.2	10,840	3.7
– Cleaning services	220	0.2	1,511	1.2	1,757	0.6
– Hotel management services	540	0.5	2,160	1.6	2,160	0.7
	<u>3,928</u>	<u>3.8</u>	<u>18,311</u>	<u>14.0</u>	<u>27,715</u>	<u>9.4</u>
Total	<u>103,419</u>	<u>100.0</u>	<u>130,792</u>	<u>100.0</u>	<u>295,171</u>	<u>100.0</u>

SUMMARY

The following table sets forth the breakdown of our revenue by major types of our clients during the periods indicated:

	FY2017		FY2018		FY2019	
	(HK\$'000)	%	(HK\$'000)	%	(HK\$'000)	%
Security services						
Public sector						
– Railway Corporation	41,097	39.7	31,419	24.0	156,044	52.8
– Immigration Authority and Health Authority at immigration control points	18,562	17.9	33,711	25.8	62,742	21.3
– Other HK Government Departments	15,237	14.8	15,923	12.2	15,913	5.4
	<u>74,896</u>	<u>72.4</u>	<u>81,053</u>	<u>62.0</u>	<u>234,699</u>	<u>79.5</u>
Private sector						
Owners, managers, developers and construction companies of						
– Commercial properties	10,897	10.5	18,831	14.4	22,511	7.6
– Residential and other properties	13,698	13.3	12,597	9.6	10,246	3.5
	<u>24,595</u>	<u>23.8</u>	<u>31,428</u>	<u>24.0</u>	<u>32,757</u>	<u>11.1</u>
	<u>99,491</u>	<u>96.2</u>	<u>112,481</u>	<u>86.0</u>	<u>267,456</u>	<u>90.6</u>
Facility management services						
Public sector						
– Railway Corporation	–	–	–	–	6,519	2.2
Private sector						
	<u>3,928</u>	<u>3.8</u>	<u>18,311</u>	<u>14.0</u>	<u>21,196</u>	<u>7.2</u>
	<u>3,928</u>	<u>3.8</u>	<u>18,311</u>	<u>14.0</u>	<u>27,715</u>	<u>9.4</u>
Total	<u>103,419</u>	<u>100.0</u>	<u>130,792</u>	<u>100.0</u>	<u>295,171</u>	<u>100.0</u>

Contracting

We mainly secure contracts from our clients through tendering. During the Track Record Period, approximately 70.4%, 60.7% and 81.4% of our revenue was secured through tendering, respectively. Based on nine, 19 and 26 submitted tenders with known results as at the Latest Practicable Date, our tender success rates for the Track Record Period were approximately 66.7%, 73.7% and 34.6%, respectively. We experienced a lower tender success rate in FY2019 to a certain extent because of our failure in the tenders in relation to facility management services, which our Directors believe was due to our insufficiency of financial resources. For details of our financial constraints, please see “Statement of Business Objectives and Use of Proceeds – Reasons for Listing” of this prospectus. The factors we generally take into account when evaluating the potential of a project include the wages such as the potential impact of change in minimum wage, requirement on equipment and uniform, location and the potential labour supply at the location. The availability of resources would also affect our evaluation of the project and our strategy in tendering or providing quotation for such project.

SUMMARY

During the Track Record Period, the contracts we entered into with our clients can be categorised into (i) Fixed-term Contracts with a fixed contract term typically ranging from six months to three years; (ii) Ad-hoc Contracts including contracts and invoices provided on an ad hoc or urgent basis with a term ranging from one day to 30 days; and (iii) Event Contracts for a single-purpose event or incident. A significant portion of our revenue was derived from Fixed-term Contracts during the Track Record Period. The following table sets forth the breakdown of our revenue by types of our contracts during the Track Record Period:

Contracts	FY2017			FY2018			FY2019		
	No. of contracts ⁽¹⁾	(HK\$'000)	%	No. of contracts ⁽¹⁾	(HK\$'000)	%	No. of contracts ⁽¹⁾	(HK\$'000)	%
Fixed-term	42	77,275 ⁽²⁾	74.7	50	103,038 ⁽³⁾	78.8	58	268,905 ⁽⁴⁾	91.1
Ad-hoc	2,757	25,181	24.4	2,530	26,232	20.0	2,062	22,008	7.5
Event	73	963	0.9	82	1,522	1.2	66	4,257	1.4
Total	2,872	103,419	100.0	2,662	130,792	100.0	2,186	295,171	100.0

Notes:

- (1) The number of Fixed-term Contracts refers to the sum of ongoing Fixed-term Contracts as at the beginning of the year and Fixed-term Contracts newly awarded, extended and renewed during the relevant year.
- (2) Approximately HK\$3.6 million were from fixed term contract that were ongoing as at 31 March 2019 while the remaining were revenue from completed projects as at 31 March 2019.
- (3) Approximately HK\$56.5 million were from fixed term contract that were ongoing as at 31 March 2019 while the remaining were revenue from completed projects as at 31 March 2019.
- (4) Approximately HK\$254.2 million were from fixed term contract that were ongoing as at 31 March 2019 while the remaining were revenue from completed projects as at 31 March 2019.

The following table sets out details of the expiry profile of our on-going and newly awarded Fixed-term Contracts which shall be undertaken for the periods indicated:

Type of Fixed-term Contracts	No. of contracts on hand	Revenue recognised/to be recognised							
		Prior to FY2017	in FY2017	in FY2018	in FY2019	in FY2020	in FY2021	in Subsequent to FY2021	Total sum ⁽¹⁾
(approximately) (HK\$'000)									
(a) (b) (c) (d) (e) = sum of (a) to (d)									
On-going contracts as at 31 March 2019	43	2,800	3,600	56,500	254,200	200,100	123,100	87,200	727,500
Newly awarded contracts up to 31 August 2019 ⁽²⁾	7	-	-	-	-	32,900	52,300	19,600	104,800
	50	2,800	3,600	56,500	254,200	233,000	175,400	106,800 ⁽³⁾	832,300
<i>% of total sum</i>		0.3%	0.4%	6.8%	30.5%	28.0%	21.1%	12.8%	100.0%

SUMMARY

Notes:

- (1) The total sum includes revenue which was actually recognised up to FY2019, having taken into account of the subsequent change in contract sum and other ad hoc revenue recognised up to FY2019.
- (2) Also including contracts awarded during March 2019 but commencing after FY2019.
- (3) Such sum included approximately HK\$97.2 million to be recognised in FY2022, HK\$7.0 million in FY2023, HK\$2.4 million in FY2024 and HK\$0.2 million in FY2025, respectively.

During the Track Record Period, the renewal or extension rates of our expired Fixed-term Contracts were approximately 38.5%, 76.9% and 60.0%, respectively. Such rate is calculated by the number of renewal contracts divided by the number of completed or terminated contracts. Contracts are considered renewed when we are required to prepare and submit a tender submission or quotation in order to secure a new contract containing substantially the same terms and conditions and work scope as the original contract which has expired. During the Track Record Period, such contracts were mainly contracts from the HK Government Departments. Contracts are considered extended when the original contract contains terms which allow the parties to extend the original term of the contract without our Group preparing and submitting a tender submission or quotation. We take into account various factors when considering whether to renew or extend any expired contracts including but not limited to the scale or contract sum of the contracts, profitability, the availability of our resources, clients' profile and credibility, etc.. Our Directors confirm that we experienced a lower renewal or extension rate in FY2017 mainly because we decided to focus our resources on other sizable, more profitable and/or longer-term projects.

Pricing

We typically charge service fees for our security services and facility management services either on a lump-sum basis or actual usage basis and such service fees are payable on a monthly basis or upon completion of services. Our service fees are determined on a cost-plus basis with reference to a number of factors, including the urgency of the intended timetable, location, complexity of the work or services, estimated time to be spent on the preparation of the work or services and any factors affect the supply of human resources. We have also taken into account the potential impact of change in statutory minimum wage pursuant to Minimum Wage Ordinance from time to time.

Our large and qualified workforce

We have a large workforce deployed at our clients' properties and workplace designated by our clients. As at the Latest Practicable Date, we had a workforce of 2,133 employees, including the five executive Directors, 1,414 full-time and 714 casual employees, respectively. Out of our total employees, we had 1,526 and 1,526 security service personnel who were qualified to perform Category A Security Work and Category B Security Work, respectively. In addition, we had a team of 74 qualified personnel for providing facility management services. Employee benefit expenses is the most significant component of our operating expenses. During the Track Record Period, our employee benefit expenses amounted to approximately HK\$85.1 million, HK\$102.8 million and HK\$252.1 million, representing approximately 93.3%, 92.6% and 95.8% of our total operating expenses, respectively.

SUMMARY

OUR CLIENTS AND SUPPLIERS

Our major clients in the public sector include Railway Corporation, the HK Government Departments and other public institutions, while our major clients in the private sector include mainly property owners, property management companies, property developers and construction companies. During the Track Record Period, revenue attributable to our five largest clients were approximately HK\$76.8 million, HK\$85.5 million and HK\$250.1 million, representing approximately 74.2%, 65.4% and 84.7% of our revenue, respectively. Revenue attributable to the Railway Corporation, our largest client, amounted to approximately HK\$41.1 million, HK\$31.4 million and HK\$162.6 million, representing approximately 39.7%, 24.0% and 55.1% of our revenue, respectively. Up to the Latest Practicable Date, we had established business relationship of over eight years with most of our five largest clients during the Track Record Period.

We allowed a settlement period of up to 120 days for invoices in respect of the XRL Contracts entered into with the Railway Corporation around the period from April to September 2018 (the “**Trial Run Period**”). Our Directors are willing to accept such longer settlement period given the scale of the XRL Contracts and the background of the Railway Corporation, which is a company listed on the Main Board of the Stock Exchange with solid background and financial conditions, good reputation, credibility and has a long-term business relationship with us with good payment records.

The following table sets out the details of the revenue generated in FY2019, which was derived from the XRL Contracts during around the Trial Run Period and after the Trial Run Period up till 31 March 2019 (“**FY2019 Official Operation Period**”):

	Trial Run Period	FY2019 Official Operation Period (HK\$ million) (Approximately)^(Note)	Total
Revenue recognised in FY2019	11.5	117.1	128.6
Less: Payment settled during FY2019	(8.4)	(45.5)	(53.8)
Unsettled amount as at 31 March 2019	<u>3.2</u>	<u>71.6</u>	<u>74.8</u>
<i>Represented by:</i>			
Uncertified revenue	3.2	54.5	57.7
Trade receivables	–	17.1	17.1
	<u>3.2</u>	<u>71.6</u>	<u>74.8</u>

Note: Figures may not add up due to rounding.

SUMMARY

As at 31 August 2019, all of the uncertified revenue and trade receivables in relation to the XRL Contracts as at 31 March 2019 (as shown in the table above) have been subsequently billed and settled. For details, see “Business – Sales and Marketing – Payment and Credit Policy” of this Prospectus.

Due to the nature of our business, we do not have any major suppliers. No costs incurred from any single supplier accounted for more than 1.0% of our total operating expenses for each year during Track Record Period.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths contribute to our success and distinguish us from our competitors: (i) one of the leading security services providers in the Hong Kong public sector with solid track record; (ii) solid client base and long-standing business relationships; (iii) ability to offer a spectrum of quality services through our quality workforce; and (iv) strong and experienced management team. For further details of our strengths, see “Business – Our Competitive Strengths” in this prospectus.

OUR STRATEGIES

Our goal is to become the leading integrated facility services provider in Hong Kong by pursuing the following strategies: (i) expanding our business in security services; (ii) enhancing our capability in providing facility management services; (iii) improving operational efficiency and scalability; and (iv) selectively pursuing strategic acquisition and investment opportunities. For details, see “Business – Business Strategies” in this prospectus.

COMPETITIVE LANDSCAPE OF HONG KONG FACILITY SERVICES INDUSTRY

According to the Frost & Sullivan Report, the security services and facility management services markets in Hong Kong are fragmented and competitive. In 2018, there were approximately over 600 players in the security services industry, approximately 900 property and carpark management companies and 1,000 cleaning companies in Hong Kong. There is no single industry player accounting for a market share of more than 10% in 2018 in each of our business segments. According to the Frost & Sullivan Report, in 2018, we accounted for less than 1% of the total market share in each of the security services market and facility management services market, and accounted approximately 18.5% of the total market share in the public security services in Hong Kong in terms of revenue. However, we were the fifth largest security services provider in Hong Kong and, in particular, the largest security services provider in the public sector in 2018. Our Directors believe that we have strong brand recognition and a proven track record of providing a spectrum of quality services with solid base of reputable client which enable us to differentiate ourselves in the industry and continue to capitalise market opportunities. For details about the markets in which our Group operates in, see “Industry Overview” section in this prospectus.

SUMMARY

OUR CONTROLLING SHAREHOLDER

Immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme and assuming the Offer Size Adjustment Option is not exercised), IWS BVI will own approximately 75% of the issued share capital in our Company. Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma through their respective wholly-owned subsidiaries, namely Morewood, Mandarin, Cambridge, own the entire 100% issued capital of IWS BVI. Each of Mr. Ma Ah Muk, Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma, has been a director of our Group and been acting in concert with each other to exercise control in implementing the management and operations of our Group since 2008. As Mr. Ma Ah Muk, Mr. KS Ma, Mr. KM Ma, Mr. Vince Ma, Morewood, Mandarin and Cambridge, together through IWS BVI, will be entitled to control approximately 75% of the issued share capital of our Company immediately upon Listing, Mr. Ma Ah Muk, Mr. KS Ma, Mr. KM Ma, Mr. Vince Ma and their respective close associates other than our Group are regarded as a group of Controlling Shareholders. See “Relationship with our Controlling Shareholders” in this prospectus for details.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following tables set forth a summary of our financial information during the periods indicated, and should be read in conjunction with our financial information and the notes thereto included in the Accountants’ Report set out in Appendix I to this prospectus.

Selected Consolidated Statements of Profit or Loss and Other Comprehensive Income

	FY2017	FY2018	FY2019
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Revenue	103,419	130,792	295,171
Profit before taxation	12,229	13,776	22,877
Profit and total comprehensive income	10,274	10,708	17,749

Our revenue was increased by approximately HK\$27.4 million from approximately HK\$103.4 million for FY2017 to approximately HK\$130.8 million for FY2018, mainly due to (i) increase in revenue generated from security services segment of approximately HK\$13.0 million from approximately HK\$99.5 million for FY2017 to approximately HK\$112.5 million for FY2018; and (ii) increase in revenue generated from facility management services segment of approximately HK\$14.4 million from approximately HK\$3.9 million for FY2017 to approximately HK\$18.3 million for FY2018. Our revenue was further increased by approximately HK\$164.4 million to approximately HK\$295.2 million for FY2019, mainly due to (i) increase in revenue generated from security service segment of approximately HK\$155.0 million from approximately HK\$112.5 million for FY2018 to approximately HK\$267.5 million for FY2019 mainly because we secured the XRL contracts in April 2018; and (ii) increase in revenue generated from facility management services of approximately HK\$9.4 million from approximately HK\$18.3 million for FY2018 to approximately HK\$27.7 million for FY2019.

SUMMARY

Non-HKFRS measures

In addition to the HKFRS measures in our consolidated financial statements, we also use the non-HKFRS financial measure of adjusted net profit which exclude the non-recurring listing expenses to evaluate our operating performance. Our Directors believe that this non-HKFRS measure provides useful information to investors 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 following table sets forth a reconciliation between our profit and total comprehensive income and our adjusted net profit for the periods indicated:

	FY2017 <i>(HK\$'000)</i>	FY2018 <i>(HK\$'000)</i>	FY2019 <i>(HK\$'000)</i>
Profit and total comprehensive income	10,274	10,708	17,749
Adjustment for Listing expenses	–	5,868	8,515
Adjusted net profit	<u>10,274</u>	<u>16,576</u>	<u>26,264</u>

Selected Consolidated Balance Sheet Items

	As at 31 March		
	2017 <i>(HK\$'000)</i>	2018 <i>(HK\$'000)</i>	2019 <i>(HK\$'000)</i>
Non-current assets	1,294	5,607	3,695
Current assets	48,427	52,719	151,979
Current liabilities	10,727	17,024	104,846
Net current assets	37,700	35,695	47,133
Net assets/Total equity	38,994	41,302	50,828

Consolidated Statement of Cash flows

	FY2017 <i>(HK\$'000)</i>	FY2018 <i>(HK\$'000)</i>	FY2019 <i>(HK\$'000)</i>
Net cash generated from (used in) operating activities	5,566	17,009	(37,073)
– <i>Operating cash flows before movements in working capital</i>	12,376	14,280	24,633
Net cash used in investing activities	(1,210)	(2,707)	(1,574)
Net cash (used in) from financing activities	(3,887)	(9,172)	46,650
Net increase in cash and cash equivalents	469	5,130	8,003
Cash and cash equivalents at beginning of year	13,494	13,963	19,093
Cash and cash equivalents at end of year	13,963	19,093	27,096

SUMMARY

We had operating cash flows before movements in working capital of approximately HK\$12.4 million for FY2017 and approximately HK\$14.3 million for FY2018. Our net cash generated from operating activities changed from approximately HK\$5.6 million for FY2017 to approximately HK\$17.0 million for FY2018, which was primarily driven by the effects of our changes in working capital for the respective periods. For FY2017, changes in working capital primarily reflected the increase in trade and other receivables of approximately HK\$6.6 million as resulted from increase in revenue from our security services, which was partially offset by the increase in other payables and accrued expenses. For FY2018, changes in working capital primarily reflected (i) the increase of accrued staff costs of approximately HK\$2.0 million as resulted from increase in headcount from 730 as at 31 March 2017 to 921 as at 31 March 2018 to facilitate our additional services in our security service segment and accrued Listing expenses and issue costs of approximately HK\$2.3 million; and (ii) decrease in trade and other receivables of approximately HK\$0.8 million as resulted from settlements of our aged trade receivables during FY2018.

We had operating cash flows before movements in working capital of approximately HK\$24.6 million for FY2019. Our net cash used in operating activities was approximately HK\$37.1 million for FY2019, which was primarily driven by the net effects of our changes in working capital of approximately HK\$60.6 million. Changes in working capital primarily reflected by the increase in trade and other receivables of approximately HK\$81.5 million which was mainly due to (i) increase in uncertified revenue in relation to the XRL Contracts which are pending verification of attendance records; and (ii) increase in trade receivables of approximately HK\$21.8 million, as a result of revenue derived from the XRL Contracts which were billed upon certification of service period. Such negative movements were partially offset by the increase in accrued staff costs of approximately HK\$17.9 million as resulted from increase in headcount from 921 as at 31 March 2018 to 2,134 as at 31 March 2019 mainly from the commencement of the XRL Contracts in FY2019.

Key Financial Ratios⁽¹⁾

	As at 31 March		
	2017/FY2017	2018/FY2018	2019/FY2019
Adjusted net profit margin (%)	9.9	12.7 ⁽²⁾	8.9 ⁽²⁾
Adjusted return on equity (%)	26.3	40.1 ⁽²⁾	51.7 ⁽²⁾
Adjusted return on total assets (%)	20.7	28.4 ⁽²⁾	16.9 ⁽²⁾
Interest coverage (times)	N/A	N/A	39.2 ⁽²⁾
Current ratio (times)	4.5	3.1	1.4
Quick ratio (times)	4.5	3.1	1.4
Gearing ratio (%)	N/A	N/A	112.1
Net debt to equity ratio (%)	N/A	N/A	58.8
Average trade receivables turnover days (days) ⁽³⁾	89	79	83

Notes:

- For further discussion, see “Financial Information – Key Financial Ratios” in this prospectus.
- Ratio calculation excluded the non-recurring Listing expenses of approximately HK\$5.9 million and HK\$8.5 million for FY2018 and FY2019 respectively.
- For further discussion, see “Financial Information – Description of Certain Items of Consolidated Statements of Financial Position – Trade and Other Receivables”.

SUMMARY

Excluding the non-recurring Listing expenses of approximately of HK\$5.9 million and HK\$8.5 million incurred for FY2018 and FY2019, respectively, our adjusted net profit margins increased from approximately 9.9% for FY2017 to approximately 12.7% for FY2018 and decreased to approximately 8.9% for FY2019. The decrease in our adjusted net profit margin in FY2019 was primarily due to increase in employee benefit expenses of approximately HK\$149.3 million or 145.3% from FY2018 to FY2019, which represents approximately 78.6% and 85.4% of our total revenue for FY2018 and FY2019, respectively.

Interest coverage was not applicable to our Group for FY2017 and FY2018, as our Group did not incurred any interest expenses for each of the relevant financials year ends. For FY2019, our interest coverage was approximately 39.2 times, which was primarily due to increase in interest-bearing bank borrowings of approximately HK\$57.0 million as at 31 March 2019, which incurred finance cost of approximately HK\$0.8 million during FY2019.

Gearing ratio and net debt to equity ratio was not applicable to our Group as at 31 March 2017 and 2018, as our Group did not have any interest-bearing bank borrowings as at each of the reporting date. As at 31 March 2019, our gearing ratio and net debt to equity ratio was 112.1% and 58.8%, respectively, which was primarily due to increase in interest-bearing borrowings of approximately HK\$57.0 million as at 31 March 2019.

DIVIDENDS

During the Track Record Period, dividends of approximately HK\$5.0 million, HK\$8.4 million and HK\$8.0 million, respectively, were declared. All dividends had been fully settled as at the Latest Practicable Date. As at the Latest Practicable Date, we did not have any dividend policy. 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. We do not intend to determine any expected dividend ratio after Listing. For further details, see “Financial Information – Dividends” in this prospectus.

OFFERING STATISTICS

Market capitalisation at Share Offer ⁽¹⁾ :	HK\$256.0 million to HK\$312.0 million
Offer size:	25.0% of the enlarged issued share capital of our Company
Offer Price:	HK\$0.32 to HK\$0.39 per Offer Share
Number of Offer Shares:	200,000,000 Shares (including 2,000,000 Employee Reserved 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 the Offer Size Adjustment Option)

SUMMARY

	Based on the Offer Price of HK\$0.32 per Offer Share (low-end)	Based on the Offer Price of HK\$0.39 per Offer Share (high-end)
Unaudited pro forma adjusted consolidated net tangible assets per Share ⁽³⁾	HK\$0.12	HK\$0.14

Notes:

1. The calculation of market capitalisation of the Shares is based on 800,000,000 Shares in issue immediately after completion of the Capitalisation Issue and the Share Offer.
2. See Appendix II to this prospectus for details.
3. Statistics in this table are based on the assumption that the Offer Size Adjustment Option is not exercised.

REASONS FOR THE LISTING AND USE OF PROCEEDS

One of our business strategies is to expand our business in security services by capturing the market opportunities from the growing security services market, including large-scale contracts in the public sector. By undertaking the XRL Contracts, we recorded a significant increase in our revenue by approximately HK\$164.4 million or 125.7%, to approximately HK\$295.2 million in FY2019. Our profit and total comprehensive income (excluding Listing expenses) have also substantially increased by approximately HK\$9.7 million or 58.4% to HK\$26.3 million for FY2019.

According to the Frost & Sullivan Report, the security services market in Hong Kong is forecast to reach HK\$38.3 billion in 2023, at a CAGR of approximately 7.2% from 2019 to 2023. To capture the growing business opportunities of certain mega-scale infrastructure projects, we need to have sufficient financial resources, which is currently strained by our commitments under our current projects, in particular the XRL Contracts. First, our Group had obtained bank facilities to finance the employee benefit expenses and contract deposits under the XRL Contracts. Secondly, a longer settlement period of up to 120 days has been granted in relation to the XRL Contracts which further lengthened the time lags between incurring employee benefit expenses and the settlement of our service fee income. Because of the financial constraints, we have not submitted tenders for other sizable projects such that our business growth has to an extent been restricted. From the commencement of the XRL Contracts until the Latest Practicable Date, our Group identified six potential public and/or private tenders for security services. However, these tenders require certain upfront costs, and we did not submit a bid for them. It is crucial for our Group to have more financial resources in order to support our commitments under these projects.

SUMMARY

One of our business strategies is to enhance our capability in providing facility management services. More financial resources are required to take up additional projects. In particular, we are typically expected to possess the necessary equipment to carry out our services, which require substantial upfront cost to purchase. We have not been able to capture such growth because our limited financial resources have delayed our investments in the requisite machines and equipment. During FY2019, we submitted six tenders in relation to car parking rental and management services and cleaning services, but all were unsuccessful. Our Directors believe this was because our tenders submitted were not competitive in terms of pricing. To perform these contracts, we have to incur significant upfront or other costs, which we have to finance with borrowings due to limitation of our internal financial resource. After taking into the finance costs, we were unable to submit a bid that is as price competitive as those from other bidders. Upfront and other costs that we have to incur for contracts for car parking rental and management services include payment of deposits in the amount of up to six months of rent of the relevant car park, while upfront and other costs we have to incur for cleaning service contracts are for acquisition and maintenance of relevant machines and equipment.

Our Directors consider that each of the business strategies in our expansion plan are complementary to each other and represent an integral initiative to strengthen our service capacity to capture the growth in demand for facility services, and that if we continue to rely on our current financial resources only, our ability to tender for sizeable projects will be limited, and we will lack adequate financial cushion to withstand any adverse impact from unforeseen circumstances in the future.

As at 31 July 2019, our Group utilised approximately HK\$69.7 million of our bank facilities, in which approximately HK\$20.7 million was used to provide performance bonds, while our gearing ratio was approximately 112.1% as at 31 March 2019. In the event that our expansion plans are to be financed by bank borrowings instead of proceeds from the Share Offer, our Group would have to incur additional finance costs that will subject our Group to the inherent risks of increasing financial costs, and will jeopardise our business expansion as our customers may consider the financial strengths and viability of our Group to be one of the key assessment criteria. Our Directors are also of the view that the net proceeds from the Share Offer will provide funding for us to repay portions of our existing bank borrowings to improve our capital structure and reduce our finance costs.

The net proceeds from the issue of the Offer Shares under the Share Offer based on the Offer Price of HK\$0.35 per Share, being the mid-point of the indicative Offer Price range, are estimated to be approximately HK\$38.0 million, after deducting the estimated underwriting commission and total expenses in the aggregate amount of approximately HK\$32.0 million, paid and payable by our Company from the gross proceeds of the Share Offer and assuming the Offer Size Adjustment Option is not exercised. We intend to apply the net proceeds of the issue of the Offer Shares under the Share Offer in the following manner:

- approximately 45.3% of the net proceeds or approximately HK\$17.2 million, will be used for expanding our business in security services by (i) providing contract securities; (ii) recruiting security service personnel; and (iii) acquiring patrol vehicles to undertake new contracts;

SUMMARY

- approximately 13.4% of the net proceeds or approximately HK\$5.1 million, will be used for enhancing our capability in providing facility management services by (i) expanding our operation team and sales and marketing team; and (ii) acquiring machines and equipment;
- approximately 15.5% of the net proceeds or approximately HK\$5.9 million, for improving our operational efficiency by (i) establishing a control room in Hong Kong; and (ii) upgrading our information technology infrastructure;
- approximately 15.8% of the net proceeds or approximately HK\$6.0 million, will be used for repayment of part of our banking borrowings; and
- approximately 10.0% of the net proceeds or approximately HK\$3.8 million, will be used as our general working capital.

See “Statement of Business Objectives and Use of Proceeds” in this prospectus for details.

OFFER PERIOD

The application for the Hong Kong Public Offering will commence on Monday, 30 September 2019 through Wednesday, 9 October 2019, being slightly longer than **normal market practice** of four days. The application monies (including the brokerages, SFC transaction levies and Stock Exchange trading fees) will be held by the receiving bank on behalf of our Company and the refund monies, if any, will be returned to the applicants (or for applicants using **PINK** Application Forms, returned to the Company for onward transmission to the relevant applicant) without interest on Monday, 21 October 2019. Investors should be aware that the dealings in the Shares on the Stock Exchange are expected to commence on Tuesday, 22 October 2019.

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\$0.35 per Offer Share (being the mid-point of the indicative Offer Price range) and that the Offer Size Adjustment Option is not exercised, our total listing expenses is estimated to be approximately HK\$32.0 million, of which approximately HK\$8.2 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 approximately HK\$23.8 million has been or will be reflected in our consolidated statements of profit or loss and other comprehensive income. Out of this amount, approximately HK\$5.9 million and HK\$8.5 million had been charged to our profit and loss account for FY2018 and FY2019, respectively, and the remaining amount of approximately HK\$9.4 million is expected to be recognised in our consolidated statements of profit or loss and total comprehensive income for FY2020. The actual amounts to be recognised to the profit and loss of our Group or to be capitalised are subject to adjustments based on audit and changes in variables and assumptions.

SUMMARY

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Our business model, revenue structure and cost structure basically remain unchanged, subsequent to the Track Record Period and up to the date of this prospectus. Subsequent to the Track Record Period and up to 31 August 2019, our unaudited revenue was approximately HK\$139.9 million for 5M2020, which was higher in comparison to 5M2019. Such increase was primarily due to the revenue recognised for the XRL Contracts was higher as resulted from full operation during 5M2020 in comparison to the Trial Run Period during 5M2019.

Our unaudited net cash from operating activities was approximately HK\$8.1 million for 5M2020, and such improvement was primarily due to the decrease in our trade and other receivables as resulted from settlements from our customers. In particular, the settlement period in respect of the draft monthly invoices issued in July 2019 and August 2019 to the Railway Corporation, our largest customer during the Track Record Period, has improved. See “Business – Sales and marketing – Payment and credit policy” for details.

The aforesaid financial information for the 5M2020 is derived from the unaudited consolidated financial statements of the Company for 5M2020, which has been reviewed by our reporting accountants in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

Based on the number of contracts on hand as at 31 August 2019, our revenue expected to be recognised for 1 September 2019 to 31 March 2020, FY2021 and subsequent to FY2021 are approximately HK\$103.8 million, HK\$175.4 million and HK\$106.8 million, respectively.

As at 31 August 2019, approximately HK\$101.1 million or 94.4% of our uncertified revenue and trade receivables as at 31 March 2019 has been settled.

After the revision of the statutory minimum wage to HK\$37.5 per hour on 1 May 2019, the average basic salary of our employees in May 2019 increased by less than 5% as compared to that in April 2019. On the other hand, our service fees in respect of our major contracts where an adjustment mechanism is available have been adjusted accordingly or are in the course of adjustment (except for the contracts which were entered into or renewed after the revision of the statutory minimum wage in May 2019 had been announced). Moreover, we generally consider potential changes in labour costs as early as when we estimate our fees during the tendering or quotation stage rather than adjusting our fees on an ad hoc basis. As such, our Directors are of the view that the above revision of the statutory minimum wage had no material adverse impact on our business and financial position and the numbers of tenders submitted subsequent to the Track Record Period and up to the Latest Practicable Date.

SUMMARY

Since June 2019, the state of political environment in Hong Kong has been unstable, and protests have been taking place in or around the railway stations which resulted in violent conflicts and destruction of properties. As such, the Railway Corporation required extra ad-hoc security services from us, which generated additional revenue not included in the contract sum of our existing contracts. Our Directors believe that the Railway Corporation's hiring of former Gurkhas for security services would not increase competition significantly or have material adverse impact in our operation, since, to the best of our Directors' belief and information, such measures are temporary and in addition to the normal security services provided by us pursuant to our existing contracts. Our scope of security services are for normal station operations, and include duties such as performing crowd control and vehicle flow control to avoid congestion, provide assistance, guidance and directions to passengers, assist staff and station controller of the railway to maintain station order and report all incidents, accidents, assault and dangerous occurrences to the station staff of the railway.

We may be liable for losses suffered by our clients if it is caused by our staff's negligence or our breach of contract. Where potentially dangerous incident, such as a protest, violent conflict or damage of property, happens in or around a railway station, our staff are responsible for reporting such incidents to the station controller, but not for making any decision, or handling the potentially dangerous incident, so as to maintain station order. As our responsibility is reporting potentially dangerous incident, our Directors are of the view that we are not liable for any personal injury or property damage caused by such incident, unless our staff fail to report such incident or are otherwise negligent in carrying out their duties. Our Directors confirm that no claim has been made by our client against us in respect of the conflicts or destruction or property associated with the protests that took place in or around railway stations.

Listing expenses on our consolidated statements of profit or loss and other comprehensive income has posted no material adverse impact on the financial or trading position or prospect of our Group since 31 March 2019 (being the date of the latest audited consolidated financial statements were made up). Our Directors consider that our financial performance for FY2020 would not be significantly adversely affected by the recognition of listing expenses. The final amount of these amounts to be recognised to the profit or loss of our Group is subject to adjustment based on audit and the changes in variables and assumptions. Separately, under the arrangement currently in force, the aggregate emoluments (excluding performance bonuses and share-based payments) payable by our Group to our Directors for FY2020 are expected to be approximately HK\$840,000, while our executive Directors did not receive any remuneration during the Track Record Period. Prospective investors should be aware of the impact of the listing expenses and Directors' remuneration on the financial performance of our Group for FY2020.

Save as disclosed above, our Directors confirm that, up to the date of this prospectus, there had been no material adverse change in our financial or trading positions of our Group since 31 March 2019, being the date to which the latest financial statements of our Group were made up, and there had been no event since 31 March 2019 which would materially affect the information shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

SUMMARY

RISK FACTORS

There are risks associated with any investment. Some of the relatively material risks relating to our Group include (1) Significant portion of our revenue in FY2019 was generated from contracts with Railway Corporation, in particular, the XRL Contracts. If the XRL Contracts are not renewed or if we cannot maintain our business relationship with Railway Corporation, our business, results of operations and financial condition may be adversely affected; (2) We rely on the contracts from the public sector and recurring clients during the Track Record Period. Any decrease or loss of business from any one of our major clients from the public sector or recurring clients may adversely affect our business, results of operations and financial condition; (3) A significant portion of our revenue was derived from the provision of security services. If our Security Company Licence is revoked, suspended or not renewed, or if we experience material delay in renewing such licence, our business, results of operation and financial condition may be materially and adversely affected; and (4) A significant number of our contracts were awarded through competitive tendering. There is no guarantee that new contracts will be awarded to us.

A detailed discussion of all the risk factors is set forth in “Risk Factors” in this prospectus. Investors should read the entire section before deciding to invest in the Offer Shares.

DEFINITIONS

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

“5M2019”	the five months ended 31 August 2018
“5M2020”	the five months ended 31 August 2019
“Application Form(s)”	the WHITE Application Form(s), YELLOW Application Form(s) and PINK Application Form(s) or, where the context so requires, any of them, relating to the Hong Kong Public Offering
“Articles” or “Articles of Association”	the amended and restated articles of association of the Company conditionally adopted on 20 September 2019 and effective on the Listing Date, as amended or supplemented from time to time
“associates”	has the meaning ascribed to it in the GEM Listing Rules
“Board” or “Board of Directors”	the board of directors of the Company
“Building Management Ordinance”	the Building Management Ordinance (Chapter 344 of the Laws of Hong Kong), as amended or supplemented from time to time
“business day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“Cambridge”	Cambridge Investment (BVI) Limited (劍橋投資(BVI)有限公司), a company incorporated in the BVI with limited liability on 7 February 2018 and wholly owned by Mr. Vince Ma
“Capitalisation Issue”	the issue of 599,999,999 Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company
“Cayman Companies Law” or “Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

DEFINITIONS

“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Certification”	the review, verification and reconciliation of our draft monthly invoices issued to Railway Corporation by them with their attendance records
“Certification Period”	the period between the issue date of the draft monthly invoices and the date of Certification
“close associates”	has the meaning ascribed to it in the GEM Listing Rules
“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”	IWS Group Holdings Limited (國際永勝集團控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability with effect from 23 March 2018
“Controlling Shareholders”	has the meaning given to it under the GEM Listing Rules and, in the context of this prospectus, means Mr. Ma Ah Muk, Mr. KS Ma, Mr. KM Ma, Mr. Vince Ma, Morewood, Mandarin, Cambridge and IWS BVI
“Date of Certification”	the date on which Certification has been obtained from the Railway Corporation by us

DEFINITIONS

“Deed of AIC Confirmation”	a deed of confirmation dated 28 May 2018 executed by Mr. Ma Ah Muk, Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma, whereby they confirmed, among others, the existence of their acting in concert arrangement, a summary of which is set out in the section headed “Relationship with our Controlling Shareholders” in this prospectus
“Deed of Indemnity”	the deed of indemnity dated 20 September 2019 entered into by our Controlling Shareholders in favour of our Company (for ourselves and for the benefit of our subsidiaries) to provide certain indemnities, particulars of which are set out in “Statutory and General Information – E. Other Information – 1. Tax and other indemnities”
“Directors” or “our directors”	the directors of our Company
“Eligible Employee(s)”	a full-time or a part-time employee of our Group who joined our Group on or before the Latest Practicable Date and who: (a) is at least 18 years of age; (b) has a Hong Kong address and is a holder of Hong Kong Identity Card; (c) remains as a full-time employee of our Group as at the Latest Practicable Date; (d) has not tendered his/her resignation or been given notice of termination of employment for any reason other than redundancy or retirement on or before the Latest Practicable Date; (e) is not a director or chief executive of our Company and/or any of its subsidiaries; (f) is not an existing beneficial owner of Shares or of shares of any of the subsidiaries of our Company; (g) is not a connected person of our Company; and (h) is not an associate or close associate, where applicable, of the persons listed in (e), (f) and/or (g) above
“Employee Preferential Offering”	the preferential offer of the Employee Reserved Shares to the Eligible Employees for subscription at the Offer Price on a preferential basis as to allocation only, as further described in the section headed “Structure of the Share Offer – The Employee Preferential Offering” in this prospectus

DEFINITIONS

“Employee Reserved Shares”	the 2,000,000 Offer Shares (representing 1% of the total number of Offer Shares initially being offered under the Hong Kong Public Offering), being offered pursuant to the Employee Preferential Offering and which are to be allocated out of the Hong Kong Offer Shares
“Frost & Sullivan”	Frost & Sullivan Limited, an independent market research institution
“Frost & Sullivan Report”	an independent industry report prepared by Frost & Sullivan and commissioned by our Company, an extract of which is set out in “Industry Overview” in this prospectus
“FY” or “financial year”	financial year of our Company ended or ending 31 March
“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
“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
“Health Authority”	a government department responsible for healthcare policies and the provision of basic healthcare services in Hong Kong
“HK Government Departments”	certain departments and bureaus of the Hong Kong Government which awarded contracts to our Group during the Track Record Period which included the Health Authority and the Immigration Authority and a government department responsible for firefighting and rescue on land in Hong Kong
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards which include Hong Kong Accounting Standards and their interpretations issued by the Hong Kong Institute of Certified Public Accountants

DEFINITIONS

“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited
“Hong Kong Government”	the government of Hong Kong
“Hong Kong Offer Shares”	20,000,000 new Shares being initially offered by us for subscription pursuant to the Hong Kong Public Offering
“Hong Kong Public Offering”	the offer by us 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 “Structure of the Share Offer” in this prospectus
“Immigration Authority”	a government department responsible for immigration control in Hong Kong
“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
“IWS BVI”	IWS Group Holdings Limited, a company incorporated in the BVI with limited liability on 7 March 2018
“IWS Carpark”	IWS Carpark Management Limited (國際永勝停車場管理有限公司), a company incorporated in Hong Kong with limited liability on 30 December 2016
“IWS Carpark (JV)”	IWS Carpark (JV 1) Limited (國際永勝停車場(合資1)有限公司), previously known as Wave Joy Limited (喜濤有限公司), a company incorporated in Hong Kong with limited liability on 8 March 2019

DEFINITIONS

“IWS Carpark BVI”	IWS Carpark Management Holdings Limited, a company incorporated in the BVI with limited liability on 18 May 2018 and wholly owned by the Company
“IWS Carpark SPA”	a sale and purchase agreement dated 25 May 2018 entered into amongst Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma as vendors and IWS Carpark BVI as purchaser in relation to the entire share capital of IWS Carpark
“IWS Cleaning”	IWS CLEANING SERVICES LIMITED (國際永勝清潔服務有限公司), a company incorporated in Hong Kong with limited liability on 4 November 2016
“IWS Cleaning SPA”	a sale and purchase agreement dated 25 May 2018 entered into amongst Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma as vendors and IWS Cleaning BVI as purchaser in relation to the entire share capital of IWS Cleaning
“IWS Cleaning BVI”	IWS Cleaning Services Holdings Limited, a company incorporated in the BVI with limited liability on 18 May 2018 and wholly owned by the Company
“IWS PM”	INTERNATIONAL WING SHING PROPERTY MANAGEMENT LIMITED (國際永勝物業管理有限公司), a company incorporated in Hong Kong with limited liability on 9 August 2016
“IWS PM SPA”	a sale and purchase agreement dated 25 May 2018 entered into amongst Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma as vendors and IWS PM BVI as purchaser in relation to the entire share capital of IWS PM
“IWS PM BVI”	IWS Property Management Holdings Limited, a company incorporated in the BVI with limited liability on 18 May 2018 and wholly owned by the Company
“IWS Security”	INTERNATIONAL WING SHING SECURITY MANAGEMENT LIMITED (國際永勝護衛管理有限公司), a company incorporated in Hong Kong with limited liability on 18 April 1996
“IWS Security SPA”	a sale and purchase agreement dated 25 May 2018 entered into amongst Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma as vendors and IWS Security BVI as purchaser in relation to the entire share capital of IWS Security

DEFINITIONS

“IWS Security BVI”	IWS Security Management Holdings Limited, a company incorporated in the BVI with limited liability on 18 May 2018 and wholly owned by the Company
“Joint Bookrunners”	being (1) China Finance KAB Limited, a corporation licensed under the SFO and permitted to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 4 (advising on securities) regulated activities under the SFO; and (2) Kam Fai Securities Co., Limited, a corporation licensed under the SFO and permitted to carry out type 1 (dealing in securities) regulated activity under the SFO, acting as the joint bookrunners, joint lead managers and underwriters in the Share Offer
“Joint Lead Managers”	being (1) China Finance KAB Limited, a corporation licensed under the SFO and permitted to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 4 (advising on securities) regulated activities under the SFO; (2) Kam Fai Securities Co., Limited, a corporation licensed under the SFO and permitted to carry out type 1 (dealing in securities) regulated activity under the SFO; and (3) Telecom Digital Securities Limited, a corporation licensed under the SFO and permitted to carry out type 1 (dealing in securities) and type 2 (dealing in futures contracts) regulated activities under the SFO acting as the joint lead managers and underwriters in the Share Offer
“Land Registry”	the land registry established pursuant to the Land Registration Ordinance (Chapter 128 of the Laws of Hong Kong)
“Latest Practicable Date”	22 September 2019, 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 Tuesday, 22 October 2019, on which the Shares are first listed and from which dealings in the Shares are permitted to take place on GEM
“Listing Division”	the listing division of the Stock Exchange

DEFINITIONS

“Ma Company(ies)”	companies, directly or indirectly, owned and controlled by members of the Ma Family other than our Group
“Ma Family”	Mr. Ma Ah Muk, Mr. KS Ma, Mr. KM Ma, Mr. Vince Ma and Mr. Leo Ma and their respective associates (as defined in the GEM Listing Rules) other than our Group
“Mandarin”	Mandarin Asset Holdings Limited (文華資產控股有限公司), a company incorporated in the BVI with limited liability on 7 February 2018 and wholly owned by Mr. KM Ma
“Master Services Agreement”	the master services agreement dated 28 May 2018 and supplemental agreement thereto dated 17 June 2019 entered into between the Ma Family (for itself and on behalf of its affiliates) as the client and our Company (for itself and on behalf of its affiliates) as the supplier, particulars of which are set out in the section headed “Connected Transactions” in this prospectus
“Memorandum” or “Memorandum of Association”	the memorandum of association of the Company conditionally adopted on 20 September 2019 and effective on the Listing Date, as amended or supplemented from time to time
“Minimum Wage Ordinance”	the Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong), as amended or supplemented from time to time
“Morewood”	Morewood Asset Holdings Limited (森業資產控股有限公司), a company incorporated in the BVI with limited liability on 7 February 2018 and wholly owned by Mr. KS Ma
“Mr. Ma Ah Muk”	Mr. Ma Ah Muk, the Chairman of our Company, an executive Director, the father of Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma, the grandfather of Mr. Leo Ma and a Controlling Shareholder
“Mr. KS Ma”	Mr. Ma Kiu Sang, an executive Director, the son of Mr. Ma Ah Muk, brother of Mr. KM Ma and Mr. Vince Ma, and the father of Mr. Leo Ma and a Controlling Shareholder

DEFINITIONS

“Mr. KM Ma”	Mr. Ma Kiu Mo, an executive Director, the son of Mr. Ma Ah Muk and brother of Mr. KS Ma and Mr. Vince Ma, the uncle of Mr. Leo Ma and a Controlling Shareholder
“Mr. Vince Ma”	Mr. Ma Kiu Man Vince, an executive Director, the son of Mr. Ma Ah Muk, brother of Mr. KS Ma and Mr. KM Ma, the uncle of Mr. Leo Ma and a Controlling Shareholder
“Mr. Leo Ma”	Mr. Ma Yung King Leo, an executive Director, the grandson of Mr. Ma Ah Muk, the son of Mr. KS Ma and the nephew of Mr. KM Ma and Mr. Vince Ma
“Offer Price”	the final offer price per Offer Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK\$0.39 and expected to be not less than HK\$0.32, such price to be determined by agreement between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriter(s)) on or before the Price Determination Date
“Offer Price range”	HK\$0.32 to HK\$0.39 per Offer Share
“Offer Shares”	the Hong Kong Offer Shares and the Placing Shares
“Offer Size Adjustment Option”	the option to be granted by our Company to the Placing Underwriter(s) under the Placing Underwriting Agreement, exercisable by the Joint Bookrunners (for themselves and on behalf of the Underwriter(s)), pursuant to which our Company may be required by the Joint Bookrunners to allot and issue up to 30,000,000 additional new Shares, representing up to 15% of the total number of Offer Shares initially available for subscription under the Share Offer, for cash at the Offer Price, solely to cover any over-allocation in the Placing, details of which are set out in “Structure of the Share Offer – Offer Size Adjustment Option” in this prospectus
“ PINK Application Form(s)”	the application form(s) to be sent to Eligible Employees to subscribe for the Employee Reserved Shares pursuant to the Employee Preferential Offering

DEFINITIONS

“Placing”	the conditional placing by the Placing Underwriters on behalf of our Company of the Placing Shares to selected professional, institutional and other investors at the Offer Price, as further described under the section headed “Structure of the Share Offer” in this prospectus
“Placing Shares”	180,000,000 new Shares being initially offered by us for subscription pursuant to the Placing together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Offer Size Adjustment Option
“Placing Underwriter(s)”	the underwriter(s) for the Placing who are expected to enter into the Placing Underwriting Agreement
“Placing Underwriting Agreement”	the underwriting agreement relating to the Placing to be entered into by, among others, our Company and the Placing Underwriter(s) on or about the Price Determination Date, as further described in “Underwriting” in this prospectus
“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
“Price Determination Date”	the date expected to be on or around Monday, 14 October 2019, on which our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriter(s)) determine the Offer Price for the purpose of the Share Offer
“Public Offer Underwriter(s)”	the underwriter(s) listed in “Underwriting – Public Offer Underwriter(s)” in this prospectus, being the underwriter(s) of the Hong Kong Public Offering
“Public Offer Underwriting Agreement”	the underwriting agreement dated 26 September 2019 relating to the Hong Kong Public Offering entered into by, among others, the Company and the Public Offer Underwriter(s), as further described in “Underwriting” in this prospectus
“Railway Corporation”	a Hong Kong railway corporation which is listed in the Main Board of the Stock Exchange in Hong Kong

DEFINITIONS

“Reorganisation”	the reorganisation of our Group in preparation for the Listing, details of which are set out in “History, Corporate Structure and Reorganisation – Reorganisation” in this prospectus
“Security and Guarding Services (Fees) Regulation”	the Security and Guarding Services (Fees) Regulation (Chapter 460A of the Laws of Hong Kong), as amended or supplemented from time to time
“Security and Guarding Services (Licensing) Regulation”	the Security and Guarding Services (Licensing) Regulation (Chapter 460B of the Laws of Hong Kong), as amended or supplemented from time to time
“Security and Guarding Services Ordinance”	the Security and Guarding Services Ordinance (Chapter 460 of the Laws of Hong Kong), as amended or supplemented from time to time
“Security Authority”	the Security and Guarding Services Industry Authority established under the Security and Guarding Services Ordinance
“Security Company Licence”	the licence issued or renewed by the Security Authority under the Security and Guarding Services Ordinance
“Security Personnel Permit”	the permit issued or renewed by the Commissioner of Police (or any police officer acting under and in accordance with an authorisation conferred on him by such Commissioner of Police) under the Security and Guarding Services Ordinance
“Settlement Period”	means the Certification Period plus the period between the Date of Certification and the date of actual settlement
“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 the Company
“Shareholder(s)”	holder(s) of Shares
“Share Offer”	the Hong Kong Public Offering and the Placing

DEFINITIONS

“Sole Sponsor” or “South China Capital Limited”	South China Capital Limited, a corporation licensed under the SFO and permitted to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the sole sponsor to the Listing
“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”	FY2017, FY2018 and FY2019
“Uncertified revenue”	Uncertified revenue represents our right to receive consideration for services rendered pending verification of attendance records by customers as at the end of the reporting period and is transferred to trade receivables when we obtain the certification issued by the customers
“Underwriter(s)”	the Public Offer Underwriter(s) and the Placing Underwriter(s)
“Underwriting Agreements”	the Public Offer 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
“U.S. Securities Act”	the United States Securities Act 1933, as amended or supplemented from time to time
“ WHITE Application Form(s)”	the application form(s) to be completed in accordance with the instructions in “How to Apply for Hong Kong Offer Shares and the Employee Reserved Shares – 3. Applying for Hong Kong Offer Shares” in this prospectus
“XRL Contracts”	the facility service contracts, namely Contracts J, K and L entered into between our Group and the Railway Corporation in relation to Guangshen’gang XRL. For details of the XRL Contracts, please see “Business – Our Major Contracts” in this prospectus
“Yan Yan Motors”	Yan Yan Motors Limited (人人汽車有限公司), a company incorporated in Hong Kong with limited liability on 11 March 1977 and operates public light bus routes in Hong Kong, which is a majority controlled company of Mr. Ma Ah Muk, Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma

DEFINITIONS

“**YELLOW** Application Form(s)” the application form(s) to be completed in accordance with the instructions in “How to Apply for Hong Kong Offer Shares and the Employee Reserved Shares – 3. Applying for Hong Kong Offer Shares” in this prospectus

“%” 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.

Unless expressly stated or the context requires otherwise, amounts and percentage figures, including share ownership and operating data in this prospectus, may have been subject to rounding adjustments. Accordingly totals of rows or columns of numbers in tables may not be equal to the apparent total of the individual items.

For ease of reference, the names of Chinese 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.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain terms used in this prospectus as they relate to our Company and are used in this prospectus in connection with our business or us. These terms and their given meanings may not correspond to standard industry definitions.

“Ad-hoc Contract(s)”	contract(s) which were entered into between our Group and our clients with less than or approximately one day’s notice
“CAGR”	compound annual growth rate
“Category A Security Work”	guarding work restricted to a single private residential building, the performance of which does not require the carrying of arms and ammunition pursuant to the Security Personnel Permit categorised as Category A security work under the Security and Guarding Services Ordinance
“Category B Security Work”	guarding work in respect of any persons, premises or properties, the performance of which does not require the carrying of arms and ammunitions and which does not fall within Category A Security Work pursuant to the Security Personnel Permit categorised as Category B security work under the Security and Guarding Services Ordinance
“commercial property(ies)”	shopping mall(s), office building(s) and hotel(s) at where we provided our facility services during the Track Record Period
“Competent Person (Track)”	a trained and qualified person to work on, amongst other matters, railway, to ensure the safe operation of railway and the safety of the people who are working on operating railway
“contract deposit”	a type of contract security given by the service provider in the form of cash

GLOSSARY OF TECHNICAL TERMS

“contract security”	a guarantee given by the service provider in favour of its client for the due and faithful performance of the contract. It may take the form of contract deposit or performance bond and is normally released upon completion of the contract. The amount of contract security, if any, varies contract by contract
“DMC(s)”	deed(s) of mutual covenant, a document registered with the Land Registry which sets out the rights, interests and obligations of the owners of the units in a building
“Event Contract(s)”	contract(s) which were entered into between our Group and our clients for single-purpose event or incident during the Track Record Period and up to the Latest Practicable Date
“Fixed-term Contract(s)”	contract(s) for a fixed term which were entered into between our Group and our clients during the Track Record Period and up to the Latest Practicable Date
“Guangshen’gang XRL”	Guangzhou-Shenzhen-Hong Kong express rail link (officially Beijing-Guangzhou-Shenzhen-Hong Kong high-speed railway, Guangzhou-Shenzhen-Hong Kong section), a high-speed railway line to connect Beijing and Hong Kong (Kowloon) via Guangzhou
“Incorporated Owners” or “Owners’ Corporation”	in relation to a building, means a corporation registered pursuant to the Building Management Ordinance
“ISO”	an acronym for a series of quality management and quality assurance standards published by the International Organization for Standardization, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
“ISO 9001”	ISO 9001 is an internationally recognised standard for a quality management system. It aims at effectiveness of the quality management system in meeting client requirements. It prescribes requirements for ongoing improvement of quality assurance in design, development, production, installation and servicing
“MPF”	an acronym for Mandatory Provident Fund

GLOSSARY OF TECHNICAL TERMS

“Owners’ Committee”	in relation to a building, means the committee of owners formed under or in accordance with the DMC in respect of that building
“performance bond”	a type of contract security given by the service provider in the form of a bond of a financial institution
“public light bus(es)”	green and red minibuses in Hong Kong that are licensed to carry a maximum of 19 passengers, also referred to as public light bus
“Type I security work”	the provision of security guarding services pursuant to the Security Company Licence categorised as Type I security work under the Security and Guarding Services Ordinance
“Type II security work”	the provision of armoured transportation services pursuant to the Security Company Licence categorised as Type II security work under the Security and Guarding Services Ordinance
“Type III security work”	the installation, maintenance and/or repairing of a security device and/or designing (for any particular premises or place) a security system incorporating a security device pursuant to the Security Company Licence categorised as Type III security work under the Security and Guarding Services Ordinance

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. When used in this prospectus, the words “aim”, “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “might”, “plan”, “propose”, “seek”, “should”, “target”, “will”, “would” and the negative of these words and other similar expressions, as they relate to our Group or our management, are intended to identify forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business strategies and our operating and expansion plans;
- our objectives and expectations regarding our future operations, profitability, liquidity and capital resources;
- future events and developments, trends and conditions in the industry and markets in which we operate or plan to operate;
- our ability to control costs;
- our ability to identify and successfully take advantage of new business development opportunities; and
- our dividend policy.

Such statements reflect the current views of our management with respect to future events, operations, profitability, liquidity and capital resources, some of which may not materialise or may change. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of uncertainties and factors, without limitation, the risks factors set out in “Risk Factors” in this prospectus and the following:

- changes in the laws, rules and regulations applicable to us;
- general economic, market and business conditions in Hong Kong, including the sustainability of the economic growth in Hong Kong;
- changes in the regulatory environment and general outlook in the future development, trends and conditions in the markets which we export our products to;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices;
- business opportunities and expansion that we may pursue;
- our ability to identify, measure, monitor and control risks in our business, including our ability to improve our overall risk profile and risk management practices; and
- other factors beyond our control.

FORWARD-LOOKING STATEMENTS

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 “Risk Factors” in this prospectus.

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

RISK FACTORS

An investment in our Shares involves various risks. You should carefully consider all the information in this prospectus and, in particular, the risks and uncertainties described below before making an investment in our Shares.

The occurrence of any of the following events could materially and adversely affect our business, financial condition, results of operations or prospects. If any of these events occur, the trading price of our Shares could decline and you may lose all or part of your investment. You should seek professional advice from your relevant advisers regarding your prospective investment in the context of your particular circumstances.

RISKS RELATING TO OUR BUSINESS

Significant portion of our revenue in FY2019 was generated from contracts with Railway Corporation, in particular, the XRL Contracts. If the XRL Contracts are not renewed or if we cannot maintain our business relationship with Railway Corporation, our business, results of operations and financial condition may be adversely affected

Revenue from contracts with Railway Corporation, our largest client during the Track Record Period, were approximately HK\$ 41.1 million, HK\$31.4 million and HK\$162.6 million for FY2017, FY2018 and FY2019, representing approximately 39.7%, 24.0% and 55.1%, respectively. In particular, revenue generated from XRL Contracts with Railway Corporation in FY2019 was approximately HK\$128.6 million and represented approximately 46.7% of our total revenue in FY2019. The XRL Contracts will expire on 15 September 2021.

We cannot assure you that we will be able to secure large contracts with value comparable to that of the XRL Contracts, or any contract at all, from the Railway Corporation when existing contracts expire. We cannot assure you that we will be awarded new XRL Contracts, or be able to renew or extend the XRL Contracts upon their expiry, or that the terms and conditions of the new, extended or renewed XRL Contracts, if any, will be comparable to existing XRL Contracts or be commercially acceptable to us. If we lose our XRL Contracts, or our business relationship with Railway Corporation deteriorate, our business, results of operation and financial condition may be adversely affected.

We rely on the contracts from the public sector and recurring clients during the Track Record Period. Any decrease or loss of business from any one of our major clients from the public sector or recurring clients may adversely affect our business, results of operations and financial condition

During the Track Record Period, (i) revenue derived from the public sector accounted for approximately 72.4%, 62.0% and 81.7% of our total revenue, respectively; and (ii) approximately 94.7%, 90.1% and 99.1% of our revenue was contributed by our recurring clients (i.e. clients who during the Track Record Period engaged us for more than one contract when FY2016 is set as the base year for determination), respectively. Our contracts with our clients generally do not include long-term obligations requiring them to use our services. As

RISK FACTORS

such, there is no guarantee that our clients will continue to engage us at the same volume of business, or at all, in the future or that we will be able to replace, in a timely or effective manner, departing clients with potential clients that deliver comparable level of revenue.

If our clients in the public sector or recurring clients reduce their demand for our services, decrease their spending for our services, request for more competitive fees, terminate our contracts prior to the expiry date, engage the services of our competitors or refuse to award new tender contracts to our Group, our business, results of operations and financial positions may be materially and adversely affected.

We cannot assure you that we will be able to maintain or improve our relationship with our major clients in the public sector or recurring clients, and we cannot assure you that we will be able to continue to provide services to them at current levels on similar terms, or at all. Our use of resources and management attention to continue our relationship with our major clients in the public sector or recurring clients and provide services to them may also reduce resources devoted to our other clients and business activities. In the event that our major clients in the public sector or recurring clients cease to engage us to provide services and we fail to replace such clients, our business, results of operations and financial condition may be materially and adversely affected.

A significant portion of our revenue was derived from the provision of security services. If our Security Company Licence is revoked, suspended or not renewed, or if we experience material delay in renewing such licence, our business, results of operation and financial condition may be materially and adversely affected

The major source of our revenue during the Track Record Period was derived from the provision of security services. The revenue generated from the provision of security services for the Track Record Period was approximately HK\$99.5 million, HK\$112.5 million and HK\$267.5 million, respectively, representing approximately 96.2%, 86.0% and 90.6% of our total revenue, respectively. We cannot assure you that there will not be any material adverse change in the market trend, development or demand in the security services industry, our existing client base for security services and the labour market for security service personnel. Should we fail to adapt to such changes in the industry, experience an interruption in our security services business or fail to respond to changes in demands from our existing or prospective clients, our operations and financial conditions may be significantly and adversely affected.

In particular, as at the Latest Practicable Date, IWS Security, our operating subsidiary, was licensed to provide Type I security work (namely provision of security guarding services) in Hong Kong. We were not licensed to carry out Type II security work (namely provision of armoured transportation services), or Type III security work (namely installation, maintenance and/or repairing of a security device and/or designing (for any particular premises or place) a security system incorporating a security device). In the event that our Security Company Licence for carrying out Type I security work is revoked, suspended or not renewed by the Security Authority, or if we experience material delays in renewing our Security Company

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Licence, or if there are circumstances leading to a sharp decrease in demand for Type I security work in Hong Kong, our business, results of operations and financial condition may be materially and adversely affected.

A significant number of our contracts were awarded through competitive tendering. There is no guarantee that new contracts will be awarded to us

A significant portion of our revenue was generated from contracts awarded through competitive tendering during the Track Record Period. During the Track Record Period, revenue from competitive tendering accounted for approximately 70.4%, 60.7% and 81.4% of our total revenue, respectively. Our tender success rate was approximately 66.7%, 73.7% and 34.6% during the Track Record Period, respectively. Some of our existing major clients evaluate tenders based on different financial and non-financial considerations. Please see “Business – Sales and Marketing – Contracting” for details of the tendering requirements as well as renewal or extension of our existing contracts. We cannot assure you that we will meet the tendering requirements or that our overall score under the clients’ evaluation system (if applicable) can be maintained.

Even if we are able to meet the tendering requirements, we cannot assure you that (i) we would be invited or made aware of the tender; (ii) the terms and conditions of the new would be comparable to our existing contracts; (iii) the terms and conditions of the potential contracts, if materialise, may be commercially acceptable to us; or (iv) our tenders would ultimately be selected by the prospective clients. In the competitive tendering process, we may have to lower our service fees or offer more favourable terms to our clients in order to increase the competitiveness of our tenders, and may not be able to reduce our costs accordingly. If we are unable to secure new contracts, or do so at terms comparable to our existing contracts, our business, results of operations and financial conditions may be adversely affected.

We recorded a net operating cash outflow for FY2019. Our cash flow position may deteriorate owing to the long outstanding trade receivables and uncertified revenue due from our clients. If we are unable to manage our receivables or cash flow properly, we may continue to record net operating cash outflow and may have difficulty meeting our payment obligations

Our revenue is derived from the service fees payable by our clients and we may grant credit terms to our clients. Therefore, we are subject to the credit risks of our clients. Even if there is a delay in payment by our clients, we still need to remunerate our employees and make timely payments for our operating costs. Therefore, our working capital and cash flow may be adversely affected. We cannot assure you that we will be able to collect all or any part of our trade receivables in a timely manner or at all. Failure to collect our trade receivables would negatively affect our financial performance. As at 31 March 2017, 2018 and 2019, our trade receivables were approximately HK\$28.9 million, HK\$27.6 million and HK\$49.4 million, and our trade receivables which were past due but not impaired with ageing over 60 days (based on invoice date) amounted to approximately HK\$8.6 million, HK\$6.8 million and HK\$7.1 million, respectively. Our uncertified revenue as at 31 March 2017, 2018 and 2019 were nil,

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nil and approximately HK\$57.6 million, respectively. For further details, see note 16 to the Accountants' Report set out in Appendix I to this prospectus. During the Track Record Period, our average trade receivables turnover days for each year were approximately 89 days, 79 days and 83 days, respectively.

In FY2017 and FY2018, a credit term of up to 90 days was generally granted to our clients. However, we have also allowed Railway Corporation a settlement period of up to 120 days for invoices in respect of the XRL Contracts around April 2018 to September 2018 (i.e. the trial run period). For details, please see "Business – Sales and Marketing – Payment and credit policy". Accordingly, the time lags between employee benefit expenses being incurred by us on a monthly basis and the settlement of our service fee income may be further lengthened. As a result of the above, our daily operation has to rely on our internal resources and bank borrowings to maintain our cash flow and satisfy the needs of our daily operations.

For FY2019, our Group recorded a net operating cash outflow in the amount of approximately HK\$37.1 million. See "Financial Information – Liquidity and Capital Resources – Cash Flow" in this prospectus for detailed analysis.

If we fail to manage the long outstanding trade receivables due from our clients, or if the settlement period is further aggravated, we may have to resort to reserve further funds from our internal resources and/or obtain banking facilities to meet our payment obligations. We cannot assure you that we will be able to collect all or any part of our trade receivables in a timely manner or at all. Failure to collect our trade receivables would negatively affect our financial performance.

We also cannot guarantee that prospective business activities of our Group and/or other matters beyond our control (such as market competition and changes to the macroeconomic environment) will not adversely affect our operating cash flow and lead to net operating cash outflows in the future. If we face a net operating cash outflow in the future, (i) we may not have sufficient working capital to cover our operating costs and we may have to fund our operating costs by obtaining bank borrowings. There is however no assurance that we will succeed in obtaining bank borrowings at terms favourable to us and we may incur significant finance costs for any such bank borrowings; and (ii) our liquidity may be adversely affected and we may not be able to meet the payment obligations, such as our employee benefit expenses. This may materially and adversely affect our business and financial positions and results of our operations.

If any of our clients, in particular our five largest clients, vary, terminate or suspend the contracts with us prior to the expiry date, our revenue stream and profitability may be adversely affected

We generally enter into written contracts with our clients for the provision of security services and facility management services, but our clients may be entitled to vary the terms of the contract including the total contract sum of a fixed fee contract, during the contract duration. For example of variation of our contract terms, see "Business – Sales and marketing – Our major contract terms".

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In addition, due to the nature of our services, our contracts include Fixed-term Contracts and Event Contracts. A majority of the Fixed-term Contracts have a term of up to three years with an option to renew or extend the duration. However, our clients may in general terminate the contracts without cause by serving one to three months' written notice to our Group. The Hong Kong Government may also suspend some of our existing contracts upon serving two weeks' notice, during which we will not be entitled to payment.

We cannot assure you that our clients will not exercise their rights to vary, terminate or suspend any part of the services performed by us or any contract with us in the future. If contracts are varied, terminated or suspended by our clients, in particular our five largest clients, our revenue stream and profitability may be adversely affected.

Failure to enter into formal written agreements in respect of our service provided upon urgent demand may lead to uncertainty in terms of our engagement. If we do not receive service fees for such urgent demand, our results of operations and financial conditions may be adversely affected

Due to the nature of our services, our clients may sometimes require our security services urgently, such as unexpected crowd control at railway stations and a social movement in Central and Admiralty in 2014 and temporary relief of existing personnel. In such circumstances, we may be required to mobilise our manpower to satisfy the ad-hoc or urgent demand from our clients based on a verbal agreement between the parties. We may only be able to issue an invoice and/or receive a formal purchase order from our clients after our services are rendered. For the measures adopted in relation to such arrangement, including sending emails to our clients to confirm the engagement, see "Business – Sales and Marketing – Our Major Contractual Terms" in this prospectus. Without a formal written agreement to document the respective rights and obligations of the parties, we face uncertainty relating to the terms and conditions of our engagement. Our clients may disagree with us on the interpretation or applicability of different terms and conditions including the service fee, nature of services provided and payment arrangement. Even if services are rendered, we may not be able to receive all or any part of our service fee in a timely manner or at all, which may materially and adversely affect our business operations and financial performance.

Security and facility management services are highly labour intensive and we rely on a stable supply of labour to provide our services; however, overestimation of the necessary manpower for new contracts may also adversely affect our business, results of operations and financial condition

Our business operations are labour intensive and we rely heavily on human resources for providing security services and facility management services. Our employee turnover rate in respect of the full-time employees, calculated by dividing the number of employees who left our Group by the average number of employees during the relevant period, was 38.7%, 29.1%, 17.1% and 38.6% for FY2017, FY2018, FY2019 and after FY2019 and up to the Latest Practicable Date, respectively. We cannot assure you that there will be a stable supply of labour in the future. If there is a shortage of labour in the security services and facility management services industries, particularly of personnel with specialised qualifications, our business operations may be negatively affected.

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The majority of our security services contracts and facility management services contracts are provided under Fixed-term Contracts. These Fixed-term Contracts may have terms of up to three years. Therefore, if we are unable to retain existing employees and/or recruit sufficient employees to meet the demands of our existing contracts at the current wage level, we may have to pay a premium to attract employees. Some of our tender contracts include penalty provisions for manpower shortages, under which we may be subject to penalties if we fail to provide the required number of staff as stated in the relevant tender contract. If we experience any labour shortage, we may be unable to deliver satisfactory services to our clients or otherwise meet our contractual obligations, or we may face penalties for such shortage.

If we cannot recruit sufficient employees with the requisite qualifications or experience in a timely manner, we may be unable to enter into new contracts with prospective or existing clients and/or deliver satisfactory services to them due to insufficient manpower. In such cases, our business, financial condition and results of operations may be adversely affected.

However, an overestimation of the necessary manpower for new contracts may also adversely affect our business, results of operations and financial condition. For details of a lay-off incident in March to April 2019, please see “Business – Employees”. We cannot assure you that similar incidents will not happen in the future. We may not be able to estimate the manpower necessary for new contracts accurately. If there is a significant overestimation, we may have to incur substantial cost to terminate the employment with the redundant staff, which could have a material adverse effect on our business, results of operations and financial condition. Even if we terminate employment in accordance with the employment contracts and all relevant laws and regulations, such termination may still expose us to negative media coverage, where, as a result, the relationships with our clients may be adversely affected and we may fail to secure future contracts. Any such negative media coverage may have a material adverse effect on our reputation, business, financial position and results of operations.

We are subject to certain restrictive covenants in and risks associated with bank borrowings which may limit or otherwise materially and adversely affect our business, results of operations and financial condition

We are subject to certain restrictive covenants as stated in our bank facilities letter which can be linked to our financial performance, such as maintaining a prescribed current ratio or net gearing level during the term of the banking facilities. For details of our banking facilities, please refer to the section headed “Financial Information – Indebtedness – Bank facilities and bank borrowings” of this prospectus. In the event that we fails to obtain the waiver in the future, we may be demanded by the relevant bank for early repayment of the loan. As a result, our business operation and cash flow may be adversely affected and may have a material adverse effect on our business, financial condition and results of operations.

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Our previous financial performance may not be indicative of our future revenue and profit margin

For the Track Record Period, our revenue amounted to approximately HK\$103.4 million, HK\$130.8 million and HK\$295.2 million, while our profit and total comprehensive income amounted to approximately HK\$10.3 million, HK\$10.7 million and HK\$17.7 million, respectively. Excluding the non-recurring Listing expenses, our net profit amounted to approximately HK\$16.6 million for FY2018 and HK\$26.3 million for FY2019. Given that our business is contract-based and our Group generally has not entered into any contracts with a duration of more than four years, and that the majority of our revenue was generated from contracts awarded through competitive tendering during the Track Record Period, there is no assurance that we will always be able to maintain similar levels of revenue and profitability as those during the Track Record Period.

Our financial performance in the future will depend on our capability to secure new business opportunities and contracts to provide services, and to control our costs. We cannot assure you that we will be able to secure new contracts with our current or new clients upon the expiration or termination of the contracts with our current clients, particularly as the contracts we secured through competitive tendering were awarded based on many factors. There is no guarantee that our existing contracts will be extended upon expiry or that new contracts will be awarded to us. Furthermore, profit margins for our services may vary from contract to contract due to factors such as the contract price and the amount of labour resources required. There is no assurance that our revenue and profit margins will remain at a level comparable to those recorded during the Track Record Period. Our financial condition may be adversely affected by any decrease in our profit margin.

Any failure to maintain effective quality assurance system in our Group could have a material adverse effect on our reputation, business and operations

We believe that the reputation and brand name that we have built up over the years play a significant role in enabling us to attract clients and secure contracts. The promotion and enhancement of our reputation within the industries in which we operate and brand name depend largely on our ability to provide quality and timely services to our clients. If we fail to do so or our clients no longer perceive our services to be of high quality, our brand name and reputation could be adversely affected which will in turn materially and adversely affect our business, financial condition and results of operation.

In order to maintain our quality of services, we need to continue to maintain an effective quality assurance system for the services provided to our clients. The effectiveness of our quality assurance system depends significantly on a number of factors, including (i) a timely update of our quality assurance system to suit the ever-changing business needs and environment; and (ii) our ability to ensure that our quality assurance policies and guidelines are adhered to.

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Any failure or deterioration of our quality assurance system could result in decline in the quality of our services, which in turn may jeopardise our reputation, reduce demands for our services or even subject us to contractual liabilities, other claims and prosecution. Any such claims, regardless of whether they are ultimately valid, could cause us to incur significant costs, harm our reputation and/or result in significant disruption to our operations. Furthermore, if any of such claims were ultimately valid, we could be required to pay substantial monetary damages or penalties, which could have a material adverse impact on our business, financial condition and results of operations.

We may be required by our clients to arrange for contract security. If our Group fails to comply with certain requirements in the contracts, we may be required to compensate a monetary loss up to the amount of the contract security

Some of our clients may require our Group to provide contract security, typically in the form of contract deposit at certain percentage of the contract sum. If our Group fails to comply with certain requirements in the contracts, we may be required to compensate a monetary loss up to the amount of the contract security. Depending on individual clients, an amount equivalent to 2%, 5% or 6% of the contract sum may be payable as contract deposit, for each contract at the beginning of our engagement. During the Track Record Period, our Group placed contract deposit amounting to approximately HK\$3.4 million, HK\$4.4 million and HK\$11.4 million (including approximately HK\$7.2 million paid by the non-controlling shareholder of IWS Carpark (JV) on our behalf), respectively as our contract security.

As we aim to secure more public sector and/or large scale contracts, we expect there will be an increase in request for contract security. Should we fail in our liquidity management, these requirements on contract security may put a stain on our cash resources and liquidity. In the event that we fail to observe our obligations as stipulated in our contracts, the contract securities may be forfeited. Accordingly, this may adversely affect our cash flows and financial position.

We are exposed to risks in relation to work safety and occurrences of accidents

There are inherent risks of work injuries or accidents occurring in the course of our business operations due to the nature of the services being performed, particularly in the provision of security services as our employees may be required to work in dangerous environments. We provide our security services and facility management services through our own employees and they may be required to undertake certain tasks including, but not limited, to the following: (i) working at height or on slippery surfaces or in the dark; (ii) operation of electrical appliances in undertaking minor maintenance works; (iii) lifting heavy objects; (iv) working in new and unfamiliar environments; (v) defending and protecting individuals against aggressors; (vi) handling disputes amongst residents or tenants in the properties and carparks we manage and/or operate; and (vii) maintaining order in crowded events.

Our involvement in major accidents or incidents in the course of providing security services, particularly if reported by the media, may adversely affect our reputation and our client's perception of the quality of our services. We cannot assure you that any incidents or

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accidents, which could result in property damage, personal injury or even death to the third parties including residents and aggressors, property owners or our employees, will not occur again in the future. Accidents resulting in personal injury or loss or damage to property may also arise if our employees fail to follow our work safety measures and procedures. However, accidents may occur in the ordinary course of our business. We cannot assure you that our employees will fully comply with the safety measures and plans we implement during their execution of the above tasks or any other tasks. In such events, we may be held liable for the losses or be subject to prosecution. We may also be exposed to claims of negligent or reckless behaviour on the part of our employees. We may also experience interruptions to our business operations and may be required by government authorities to change the manner in which we operate following any incidents or accidents. Any of the foregoing could materially and adversely affect our reputation, business, financial position and results of operations.

Litigation or legal proceedings and negative media coverage could expose us to liability, divert our attention and negatively impact our reputation

In carrying out our ordinary course of business, we may be subject to the risk of being named as a party in regulatory or legal actions, claims and disputes in connection with our business activities, such as labour disputes, personal injuries claims or contractual disputes. The occurrence of accidents leading to personal injuries, property damages and/or fatality may materially and adversely affect our business operations as well as our financial position. Such accidents may expose us to litigious claims or legal proceedings. During the Track Record Period and up to the Latest Practicable Date, there were (i) five settled litigation claims against our Group as defendants which involved labour disputes, employees' compensation and personal injury claims with an aggregate settlement amount of approximately HK\$1.0 million and (ii) one unsettled litigation claim against our Group as defendant which involves an employee's compensation claim, the compensation amount of which is to be assessed by the court. See "Business – Occupational Health and Safety – Litigation and Claims" in this prospectus for further details.

In particular, given the nature of our services, we may also from time to time be involved in disputes with and claims raised against our business associates such as subcontractors or business partners of our clients, clients and suppliers, or other third parties. We may not be at fault or in any way be related to a particular incident or the claimant, but our employees or our Group may be misunderstood as being the employees or employer of the tortfeasor.

If we are involved in any litigation or legal proceedings, the outcome of such proceedings are uncertain and could result in settlements or results which could adversely affect our financial condition. In addition, any litigation or legal proceedings could involve substantial legal expenses as well as significant time and attention of our management, diverting their attention from our operations, and result in negative publicity against us. Furthermore, our clients place a significant amount of trust on us due to the nature of the services we provide, particularly in relation to security services. Therefore, our relationships with our clients may be adversely affected if we are involved in any legal proceedings or identified in any negative media coverage, and as a result, we may also fail to secure future contracts to provide our services to our clients. Any such dispute, claim or proceeding or negative media coverage may have a material adverse effect on our business, financial position and results of operations.

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Our finance costs are affected by changes in interest rates

On 31 July 2019, we had total utilised bank facilities of approximately HK\$69.7 million of which approximately HK\$20.7 million was utilised to provide the provision of contract deposits of the XRL Contracts and other contracts for services provided to Railway Corporation and HK Government Departments, and approximately HK\$39.0 million were used mainly for payments of employee benefit expenses primarily for the XRL Contracts. On this basis, our gearing ratio were approximately 112.1% based on our equity as at 31 March 2019. Our bank borrowings bear floating interest rates determined by reference to the Hong Kong Interbank Offer Rate, which is subject to market movements. For FY2019, the effective interest rates of our bank borrowings were in the range of approximately 2.63% to 3.94%. Our finance costs consist principally of interest expense on bank borrowings, which amounted to approximately nil, nil and HK\$0.8 million for the Track Record Period, respectively. We cannot assure you that these benchmark interest rates will not be raised in the future. Any significant increase in interest rates could increase our finance costs and materially and adversely affect our profitability.

Damage to our brand name or failure to protect our brand name may affect the attractiveness of our services

Our Group's business is sensitive to our client's perception of the reliability and quality of our services. Our success depends on the value of our brand and reputation for offering quality security services and facility management services to our existing and prospective clients. Our Directors believe that our "IWS" brand has the market reputation of quality security services and that maintaining and promoting the brand recognition and good reputation is critical to the future success of our Group. The reputation of our brand is dependent on our Group's ability to provide reliable and quality security services and facility management services which appeal to our client's needs, patterns, and preferences. Inability to do so will adversely impact the reputation of our brand and potentially our business operations.

As at the Latest Practicable Date, we registered two trademarks in Hong Kong which we consider are material to our business. However, we cannot guarantee you that the registration of our trademark can completely protect us against any infringement or passing off. In any case, we are susceptible to infringement of our logos and brands by third parties, whether or not such logos are or will continue to be registered trademarks. If there is any misuse by third parties of our brand, or if we are unable to detect, deter and prevent misbehaviour and misconduct by our employees, or if we fail to effectively protect our brand and trademark, our reputation and brand name could still be damaged and our business and financial performance may be materially and adversely affected.

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We have a close association with the Ma Family. Negativity on the Ma Family resulting from certain litigations associated with its members may adversely affect our Group's reputation

The Ma Family includes Mr. Ma Ah Muk, Mr. KS Ma, Mr. KM Ma, Mr. Vince Ma and Mr. Leo Ma, who are our Controlling Shareholders and/or executive Directors. They have been closely associated with our Group. Due to such close association with our Group, any liability, claim, litigation, negative publicity or disputes associated with any of them or any of their respective associate or business may create a material adverse effect on our Group's reputation, business, growth prospects, results of operations and/or financial condition. As at the Latest Practicable Date, some members of the Ma Family were associated with certain litigations and disputes. For details, see "Directors and Senior Management" in this prospectus. The outcome of certain litigations are uncertain and may result in negativity on the Ma Family. As Mr. Ma Ah Muk, Mr. KS Ma, Mr. KM Ma, Mr. Vince Ma and Mr. Leo Ma are our executive Directors, such negativity may adversely affect our Group's reputation which may in turn affect our business operations and financial performance.

We rely on key management personnel and our business operation may be adversely affected if we are unable to retain them and identify suitable replacement

Our success is, to a significant extent, attributable to the continued commitment, service and contributions of our executive Directors, Mr. Ma Ah Muk, Mr. KS Ma, Mr. KM Ma, Mr. Vince Ma and Mr. Leo Ma, and senior management including Mr. Choi Ming Fai, Andy, Mr. Kwong Tat Man, Ms. Lee Lai Sheung and Mr. Wong Chi Kong. Our continued success is therefore dependent to a large extent on our ability to retain and motivate our Directors and senior management. Our executive Directors and senior management have extensive knowledge and are very experienced in the security services and facility management services industries and they have all significantly contributed to the development of our business. For their biographies, see "Directors and Senior Management" in this prospectus. Their established relationships with our clients and their ability to develop new clientele have played an important role in our Group's attainments. However, we cannot assure you that we will be able to retain the services of our Directors and senior management or that we can continue to develop the experience and skills of our key personnel. Any unanticipated departures of members of the management team without any appropriate and timely replacement may result in loss of strategic leadership and disruption or delay to our business operation and expansion, which may have a material adverse effect on our business operations and profitability.

Our business may be adversely affected by the conduct and actions of our employees and third parties

Our services are provided through our employees and third parties including our sales agents. As our front-line employees who have the most frequent and direct contact with our clients and end users, their action and conduct would have a direct impact on our Group.

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We are exposed to a risk of fraud or other related misconduct by employees and sales agent who act on behalf of our Group for conducting sales and marketing activities. We cannot assure you that there will be no any of such instances in the future. Any misconduct or future acts, could subject us to financial losses, harm our reputation and may have a material adverse effect on our business, results of operations and financial condition.

In particular, we engaged sales agents for conducting certain sales and marketing activities including the sourcing of new clients. The sales agent are responsible for referral services which include facilitating our Group in the promotion, arrangement and negotiation of security service contracts with our clients. There can be no assurance that our Group will be able to attract, assimilate or retain such sales agents. Accordingly, there is no assurance that our Group will succeed in maintaining continuous services from our sales agents. If we cannot maintain the relationship with our sales agents and we cannot secure other sales agents or employees to replace them, our business, operations and financial position may be adversely affected.

Our provision of services on a fixed fee basis could subject us to losses if we subsequently incur excess expenses in delivering our services to clients

During the Track Record Period, we charged the majority of our clients a pre-agreed fixed fee, with no fee adjustment mechanism, regardless of the amount of resources we utilised or additional expenses we incurred in providing our services to our clients. If the actual costs deviate significantly due to our miscalculation or other unexpected circumstances, or in the event the fees we collect are insufficient to cover all the expenses incurred, we may suffer losses which could result in a material adverse effect on our profitability, financial position and results of operations.

We rely entirely on the Hong Kong market. Any material adverse change to the economic, social and political conditions in Hong Kong may adversely affect our business, results of operations, financial performance and profitability

All of our security services and facility management services were provided only in Hong Kong during the Track Record Period and we have no plan to provide such services in other territories in near future. Therefore, we are exposed to the risks involved in conducting business in Hong Kong. Any material adverse change to the economic, social and political conditions in Hong Kong may adversely affect our business, results of operations, financial performance and profitability. See “Risks relating to conducting business in Hong Kong” in this section for further details.

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Security breach, theft, burglary, any loss of property occurring at and/or any damage to the properties or bodily harm or any accidents resulting in personal injury to the personnel secured, guarded, managed and/or served by us could adversely affect our business, results of operations, financial position and reputation

Security breach, theft, burglary, loss or damage of property, bodily harm and accidents resulting in personal injury (“**Incidents**”) may occur during the course of operating our business. The properties or personnel that we secure, guard, manage and/or serve may be subject to such incidents and the common areas of our managed properties such as the lobby, hall way, outdoor open space, stairway, car park, elevator shaft and equipment may be damaged in a variety of ways that are beyond our control, including but not limited to natural disasters, intentional or unintentional human actions. We may be liable for loss suffered by our clients as a result of such Incidents if the loss is caused by our negligence or breach of contract. Please see “Business – Procedure for recording and handling employee injuries or accidents at work” for details of certain security incidents took place during the Track Record Period and “Business – Litigation and claims” for details of our litigation and claims. If we are liable to pay damages to our clients for such loss, our business, results of operations, financial position and reputation performance may be adversely affected.

Separately, irrespective of whether an Incident is within our control or whether we are at fault, we may face claims, regardless of their merits, for loss, damage of properties or personal injuries caused by such Incident. Defending such claims, regardless of whether such claims have merits, can be time consuming and costly, and may divert our management’s attention and resources. We may also need to divert management attention and resources to assist governmental authorities in their investigations in connection with any Incident that took place in the properties we secure or damage to the common areas of our managed properties. If we are involved in such claims, even if we are proven not liable in the end, our reputation, business, results of operations and financial condition may be adversely affected.

Our corporate structure consists of multiple service segments and exposes us to risks relating to multiple industries. Failure to implement a management system that is effective for all our segments may have adverse effect on our business, results of operation and financial condition

Our Group consists of multiple service segments, namely security services and facility management services which include property management services, car parking rental and management services, cleaning services and hotel management services. Due to the relatively diverse characteristics of our Company, we face challenges not found in companies with a single business line. In particular:

- we are exposed to business, market and regulatory risks relating to different industries. We need to devote substantial resources to monitor changes in different operating environments so that we can react with appropriate strategies that fit the needs of our affected operating subsidiaries; and

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- due to various types of services involved, successful operation of our Group requires an effective management system that emphasises accountability, imposes financial discipline on our operating subsidiaries, and creates value-focused incentives for management. As we continue to grow, our operations may become more complex, which increase the difficulty of implementing our management system.

If we fail to manage our exposure in the business, market and regulatory risks in the multiple industries we operate in, or if we fail to implement management system that is effective for all our segments, our business, results of operations and financial conditions may be adversely affected.

We may not have adequate insurance coverage and we are affected by increasing insurance costs and reduction of insurance coverage by our insurers

We have maintained insurance coverage for various risks in relation to our operations, employees and protection against accidents and injuries. For details of our insurance policies, see “Business – Insurance” in this prospectus. However, we do not carry any insurance policies against certain risks, such as acts of terrorism, riot or public disorder. We may also be subject to liabilities against which we are not insured adequately insured and we would be required to make up for the shortfall of the awarded amount. Furthermore, adequate insurance coverage may not be available on reasonable terms in the future or may only be available at significantly higher premiums for risks currently covered. Should any major claims be made against our Group which are not covered by adequate insurance or at all, our business and financial performance may be materially and adversely affected. During the Track Record Period, our insurance costs had continued to increase and the aggregate expenses of our insurances were approximately HK\$0.04 million, HK\$0.06 million and HK\$0.04 million respectively. We cannot control if there are reduction or limitation of insurance coverage by insurers upon the expiry of our currently existing policies. Any further increase in insurance costs (such as an increase in insurance premiums) or reduction in coverage may materially and adversely affect our Group’s business operations and financial results.

Our future business plans may not materialise within the planned time frame and our expansion plan could contribute to the fluctuations of our financial results

Our future business growth primarily depends on the successful implementation of our strategies and future business plans as set out in “Statement of Business Objectives and Use of Proceeds” in this prospectus. Our future business plans are based on existing intention of our Directors and some of them are at conceptual or preliminary stages. These business plans and intention are based on assumption as to the occurrence of certain future events, which may or may not materialise, and the real situation might differ materially. Furthermore, our future business plans may be hindered by other factors beyond our control, such as competition from other security services companies and facility management services companies. Therefore, we cannot assure you that our future business plans will materialise, or result in the conclusion or execution of any agreement within the planned time frame, or that our objectives will be fully or partially accomplished.

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Furthermore, we may incur substantial capital expenditure for our expansion plan, typically consisting of associated capital contribution or commitment as well as investments for, among other things, renovation of the property, expenses of our workforce, acquisition of requisite machines and equipment and investments in automated technology and other information technology infrastructure. As a result, relevant costs and expenses, such as depreciation expenses and employee benefit expenses, would increase and may potentially impact our financial results relatively more significantly in the early expansion stage. It is currently expected that, in association with our expansion plan, there will be no significant increase in depreciation expenses or operational expenses for FY2020, and subsequent to FY2020, there will be an increase of approximately HK\$1.0 million and HK\$3.3 million in depreciation expenses and approximately HK\$4.1 million and HK\$4.0 million in operational expenses, including approximately HK\$2.8 million and HK\$2.8 million for recruitment of security service personnel and approximately HK\$1.3 million and HK\$1.2 million for expansion of our operation team and sales and marketing team in FY2021 and FY2022, respectively. The amount of required initial capital investments may be significantly affected by general market conditions and we may not be able to secure sufficient financing for our expansion. Therefore, we expect that our expansion plan and schedule will affect our financial condition and results of operations, and may lead to period-to-period fluctuations in the future.

RISKS RELATING TO OUR INDUSTRY

Changes in the rules and regulations, industry standards and advanced technology innovation relating to the security services and facility management services may affect our operations

Our success will depend, in part, on our ability to keep up with the pace of changing regulatory regime, industry standards and technology innovation. As at the Latest Practicable Date, there was no licencing requirement for property management companies and practitioners for providing property management services. However, the Property Management Services Ordinance, which aims to regulate property management services companies and practitioners, was passed by the Legislative Council of Hong Kong in May 2016. Some of the key provisions of the ordinance, including the licensing regime, have not yet come into full force. For details, see “Regulatory Overview” in this prospectus. When the key provisions of the Property Management Services Ordinance come into full force, we and some of our employees may need to obtain practising licences to provide property management services.

According to the Frost & Sullivan Report, advanced security solutions are reshaping the infrastructure of the building facilities. Increasing number of facility management and security services companies are placing emphasis on the surveillance technology and video analytics, creating strong demand for video surveillance systems.

We cannot provide any assurance that we and our employees would be able to obtain the necessary licences immediately upon the key provisions coming into force, or at all. If there is any delay in the application for licences, we may need to suspend or terminate our existing property management services. Even if we and our employees successfully obtain the

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necessary licences, there is no guarantee that the licences will not be revoked or suspended by the relevant regulatory authorities if there are grounds giving rise to such revocation or suspension. In the event that any licence is revoked or suspended, our business operation may have to be suspended or terminated. Moreover, there is no assurance that the Hong Kong Government will not impose additional or stricter law or regulations on the facility services industry in the future. Furthermore, if we do not respond successfully to evolving industry standards and technology innovation, our clients are likely to seek more qualified service providers who are able to respond more effectively to changes in the industry standards and technology innovation and better meet their demand. In such events, our business and results of operations may be materially affected.

Potential cancellation of the MPF offsetting arrangement may result in an increase in our direct labour costs

Under the current MPF legislation, an employer is entitled to apply for an offset of the employee severance payments and long service payments, deductible from the accrued benefits derived from the employer's MPF contributions (the "MPF Offsetting Arrangement"). See "Regulatory Overview – Labour, Health and Safety – Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong)" in this prospectus for more information. Pursuant to the 2017 Policy Address issued by the Hong Kong Government, the Hong Kong Government proposes to progressively abolish the MPF Offsetting Arrangement with the following three key elements: (i) the said abolition will have no retrospective effect; (ii) the amount of severance payments or long service payments payable for an employment period from the abolition date will be adjusted downwards from the existing entitlement of two-thirds of one month's wages to half a month's wages as compensation for each year of service; and (iii) the Hong Kong Government will share part of the expenses on severance payments or long service payments in the ten years after the abolition date to help employers, especially the small and medium enterprises. If the MPF Offsetting Arrangement is abolished or revised in the future, we would incur additional costs, which are estimated to amount to approximately HK\$1.8 million with reference to the amount of MPF contribution of relevant employees made up to 31 May 2018 and valuation of such accrued benefits as at 29 June 2018. In such an event, our direct labour costs may increase, which may materially and adversely affect our results of operations, financial condition and profitability.

We operate in a competitive industry and a high competitive market may put downward pricing pressures on us

We face significant competition in the security services industry and facility management services industries in Hong Kong. According to the Frost and Sullivan Report, there were approximately over 600 security services providers, 900 facility management companies (including facility and venue management and car parking rental and management services providers) and 1,000 cleaning companies in Hong Kong in 2018. Entry barriers and set up costs are considered to be relatively low. Although individuals providing security services and companies offering security services are regulated under a permit and licence system, there were no industry-wide basic requirements for property management services companies and car parking rental and management services companies in force as at the Latest Practicable

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Date. We also face competition from large facility management services companies that are subsidiaries of property developers in securing property management contracts for private housing estates. Large sized property developers usually appoint one of their subsidiaries or associated companies to manage the properties they develop because the property developers may enjoy the advantage of owning large shares of the property development and maintain substantial control over such properties.

Due to the large number of competitors, we face significant downward pricing pressure thereby reducing our profit margins. Furthermore, if we do not provide a competitive quote relative to our competitors, our services may not be attractive to prospective clients and our profitability may be materially and adversely affected. Our success depends on our ability to compete effectively against these competitors in terms of the quality of services and on-site staff, price, track record, effective human resource management, relationships with clients, range of ancillary services, track record, marketing, brand recognition and reputation. We cannot assure you that we will continue to compete successfully in the future, and if we fail to do so, our business and financial results would be adversely affected.

Furthermore, as the Competition Ordinance has only been operational since December 2015, there may be uncertainties on the full effect of the rules in respect of compliance, infringement and its effect on our business, in particular when tendering is one of our major means of securing contracts. We may face difficulties and may need to incur legal costs in ensuring our compliance with the rules. We may also inadvertently infringe the Competition Ordinance and under such circumstance, we may be subject to fines and/or other penalties, incur substantial legal costs and may result in business disruption and/or negative media coverage, which could adversely affect our business, results of operations and reputation. See “Regulatory Overview” in this prospectus for further details.

With the implementation of the Minimum Wage Ordinance, we may fail to retain labour in a cost effective way, or fail to transfer the rising labour costs to our clients, which may adversely affect our profitability

We rely heavily on human resources for the provision of our security services and facility management services, and therefore a substantial proportion our operating expenses are labour costs. Hong Kong introduced the minimum wage legislation under the Minimum Wage Ordinance which dictated a statutory minimum wage of HK\$28.0 per hour with effect from 1 May 2011. The statutory minimum wage was revised to HK\$34.5 per hour on 1 May 2017 and was further revised to HK\$37.5 per hour on 1 May 2019. During the Track Record Period, we experienced considerable growth in our labour to 2,133 employees as at the Latest Practicable Date. For the Track Record Period, our total labour costs (including director’s remuneration) amounted to approximately HK\$85.1 million, HK\$102.8 million and HK\$252.1 million, respectively, representing approximately 93.3%, 92.6% and 95.8% of our total operating expenses, respectively. Based on our Directors’ estimation, the average hourly wage of our operational staff in the Track Record Period was approximately HK\$44.0, HK\$42.3 and HK\$42.8, respectively, which was higher than the statutory minimum wage by approximately HK\$11.5, HK\$7.8 and HK\$8.3 for the same periods, respectively.

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We expect labour costs to continue to represent a significant percentage of our total revenue. We cannot assure you that the statutory minimum wage will not be further increased in the future. Pursuant to the Minimum Wage Ordinance, the Minimum Wage Commission must report its recommendation on the amount of the statutory minimum wage at least once in every two years. The statutory minimum wage may be adjusted having regard to such recommendation and the previous increase was made in 2017. We anticipate that if the statutory minimum wage is further increased subsequent to the Latest Practicable Date or if new labour laws are implemented in Hong Kong, and we are unable to transfer future rising labour costs to our clients, our operating results and hence our profitability will be adversely affected. During the Track Record Period, certain of our major contracts representing approximately 27.3%, 21.0% and 54.0% of our total revenue allow our Group to adjust our service fee as a result of a change in statutory minimum wage, respectively. See “Financial Information” in this prospectus for details of the sensitivity analysis to the change in our profit if our labour costs change.

In addition, our front-line staff are security service personnel with the Security Personnel Permit. As a result of the Minimum Wage Ordinance, it may be more difficult for us to retain employees such as security service personnel, due to other jobs available to staff with less qualification requirements. In such case, we may be forced to offer more competitive salary to our employees, or the quality of our services could be affected if no suitable and capable replacement is found in time.

Potential standard working hours legislation may adversely affect our staff costs and profitability

As at the Latest Practicable Date, Hong Kong had not adopted legislation regarding maximum working hours. On 26 November 2012, the Labour Department of the Hong Kong Government released a report of the policy study on standard working hours (the “**First Report**”). Following the release of the First Report, the Hong Kong Government set up the Standard Working Hours Committee (the “**SWHC**”) in April 2013. The SWHC is responsible for conducting in-depth discussions and advising the Hong Kong Government on the subject of standard working hours, including whether a statutory standard working hours regime or alternatives should be considered.

In 2014, the SWHC conducted an extensive first-stage consultation with an in-depth working hours survey, and examined a range of relevant economic and social factors. On 25 April 2016, the SWHC launched the Consultation on Working Hours Policy Directions (the “**Consultation**”) to collect views on working hours policy directions. The SWHC concluded that operating costs would increase if standardised hours, ranging from 44 to 52 hours a week, with compensation for overtime were implemented. On 27 January 2017, the SWHC released a report (the “**Second Report**”) to recommend, amongst others, that a legislative approach be adopted to mandate employers to enter into written contracts with lower-income employees which specify working hours terms, and that such employees shall receive overtime compensation at a rate no less than the rate of the agreed wages or equivalent time-off in lieu. On 13 June 2017, the Chief Executive endorsed the recommendations made in the Second Report. The Labour Department of the Hong Kong Government subsequently issued a

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Legislative Council Paper on 10 June 2017 to accept the Second Report and set out the working hours policy framework and proposed measures, including a recommendation that lower-income employees be defined as receiving a monthly wage of HK\$11,000 and below. We cannot assure you as to whether a statutory standard working hours bill will be passed into legislation and whether such policy will be further revised in the future. If a statutory standard working hours legislation is implemented, our staff costs may increase due to additional compensation paid to our employees for overtime work, and as a result, our profitability may be adversely affected.

RISKS RELATING TO CONDUCTING BUSINESS IN HONG KONG

The state of the economy and social and political environment in Hong Kong may impact our performance and financial condition

All of our operations are based in and revenue is derived from Hong Kong. Currently we have no plans to expand into foreign markets. Any major changes to Hong Kong's economic, social and political landscape will have a huge impact on our business. If there is a downturn in the economy of Hong Kong, our results of operations and financial position may be adversely affected. In addition to economic factors, social unrest or civil movements such as occupation activities and protests may also affect the state of economy in Hong Kong and in such case, our Group's operations and financial position may also be adversely affected.

Hong Kong is a special administrative region of the PRC. It enjoys a high degree of autonomy and executive powers under the principle of "one country, two systems" in accordance with the Basic Law. A high level of autonomy is expected to be maintained as currently in place. However, there is no assurance that the economic, political and legal developments in Hong Kong will not be adversely affected as a result of the exercise of sovereignty by the PRC over Hong Kong. Recently, Hong Kong has witnessed an increasing number of protests and social demonstrations. There is also no assurance that Hong Kong will not experience any adverse economic, political or regulatory conditions due to events beyond our control, such as local economic downturn, natural disasters, contagious disease outbreaks, terrorist attacks, or if the government adopts regulations that place restrictions or burdens on our major clients or on our industry in general. Any such economic, political and social instability, if significant and prolonged, could have a material adverse effect on our business, financial condition, results of operations and prospects.

Any outbreak of communicable disease in Hong Kong, including but not limited to severe acute respiratory syndrome, swine influenza, etc., could have a material and adverse effect on our business

Any outbreak of communicable disease in Hong Kong could have a material and adverse effect on our business. If any of our employees are affected by any communicable disease outbreaks, we may be required to temporarily shut down our offices and to prohibit our staff from going to work to circumvent the spread of the disease. Such closures could severely disrupt our business operations and materially and adversely affect our results of operations.

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In addition, any outbreak of communicable disease in Hong Kong could also adversely affect our clients' business activities. Functions or promotional activities such as exhibitions, concerts, annual meetings and gatherings and press release functions of which security service personnel are required may be cancelled and places requiring security services may be closed down resulting in decrease in demand in security services. Therefore, our business and also our financial conditions could be adversely affected.

RISKS RELATING TO THE SHARE OFFER

Termination of the Public Offer Underwriting Agreement

Prospective investors should note that the Sole Sponsor and the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriter(s)) are entitled to terminate the obligations of the Public Offer Underwriting Agreement by giving notice in writing to us upon the occurrence of the events set out in the section headed "Underwriting – Underwriting Arrangements and Expenses – The Hong Kong Public Offering – Grounds for termination" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Such event may include, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, war, threat of war, acts of God, acts of terrorism, riot, public disorder, economic sanctions, outbreak or diseases or epidemics including SARS and aviation influenza.

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

Prior to the Share Offer, there was no public market for our Shares. The indicative range of the Offer Price was determined as a result of negotiations between us and the Joint Bookrunners (for themselves and on behalf of the Underwriter(s)). The Offer Price may differ significantly from the market price for the Shares after the Listing.

We have applied for the listing of and permission to deal in our Shares on GEM. However, even if approved, being listed on GEM does not guarantee that an active trading market for our Shares will develop following the Share Offer or that our Shares will always be listed and traded on GEM. There is no assurance that the Listing will result in the development of an active and liquid public trading market for the Shares or that the market price of our Shares will not decline below the Offer Price. The price and trading volume of our Shares may be highly volatile. The market price of the Shares may fluctuate significantly and rapidly as a result of the following factors, among other things, some of which are beyond our control:

- variations in our revenue, earnings and cash flows
- announcements of new investments, strategic alliances or acquisitions
- fluctuations in market prices of our products and services
- changes in securities analysts' analysis of our financial performance

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- concentration of shareholding in the hands of a small number of investors
- addition or departure of our key personnel
- our involvement in litigation
- general economic and stock market conditions in Hong Kong and across the globe

Any of the above factors may result in large and sudden changes in the volume and price at which our Shares will trade.

Stock markets and the shares of some listed companies in Hong Kong have experienced price and volume fluctuations in recent years, some of which may have been unrelated or disproportionate to the operating performance of such companies.

The market price and trading volume for our Shares may be volatile

The price and trading volume of our Shares may be highly volatile. Factors such as global and local economic conditions, variations in our operating results, earnings and cash flows and announcements of new investments and strategic alliances and/or acquisitions, could cause the market price of our Shares to change substantially. Any of such factors may result in large and sudden changes in the volume and price at which our Shares will be traded. We cannot assure that these factors will not occur in the future. In addition, shares of other companies listed on the Stock Exchange had experienced substantial price volatility in the past, and it is possible that our Shares will be subject to changes in price that may not be directly related to our financial or business performance. As a result, prospective investors may experience volatility in the market price of our Shares and a decrease in the value of our Shares regardless of our operating performance or prospects.

Since there will be a gap of several days between pricing and trading of our Offer Shares, holders of our Offer Shares are subject to the risk that the price of our Offer Shares could fall when the trading of our Offer Shares begins

The Offer Price of our Shares is expected to be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to take place about three business days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price or value of our Shares could fall when trading begins as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time when trading begins.

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Investors for our Shares may experience dilution if we issue additional Shares in the future to raise funding

The Offer Price of our Shares may be higher than the net tangible assets value per Share immediately prior to the Share Offer. Therefore, purchasers of our Shares in the Share Offer may experience an immediate dilution in the consolidated net tangible asset value, and our existing Shareholders may receive an increase in the pro forma adjusted consolidated net tangible asset value per Share with respect to their Shares.

Furthermore, one of the benefits to our Company upon Listing is the access to the capital market and our Group may raise additional funds to finance future expansion of our business, operations or acquisitions. Our Company will comply with Rule 17.29 of the GEM Listing Rules, which specifies that no further Shares or securities convertible into equity securities of our Company (subject to certain exceptions) may be issued or form the subject of any agreement to be issued within six months from the Listing Date.

Upon the expiry of such six-month period, we may raise additional funds to finance the expansion of or new developments relating to our existing operations or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro-rata basis to the existing Shareholders, the percentage ownership of the existing Shareholders in our Company may be reduced or such new securities may confer rights and privileges that take priority over those conferred by the Shares under the Share Offer.

Also, if we fail to utilise the additional funds to generate the expected earnings, this could adversely affect our financial results and in turn exerts pressure to the market price of the Shares. Even if additional funds are raised by means of debt financing, any additional debt financing may, apart from increasing interest expense and gearing, contain restrictive covenants with respect to dividends, future fund raising exercises and other financial and operational matters.

There may be dilution because of the issuance of Shares pursuant to the options which may be granted under the Share Option Scheme

We may grant share options to eligible participants under the Share Option Scheme, who may be employees, senior management and Directors. The exercise of share options under the Share Option Scheme will result in an increase in the number of Shares, and may result in a dilution to the percentage of ownership of the Shareholders of our Company, the earnings per Share and net asset value per Share depending on the exercise price. Further details of the Share Option Scheme are summarised in the paragraph headed “D. Share Option Scheme” in Appendix IV to this prospectus.

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The interests of our Controlling Shareholders may not always coincide with the interests of our Group and those of our other Shareholders

Upon completion of the Share Offer (but not taking into account the allotment and issue of Shares upon exercise of the Offer Size Adjustment Option and any Shares which may be issued pursuant to the exercise of options which may be granted under the Share Option Scheme), our Controlling Shareholders will own, in aggregate, approximately 75% of our Shares. Our Controlling Shareholders will therefore have significant influence over the operations and business strategies of our Group, and may have the ability to require our Group to effect corporate actions according to their own desires. The interests of our Controlling Shareholders may not always coincide with the best interests of other Shareholders. If the interests of any of our Controlling Shareholders conflict with the interests of other Shareholders, or if any of our Controlling Shareholders chooses to cause our Group's business to pursue strategic objectives that conflict with the interests of other Shareholders, the interests of our Group or of those other Shareholders may be adversely affected as a result.

You may face difficulties in protecting your interests under Cayman Islands law

Our corporate affairs are governed by, among other things, the Articles of Association, the Companies Law and the common law of the Cayman Islands. The rights of Shareholders to take action against our Directors, actions by minority shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands and the Articles of Association. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as that from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in Hong Kong and other jurisdictions. Such differences mean that the remedies available to our minority Shareholders may be different from those they would have under the laws of Hong Kong or other jurisdictions. For detailed information, please refer to the summary of Cayman Islands company law set out in Appendix III to this prospectus.

We are a holding company and our ability to pay dividends is dependent upon the earnings of, and distributions by, our subsidiaries

We are a holding company incorporated under the laws of the Cayman Islands. All of our business operations are conducted through our subsidiaries, and we are dependent upon our subsidiaries for all of our cash flow. Our ability to pay dividends is dependent upon the earnings of our subsidiaries and their distributions of funds to us, primarily in the form of dividends. The ability of our subsidiaries to make distributions to us depends upon, amongst other things, their distributable earnings and their ability to service their debt obligations. Other factors such as cash flow conditions, restrictions on distributions contained in our subsidiaries' articles of incorporation, restrictions contained in their debt instruments, withholding tax and other arrangements will also affect our subsidiaries' ability to make distributions to us.

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We cannot guarantee that our dividend policy will remain at the similar level declared and paid by us during the Track Record Period

For the Track Record Period, our Group declared dividends of approximately HK\$5.0 million, HK\$8.4 million and HK\$8.0 million, respectively. However, our Group's historical dividend distribution should not be used as a reference or basis to determine the level of dividends that may be declared and paid by our Group in the future. The decision to pay dividends will be considered in light of the factors such as the results of operations, financial conditions and other factors deemed relevant. Any distributable profits that are not distributed in any given year may 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. There can be no assurance that we will be able to declare or distribute any dividend. Our future declarations of dividends will be at the absolute discretion of our Board.

Sale of the Shares or major divestment of the Shares by our Controlling Shareholders or substantial Shareholders of our Company could adversely affect the Share price

The sale of a significant number of Shares by our Controlling Shareholders or substantial Shareholders in the public market after the Listing, or the perception that such sale may occur, could adversely affect the market price of the Shares. Except as otherwise described in "Underwriting" in this prospectus and the restrictions set out by the GEM Listing Rules, there is no restriction imposed on our Controlling Shareholders or substantial Shareholders of our Company to dispose of their shareholdings. Any major disposal of Shares by any of our Controlling Shareholders or substantial Shareholders of our Company may cause the market price of the Shares to fall. In addition, these disposals may make it more difficult for our Group to issue new Shares in the future at a time and price that our Directors deem appropriate, thereby limiting our ability to raise capital.

Future sales or issuance or perceived sales or issuance of our Shares could have a material adverse effect on the prevailing price of our Shares and our ability to raise additional capital

Based on our current structure as outlined in "Structure of the Share Offer" in this prospectus, there will be 800,000,000 Shares outstanding immediately following the Share Offer, assuming no exercise of the Offer Size Adjustment Option and not taking into account options which were granted under the Share Option Scheme. Our Controlling Shareholders are subject to a lock-up agreement for a period of twelve months after the Listing Date. However, after the expiry of this lock-up period, subject to certain conditions, our Controlling Shareholders are free to dispose their Shares at their own discretion and the sale or disposal of any substantial amounts of our Shares in the public market or the perception that such sales could occur, could have a material and adverse effect on the market price of our Shares. This may also consequently affect our future ability to raise capital through offering of our Shares.

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

This prospectus contains certain statements that are “forward-looking” and indicated by the use of forward-looking terminology such as “believe”, “intend”, “anticipate”, “estimate”, “plan”, “potential”, “will”, “would”, “may”, “should”, “expect”, “seek” or similar terms. Prospective investors are cautioned that reliance on any forward-looking statement involves risk and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The risks and uncertainties in this regard consist of those identified in the risk factors discussed above. In light of these and other risks and uncertainties, the enclosure of forward-looking statements in this prospectus should not be regarded as representations by our Company that the plans and objectives will be achieved, and investors should not place undue reliance on such statements.

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

There may be press and media coverage regarding our Group or the Share Offer, which may include certain financial information, financial projections, valuations and other information about our Group that do not appear in this prospectus. We have not authorised the disclosure of any such information in the press or media and do not accept responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication.

To the extent that such statements are inconsistent with, or conflict with, the information contained in this prospectus, we disclaim responsibility for them. Accordingly, prospective investors should not rely on any such information and should rely only on information included in this prospectus in making any decision as to whether to invest in our Shares.

We cannot guarantee the accuracy of certain facts and statistics contained in this prospectus

Certain facts and statistics in this prospectus have been derived from various official government and other publications generally believed to be reliable. We believe that the sources of such 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 in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. None of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriter(s) or any of our or their respective directors, officers or representatives or any other person involved in the Share Offer (which for the purpose of this paragraph, excludes Frost & Sullivan) has independently verified such information and statistics and none of them gives any representation as to accuracy of such information and statistics. Due to possibly

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flawed or ineffective collection methods or discrepancies between published information and market practice, the facts and statistics in this prospectus may be inaccurate or may not be comparable to facts and statistics produced with respect to other economies. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy (as the case may be) in other jurisdictions. As a result, you should not unduly rely upon such facts and statistics contained in this prospectus.

WAIVER FROM STRICT COMPLIANCE WITH THE REQUIREMENTS UNDER THE GEM LISTING RULES

WAIVER IN RESPECT OF NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Before the entering of the Master Services Agreement, certain Ma Companies and our Group either entered into service agreements usually for a period of one to two years, or our Group issued invoices, as the case may be, for our Group's provision of security and facility management services to the Ma Companies when needed. The Ma Companies shall continue to engage our Group for the provision of the security and facility management services. For the purpose of the Listing, we entered into the Master Services Agreement with the Ma Family (for itself and on behalf of its affiliates) pursuant to which we agreed to provide security and facility management services to the Ma Companies, effective from the date of the Master Services Agreement to 31 March 2022.

Each of such Ma Companies is ultimately owned and controlled by the Ma Family, members of the Ma Family who are executive Directors and/or Controlling Shareholders. Accordingly, each member of the Ma Family is a connected person of our Group under Rule 20.07 of the GEM Listing Rules. Hence, the transactions under the Master Services Agreement which are expected to continue under Chapter 20 of the GEM Listing Rules after the Listing will constitute continuing connected transactions of our Company. The proposed annual caps for the transactions contemplated with the Ma Companies in respect of the provision of security and facility management services under the Master Services Agreement are approximately HK\$22.0 million, HK\$25.0 million and HK\$28.0 million for the years ending 31 March 2020, 2021 and 2022, respectively.

Based on the proposed annual cap amounts for the aggregate transaction amounts as contemplated under the Master Services Agreement, as one of the applicable percentage ratios under the GEM Listing Rules is more than 25% and the annual aggregate consideration is expected to exceed HK\$10 million, the continuing connected transactions contemplated under the Master Services Agreement will be subject to reporting, announcement, circular, annual review and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Our Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the announcement, circular and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules subject to the following conditions:

- (i) the annual transaction amount for each of the three years ending 31 March 2020, 2021 and 2022 shall not exceed the proposed annual caps set out in the section headed "Connected Transactions" in this prospectus;

**WAIVER FROM STRICT COMPLIANCE WITH THE REQUIREMENTS
UNDER THE GEM LISTING RULES**

- (ii) save for the abovementioned announcement, circular and independent shareholders' approval requirements for which a waiver is sought, and pursuant to Rule 20.103 of the GEM Listing Rules for the duration of the Master Services Agreement for not exceeding three years, our Company will comply with the relevant requirements under Chapter 20 of the GEM Listing Rules upon Listing in relation to the transactions contemplated under the Master Services Agreement; and

- (iii) in the event of any further amendments to the GEM Listing Rules which impose more stringent requirements than those as of the date of this submission on the continuing connected transactions, our Company will take appropriate steps to ensure compliance with such requirements within a reasonable time.

For further details, please refer to the section headed "Connected Transactions – Non-exempt Continuing Connected transactions – Master Services Agreement" in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make this prospectus or any statement herein misleading.

INFORMATION ON THE SHARE OFFER

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus, on the terms and subject to the conditions set out herein. No person in connection with the Share Offer is authorised 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 Underwriter(s), and any of their respective directors, agents, employees or advisers or any other party involved in the Share Offer. It is expected that, pursuant to the Share Offer, the Underwriter(s) will conditionally place the Offer Shares on behalf of our Company with investors.

OFFER SHARES ARE FULLY UNDERWRITTEN

This prospectus sets out the terms and conditions of the Share Offer. This prospectus is published solely in connection with the Share Offer, which is sponsored by the Sole Sponsor and managed by the Sole Lead Manager and to be fully underwritten by the Underwriter(s) (subject to the terms and conditions of the Underwriting Agreements). See "Underwriting" in this prospectus for further information about the Underwriter(s) and the underwriting arrangements.

RESTRICTIONS ON OFFER AND SALE OF OFFER SHARES

Each person acquiring the Offer Shares will be required to confirm or by his/her/its acquisition of the Offer Shares will be deemed to confirm that he/she/it is aware of the restrictions on the Share Offer of the Offer Shares described in this prospectus. Save as mentioned above, no action has been taken in any jurisdiction other than Hong Kong to permit a public offering of the Offer Shares or the general distribution of this prospectus. 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 other than Hong Kong or, in any circumstance in which such an offer or invitation is not authorised, or to any person to whom it is unlawful to make such an offer or invitation.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

The distribution of this prospectus and the public offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under any applicable laws, 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.

The Offer Shares are offered for subscription solely on the basis of the information contained and the representations made in this prospectus. No person is authorised in connection with the Share Offer to give any information, or to make any representation, not contained in this prospectus. Any information or representation not contained herein shall not be relied upon as having been authorised by our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriter(s), any of our or their respective directors, officers, employees, agents, representatives or any other person or party involved in the Share Offer.

STRUCTURE OF THE SHARE OFFER

See “Structure of the Share Offer” in this prospectus for further details of the structure of the Share Offer.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the Listing Division for the granting of the listing of and permission to deal in the Shares in issue and to be issued pursuant to the Share Offer (including any additional Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and Shares which may be issued pursuant to the exercise of the options that may be granted under the Share Option Scheme). Dealings in the Shares on the Stock Exchange are expected to commence on Tuesday, 22 October 2019.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, if the permission for the Shares offered under this prospectus to be listed on GEM has been refused before the expiration of three weeks from the date of the closing of the Share Offer or such longer period not exceeding six weeks as may, within the said three weeks, be notified to our Company for permission by or on behalf of the Listing Division, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at all times after the Listing, our Company must maintain the “minimum prescribed percentage” of 25% or such applicable percentage of the issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules).

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

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the Stock Exchange granting the listing of, and permission to deal in, our Shares on the Stock Exchange and we complying 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 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. You should seek the advice of your stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect your rights and interests.

HONG KONG SHARE REGISTER AND STAMP DUTY

All Shares issued by us pursuant to applications made in the Share Offer will be registered on our register of members to be maintained by our Hong Kong Branch Share Registrar, Tricor Investor Services Limited in Hong Kong. Our principal register of members will be maintained by our principal registrar, Conyers Trust Company (Cayman) Limited, in the Cayman Islands.

No stamp duty is payable by applicants in the Share Offer.

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

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Share Offer are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of, dealing in or exercising any rights in relation to, the Shares. None of us, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriter(s), any of our or their affiliates or any of their respective directors, officers, employees or agents or any other person or party involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding, disposition of, dealing in, or exercising any rights in relation to, the Shares.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

LANGUAGE

If there is any inconsistency between this prospectus and its Chinese translation, this prospectus shall prevail. For ease of reference, the names of Chinese 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.

ROUNDING

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

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Mr. Ma Ah Muk (馬亞木)	G/F., 33 Cumberland Road Kowloon Tong, Kowloon Hong Kong	Chinese
Mr. Ma Kiu Sang (馬僑生)	G/F., 33 Cumberland Road Kowloon Tong, Kowloon Hong Kong	Chinese
Mr. Ma Kiu Mo (馬僑武)	Flat A, 7/F., Block 6 Beverly Villas, 16 La Salle Road Kowloon Tong, Kowloon Hong Kong	Chinese
Mr. Ma Kiu Man, Vince (馬僑文)	Flat A, 8/F., Block 7 Beverly Villas, 16 La Salle Road Kowloon Tong, Kowloon Hong Kong	Chinese
Mr. Ma Yung King, Leo (馬雍景)	1/F., 33 Cumberland Road Kowloon Tong, Kowloon Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Dr. Ng Ka Sing, David (吳家聲)	Flat B, 12/F Perth Apartments 31 Perth Street Ho Man Tin, Kowloon Hong Kong	Canadian
Ms. Chang Wai Ha (鄭惠霞)	Room 906 Ying Fuk Court 17 Wing Chuk Street Wong Tai Sin Hong Kong	Chinese
Mr. Yau Siu Yeung (游紹揚)	Flat A, 19/F., Block 3 Beverly Heights 56 Cloud View Road North Point Hong Kong	Chinese

See “Directors and Senior Management” in this prospectus for more information on our Directors and members of senior management.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor

South China Capital Limited
28/F, Bank of China Tower
1 Garden Road
Central
Hong Kong

Joint Bookrunners

China Finance KAB Limited
30/F, Chinachem Century Tower
178 Gloucester Road
Wanchai, Hong Kong

Kam Fai Securities Co., Limited
21/F, Champion Building
287-291 Des Voeux Road Central
Hong Kong

Joint Lead Managers

China Finance KAB Limited
30/F, Chinachem Century Tower
178 Gloucester Road
Wanchai, Hong Kong

Kam Fai Securities Co., Limited
21/F, Champion Building
287-291 Des Voeux Road Central
Hong Kong

Telecom Digital Securities Limited
Units 3608-12 Tower 2 Metroplaza
223 Hing Fong Road
Kwai Fong, N.T., Hong Kong

Legal Advisers to the Company

As to Hong Kong Law
Iu, Lai & Li Solicitors & Notaries
Solicitors, Hong Kong
Rooms 2201, 2201A & 2202
22nd Floor, Tower I
Admiralty Centre
18 Harcourt Road
Hong Kong

As to Hong Kong law
Mr. Li Chau Yuen, Senior Counsel
Barrister-at-law
10/F, New Henry House
10 Ice House Street
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

As to Hong Kong law
Ms. Yeung Wing Yan Wendy
Barrister-at-law
Room 1003A, 10/F
Far East Finance Centre
16 Harcourt Road
Admiralty
Hong Kong

As to Cayman Islands Law
Conyers Dill & Pearman
Cayman Islands attorneys-at-law
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

**Legal Advisers to the Sole Sponsor
and the Underwriter(s)**

As to Hong Kong law
Deacons
Solicitors, Hong Kong
5th Floor, Alexandra House
18 Chater Road
Hong Kong

Auditors and Reporting Accountants

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

Industry Consultant

Frost & Sullivan Limited
1706, One Exchange Square
8 Connaught Place
Central
Hong Kong

Receiving Bank

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

CORPORATE INFORMATION

Registered office in Cayman Islands	Cricket Square, Hutchins Drive PO Box 2681, Grand Cayman KY1-1111 Cayman Islands
Headquarters and principal place of business in Hong Kong	1/F, Hang Seng Castle Peak Road Building 339 Castle Peak Road Cheung Sha Wan, Kowloon Hong Kong
Company's website	http://www.iws.com.hk/ <i>(Note: information on this website does not form part of the prospectus)</i>
Company secretary	Mr. Wong Chi Kong (CPA) (王志剛) Flat H, 27/F., Block 3 Villa By The Park Yuen Long Hong Kong
Authorised representatives <i>(for the purpose of the GEM Listing Rules)</i>	Mr. Ma Yung King, Leo (馬雍景) 1/F., 33 Cumberland Road Kowloon Tong, Kowloon Hong Kong Mr. Wong Chi Kong (CPA) (王志剛) Flat H, 27/F., Block 3 Villa By The Park Yuen Long Hong Kong
Compliance officer	Mr. Ma Yung King, Leo (馬雍景) 1/F., 33 Cumberland Road Kowloon Tong, Kowloon Hong Kong
Audit committee	Ms. Chang Wai Ha (鄭惠霞) (Chairlady) Dr. Ng Ka Sing, David (吳家聲) Mr. Yau Siu Yeung (游紹揚)
Remuneration committee	Mr. Ma Ah Muk (馬亞木) (Chairman) Dr. Ng Ka Sing, David (吳家聲) Ms. Chang Wai Ha (鄭惠霞) Mr. Yau Siu Yeung (游紹揚)

CORPORATE INFORMATION

Nomination committee	Mr. Yau Siu Yeung (游紹揚) (<i>Chairman</i>) Mr. Ma Ah Muk (馬亞木) Mr. Ma Kiu Sang (馬僑生) Dr. Ng Ka Sing David (吳家聲) Ms. Chang Wai Ha (鄭惠霞)
Risk management committee	Dr. Ng Ka Sing, David (吳家聲) (<i>Chairman</i>) Ms. Chang Wai Ha (鄭惠霞) Mr. Yau Sin Yeung (游紹揚) Mr. Ma Kiu Sang (馬僑生) Mr. Ma Yung King, Leo (馬雍景)
Cayman Islands Principal Share Registrar and Transfer Agent	Conyers Trust Company (Cayman) Limited Cricket Square, Hutchins Drive PO Box 2681, Grand Cayman KY1-1111, Cayman Islands
Compliance adviser	Red Solar Capital Limited 11/F Kwong Fat Hong Building 1 Rumsey Street Sheung Wan, Hong Kong
Hong Kong Branch Share Registrar	Tricor Investor Services Limited Level 54 Hopewell Centre 183 Queen's Road East Hong Kong
Principal banker(s)	Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong

INDUSTRY OVERVIEW

The information contained in this section and elsewhere in this prospectus have been derived from various official government and other publications generally believed to be reliable and the market research report prepared by Frost & Sullivan which we commissioned. We believe that the sources of such information and statistics 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 in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. None of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriter(s) or any of our or their respective directors, officers or representatives or any other person involved in the Share Offer (which for the purpose of this paragraph, excludes Frost & Sullivan) has independently verified such information and statistics and none of them gives any representation as to accuracy of such information and statistics. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, the facts and statistics in this section and elsewhere in this prospectus may be inaccurate or may not be comparable to facts and statistics produced with respect to other economies. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy (as the case may be) in other jurisdictions. As a result, you should not unduly rely upon such facts and statistics contained in this prospectus.

We have commissioned Frost & Sullivan, an independent market research and consulting company, to conduct an analysis of, and to prepare a report on the security services market and facility management services market in Hong Kong. The report prepared by Frost & Sullivan for us is referred to in this prospectus as the Frost & Sullivan Report. We paid Frost & Sullivan a fee of HK\$540,000 which we believe reflects market rates for reports of this type.

Founded in 1961, Frost & Sullivan has 40 offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists globally. Frost & Sullivan's services include technology research, independent market research, economic research, corporate best practices advising, training, client research, competitive intelligence and corporate strategy.

We have included certain information from the Frost & Sullivan Report in this prospectus because we believe this information facilitates an understanding of the Hong Kong security services market for the prospective investors. The Frost & Sullivan Report includes information on the Hong Kong security services market as well as other economic data, which have been quoted in the prospectus. Frost & Sullivan's independent research consists of both primary and secondary research obtained from various sources in respect of the Hong Kong security services market. Primary research involved in-depth interviews with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database. Projected data were obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related factors. Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report, various official government publications and other publications.

INDUSTRY OVERVIEW

In compiling and preparing the research, Frost & Sullivan assumed that the social, economic and political environments in the relevant markets are likely to remain stable in the forecast period, which ensures the stable and healthy development of the Hong Kong security services market.

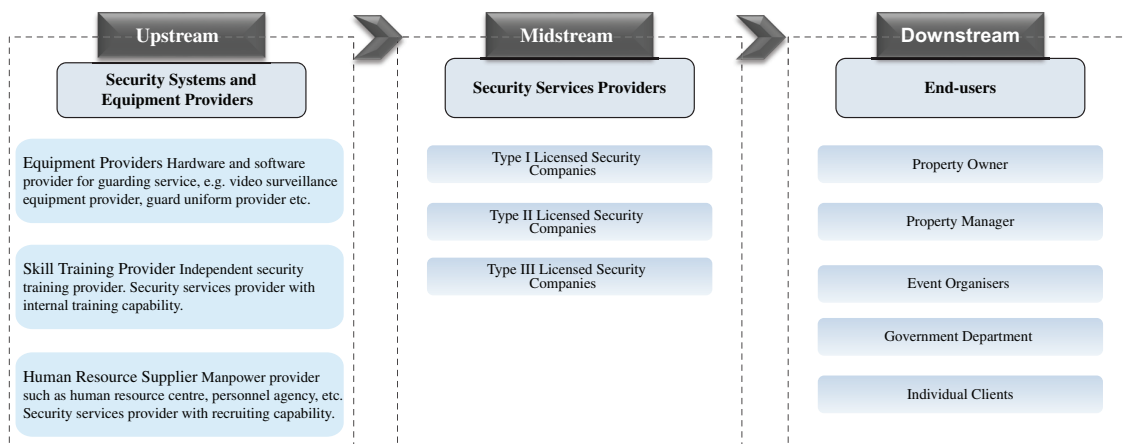
Based on the above, our Directors and the Sole Sponsor are satisfied that the disclosure of future projection and industry data included in this section is reliable and not misleading. Our Directors, after taking reasonable care, are of the view that there has been no adverse change in the market information since the date of the Frost & Sullivan Report which may qualify, contradict or have an impact on the information in this section.

HONG KONG SECURITY SERVICES MARKET

Security services refer to (i) the guarding of any property, person or place for the purpose of preventing or detecting the occurrence of any offence; (ii) the installation, maintenance or repair of security device and the designing of security system; and (iii) monitoring services, which typically involve the provision of personnel who are specifically trained, qualified and/or experienced in certain tasks and security guarding. According to the Security and Guarding Services Industry Authority, there are three types of licensed security companies engaged in different types of security work, namely (i) Type I security work, provision of security guarding services; (ii) Type II security work, provision of armoured transportation services; and (iii) Type III security work, installation, maintenance and/or repairing of a security device and/or designing (for any particular premises or place) a security system incorporating a security device. Type I security work could be classified into three categories, namely (i) general manned guarding services, (ii) event and crisis security services, and (iii) manpower support services.

Value Chain Analysis

The security services providers procure the equipment and systems needed for the delivery of security solutions to the end-users.



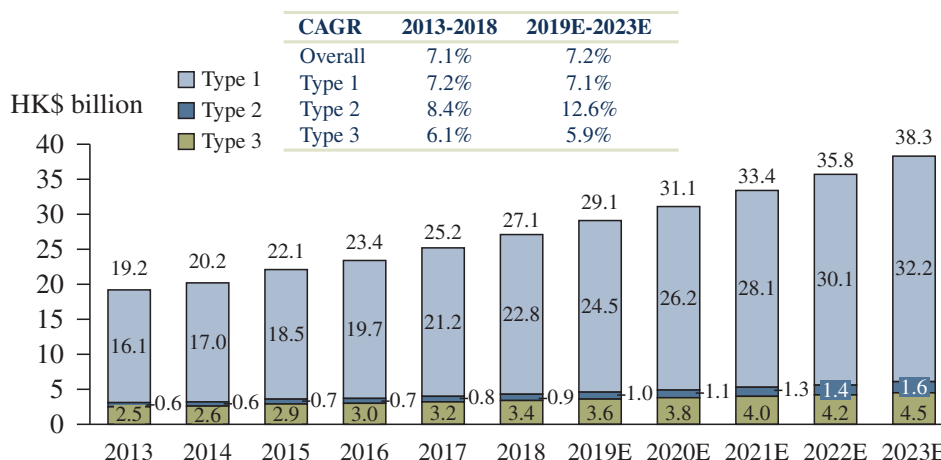
Source: Frost & Sullivan

INDUSTRY OVERVIEW

Market Size

The market size of security services in Hong Kong increased from approximately HK\$19.2 billion in 2013 to approximately HK\$27.1 billion in 2018, representing a CAGR of approximately 7.1%. It is expected that the market size of security services in Hong Kong would reach approximately HK\$38.3 billion in 2023, at the CAGR of approximately 7.2% from 2019 to 2023.

**Market Size of Security Services and Breakdown by Types of License
(Hong Kong), 2013 – 2023E**



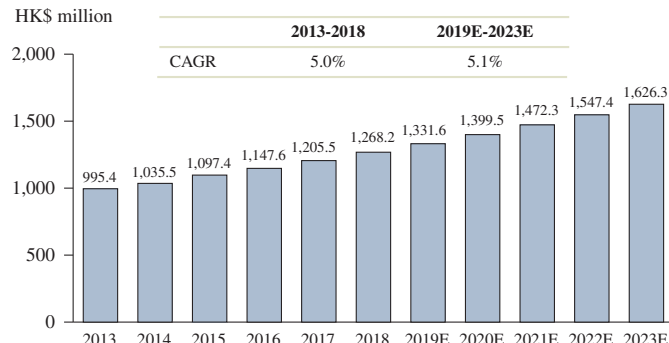
Source: Frost & Sullivan

Market Size in Public Sector

The security services market in public sector has enjoyed continuous growth from rising expenditure on security guard services in public and transportation facilities including immigration control points and public amenities. Given the limited space and increasing traffic flow, public transport facilities are facing the challenge of security management. Increasing importance of security management in public transport facilities stimulates the demand for security services. From 2013 to 2018, the market size of security services in public sector increased from approximately HK\$995.4 million to approximately HK\$1,268.2 million with a CAGR of approximately 5.0%. As the government will continue to outsource public services, such as security services, it is estimated that the market size of security services in public sector would grow from approximately HK\$1,331.6 million in 2019 to approximately HK\$1,610.9 million in 2023 with a CAGR of approximately 5.1%.

INDUSTRY OVERVIEW

Market Size of Security Services in Public Sector (Hong Kong), 2013 – 2023E



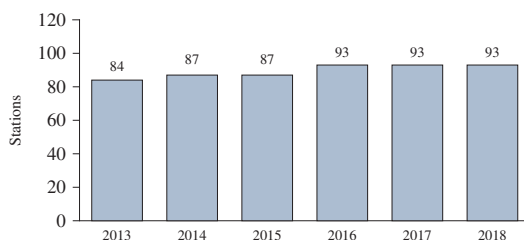
Source: Frost & Sullivan

KEY FACTORS OF GROWTH OF THE SECURITY SERVICES INDUSTRY IN HONG KONG

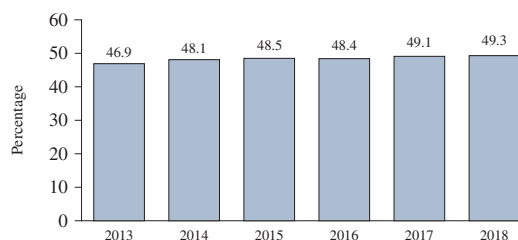
The development of the security services industry is related to the expansion of infrastructure, transportation, buildings and real estate activities. Generally the numbers of public facilities, commercial properties and residential properties would be able to indicate on the growth potential of the industry.

(i) Public transportation development

**Number of Railway Stations
(Hong Kong), 2013 – 2018**



**Market Share of Railways in Franchised Public
Transport (Hong Kong), 2013 – 2018**



Source: MTRC

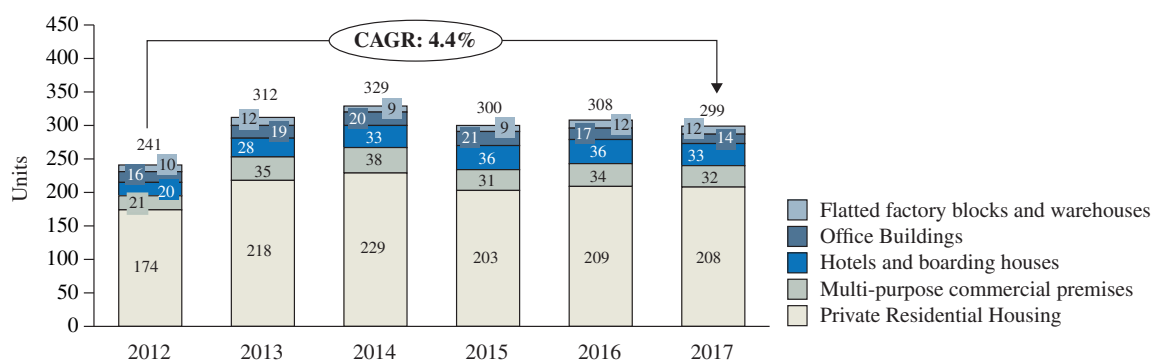
In the Budget 2016/17, the Hong Kong Government projected the public expenditure on capital works to hit approximately HK\$78.5 billion for the fiscal year ended March 2017. In recent years, the government's infrastructure investment has remained at high level, with several transportation infrastructure projects being carried out in parallel. With the extension of Kwun Tong Line and Island Line Extension, the number of railway stations increased from 84 in 2012 to 93 in 2017. Several new railway construction projects were introduced, including the Guangshen'gang XRL, the Northern Link and Kwu Tung Station, Hung Shui Kiu Station and Tung Chung West Extension. It is estimated that the total length of the railway network will lengthen from approximately 218 km at present to 270 km in 2021 and over 300 km by 2031

INDUSTRY OVERVIEW

at the cost of approximately HK\$110 billion. Each MTR station requires the provision of security services for ticket inspection, by-law enforcement and customer care operations for by-laws inspection unit. The needs for security services are, therefore, correlated to the number of MTR stations. On the other hand, several other transportation infrastructure projects such as Hong Kong-Zhuhai-Macao Bridge and the northern connection sub-sea tunnel of Tuen Mun Chek Lap Kok Link are under construction, whose control points or toll booths will also have demand for security services. With the gradual completion of these mega-scale railway and transportation infrastructure projects, the needs for security services, especially crowd coordination and management services, in the public transportation sector is expected to grow significantly.

(ii) Real estate development

Number of Private Real Estate Development Projects (Hong Kong), 2012 - 2017



Source: Rating and Valuation Department of Hong Kong

The total number of development projects of private real estate has grown from 241 in 2012 to 299 in 2017, representing a CAGR of approximately 4.4%. Private residential premises accounted for over 65% of the total private real estate projects in the last 5 years with a more significant growth than other sectors due to substantial demand for housing. Office completions experienced the decline at a CAGR of -2.6% while commercial completion experienced an increase at a CAGR of 8.8% from 2012 to 2017. The steady completion of commercial use buildings, public libraries and schools, and real estate development projects further support the demand for property related security services and general security services which in turn stimulate the development of security services and facility management market in Hong Kong.

Market Drivers and Trends

Increasing importance of security management in public facilities – Given the limited space and increasing traffic flow, public transport facilities are facing the challenge of security management. Measures, such as enforcement of various rules and regulations, surveillance, the deployment of security forces, are highly needed in the public transport facilities, in particular in the railway system, which in turn increases the demand for security services. In addition, the Hong Kong Government has long engaged the private sector to deliver public services through

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outsourcing. In particular, the sum of contracts awarded for the provision of security services in the public sector from 2013 to 2018 amounts to approximately HK\$3.9 billion. As such, it represents huge market opportunities for security services providers in the public facilities and government departments.

Sustained growth in property market – The demand for the security services industry is related to the number of residential flats, office buildings and shopping malls, parks, recreation venues, schools, universities, and other public venues. According to the Rating and Valuation Department, the total number of development projects of private real estate has remained a steady level with around 300 each year during 2013 to 2017. The rising number of residential properties, commercial, retail shops contributes to the needs for patrolling, entrance guarding, access control. With the continued urban renewal and rising housing supply, the security services industry in Hong Kong is forecasted to receive the impetus.

Surging demand from rising number of events – The new development of MICE acts as a driver to the tourism industry in Hong Kong. According to the Hong Kong Tourism Board, overnight MICE arrivals reached 1.93 million in 2017 which, raised demand on giant public events. According to Hong Kong Police Force, the public order event recorded a growth from approximately 6,166 in 2013 to 11,880 in 2018 at a CAGR of 14.0%. With funding of the Hong Kong Government, the Meetings and Exhibitions Hong Kong office has been aggressively bidding for international MICE events, such as Hong Kong Sevens, Hong Kong Dragon Boat Carnival, Annual Book Fair and Hong Kong Tennis Open, which are large scale or have high strategic value in enhancing the Hong Kong brand and hence increase the demand for security services.

Market Opportunities and Challenges of Security Services Industry

Establishment of qualifications framework – Security services encompass a number of specialised domains, namely security management, physical security and technology support, security guarding, emergency management and investigation. With the rising requirements of clients and project complexity, the needs for specialised expertise in the aforementioned fields are heightened. In response to the needs for industry standardisation, the Hong Kong Government and security services providers are both placing more focus on improving security services workers' professional skills. The Security Services Industry Training Advisory Committee is now studying the feasibility of establishment of qualifications framework for the industry in order to provide a platform for practitioners to pursue continuous and lifelong learning, thereby enhancing their professionalism and service standards.

Synergy of integrated solutions – An increasing number of facility management and security services providers are integrating their business models as one-stop solution providers in the overall facility and event management as it is considered that quality of services are more guaranteed and the needs of client are better met through one-stop solution. The comprehensive services offered by being a one-stop solutions provider of facility management and security services allows the companies to ensure the consistency and quality of work which offers convenience to the clients by saving the need to engage different parties for the execution of a project, thereby leveraging the synergies.

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Advanced technology innovation in security services – The advanced security solutions are reshaping the infrastructure of the building facilities. Increasing number of facility management and security services companies are placing emphasis on the surveillance technology and video analytics, creating strong demand for video surveillance systems. The examples of security solution also include central control room and human resources deployment solutions, which enable real-time location and manpower planning. Advanced technology ensures high system availability and reliability, and facilitates manpower deployment – for quality of security services and higher operational efficiency.

Proliferation of casual employees – Work in security services industry have been broken down into jobs with smaller time segments or looser contractual terms, in response to the organisation of one-off events and emerging development of customised solutions where the needs for flexible resources deployment are heightened. Work fragmentation in turn gives rise to proliferation of flexible workers, such as contractual employees and part-time employees. Competition for the pool of part-time workers is a commonplace among the security services providers. In order to attract staff, the use of competitive remuneration packages are adopted by security services providers. In addition, the extensive use of part-time employees may lead to the inconsistency of the services standards.

Competitive Landscape

There are approximately over 600 players in the security services industry in Hong Kong in 2018. The security services market in Hong Kong is highly competitive with the top five players contributing to only 8.1% of the entire market in terms of revenue. The leading players in security services industry in Hong Kong are mainly the international players while the Hong Kong-based players also contribute to a substantial amount of revenue for the market.

Ranking and Market Shares of the Security Services Market in Hong Kong

Rank	Company	Estimated Revenue in 2018 (HK\$ Million)	Approximate Market Share (%)
1	Company A	698.4	2.6%
2	Company B	554	2.0%
3	Company C	369.2	1.4%
4	Company D	301.2	1.1%
5	The Group	267.5	1.0%
	Sub-total	2,190.3	8.1%
	Others	24,909.7	91.9%
	Total revenue	27,100	100.0%

Notes:

- (i) Company A provides type 1, 2, 3 security services including cash management solutions, facility services, event security services and the security system.
- (ii) Company B provides Type 1 and Type 3 security services including ex-gurkhas guards, armed guards, mobile patrol, and guard dogs, serving thousands of both public and private sector customers.
- (iii) Company C provides Type 1, 2, 3 security services including cash transition services, valuables delivering services, electronic security, security personnel services, and etc.

INDUSTRY OVERVIEW

- (iv) Company D provides a one-stop service including project management and consultants services, property and facility management, security services, environmental hygiene service, repairs and maintenance services and clubhouse and car parking rental and management services.

In 2018, our Group is the fifth largest security service provider in Hong Kong and recorded the revenue of HK\$267.5 million for the provision of security services, accounting for 1.0% of the market share. With a well-established brand, our Group is one of the leading security services providers in Hong Kong with a primary focus on guarding public transportation facilities and other public facilities.

In the public sector, the security services market is relatively concentrated with the top five players contributing to approximately 56.2% of the entire market in terms of revenue. Our Group is the largest security services provider in public sector accounting for 18.5% of total revenue in 2018.

Ranking and Market Shares of the Security Services Market in Public Sector in Hong Kong			
Rank	Company	Estimated Revenue in 2018 (HK\$ Million)	Approximate Market Share (%)
1	Our Group	234.7	18.5%
2	Company E	180.1	14.2%
3	Company F	142.2	11.2%
4	Company G	83.2	6.6%
5	Company H	72.6	5.7%
	Sub-total	712.80	56.2%
	Others	555.40	43.8%
	Total revenue	1,268.2	100.0%

Source: Frost & Sullivan

Notes:

- i. Company E is security services providers and a member of a property management group in Hong Kong.
- ii. Company F specialises in provision of security services and facility management services.
- iii. Company G provides security services to both private and public sectors in Hong Kong.
- iv. Company H is a Hong Kong-based security services provider.

Remark: Public sector projects refer to projects commissioned by the government authorities and stated-owned enterprises.

The long-standing international security services groups in Hong Kong provide comprehensive guarding and security services. With a strong foundation and proven track record, the international security services groups have applied their expertise to Hong Kong and other regions. The established reputation and economies of scale enable the international players to gain a firm foothold in the Hong Kong security services industry.

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The Hong Kong-based players have built connections with other players, clients and the Hong Kong Government. Strong regional partnership also allows the access to strong local networks and information that provides the local players with a competitive edge. The localised knowledge and regional expertise further smoothen the tendering process preparation, price negotiation and liaison with labour.

Entry Barriers

Capital requirements – Initial capital investment is one of the key barriers for new entrants to enter security services market. Security services industry is labour intensive and requires substantial amount of cash for labour recruitment and training, and the incurring of other costs as a result of the provision of ad-hoc services required by clients. In general, the market participants are required to have substantial cash outlays at the early stage of the projects while most of the payments are received at the later stage of those projects. For example, security services providers are generally required provide contract securities as part of the conditions to securing a tender. It is not uncommon for companies, including listed companies, to be required to pay performance bond/deposit as part of the conditions to secure a tender. Thus, the ability to undertake more security services projects and/or compete for sizable projects hinges on the level and sufficiency of financial resources for deployment of labour force. Failure to obtain sufficient financial resources required to undertake projects may have material adverse impact to the operation and profitability of the new market entrants.

Business relationship – Current market players have already built long-term relationship with the major clients in Hong Kong, such as the Hong Kong Government, property developers and railway operators. Also, they have a thorough understanding of the specifications and requirements of clients. They are experienced in planning and coordinating with clients in the provision of crowd management, emergency route planning in specific venue and situation, etc. Time and efforts are needed for new market entrants to adapt to client needs and develop relevant domain knowledge.

Proven track record – Project reference and proven track records are the key assessment criterion in a tendering process. Sound track record is a recognition of extensive technical skills and experience in providing security services and is therefore a competitive advantage in tendering for relatively larger scale projects with government and public transport operators. Without project preference, new market entrants may face difficulties in securing contracts and new clients.

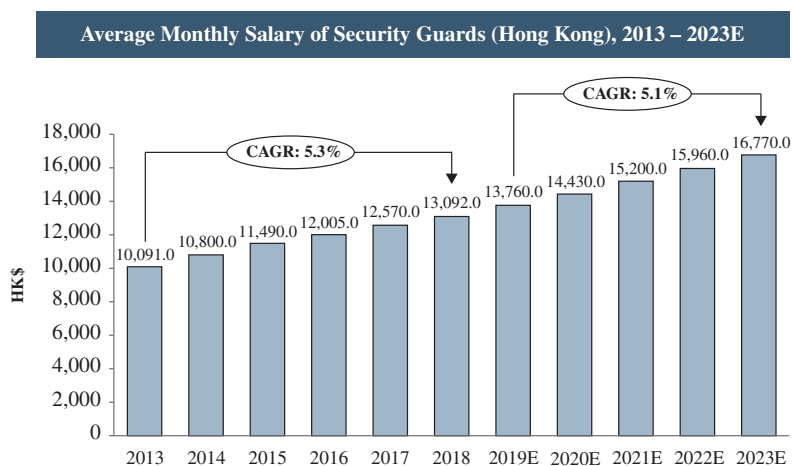
Recruiting and retaining of employees – Security services industry in Hong Kong is considered as labour-intensive and requires expertise and experience. The training requisite for security personnel not only includes pre-service training, but also up-to-date knowledge courses. Having a sufficient number of experienced and qualified staff guarantee the delivery capacity of security services providers. New entrants usually face difficulties in recruiting and retaining employees.

INDUSTRY OVERVIEW

Cost Analysis

During 2013 to 2018, the number of valid security personnel permit holders increased from 293,359.0 in 2013 to 309,397 in 2018, representing a CAGR of approximately 1.1%. Due to the anticipated rapid development of property market in coming years, the demand for security services is expected to continue its growth, driving the demand for security services workers. With effect from 1 May 2019, the Statutory Minimum Wage rate is raised from \$34.5 per hour to \$37.5 per hour, which may drive up the salary of security guards.

The new statutory minimum wage of HK\$ 37.5 will come into effect from May 2019. With the growing demand for security services and the rising statutory minimum wage, the monthly salary of workers in the security services industry is estimated to record the growth at a CAGR of 5.1% from 2019 to 2023.



Source: Census and Statistics Department of Hong Kong

The regulation of statutory minimum wage regulation came into effect in 2011 as regulated by the Minimum Wage Ordinance. With the effects of monetary inflation as well subsequent increases in statutory minimum wage in 2015, the monthly salary of workers in the security services industry increased from approximately HK\$10,091.0 in 2013 to HK\$13,092.0 in 2018, representing a CAGR of approximately 5.3% from 2013 to 2018. The number of valid security personnel permit holders increased during the same period and the effects of statutory minimum wage diminished in recent years and lead to a decreasing yearly growth rate of average monthly salary of security guards.

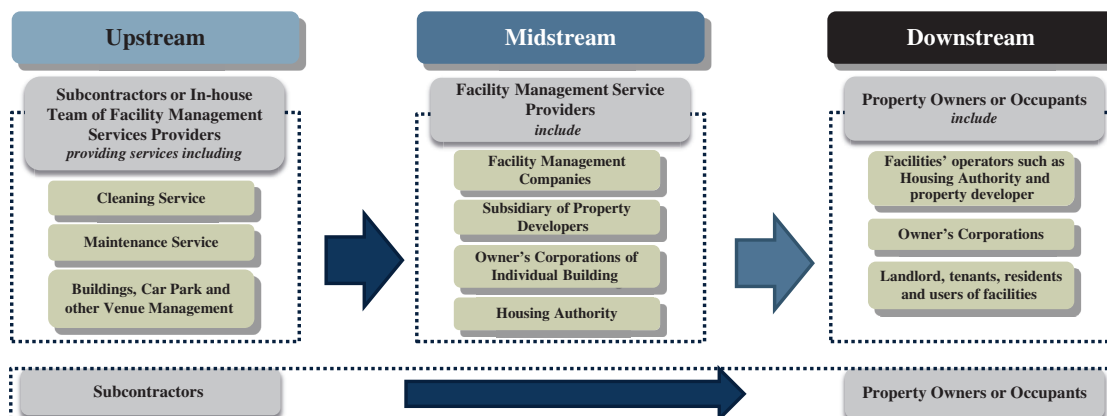
HONG KONG FACILITY MANAGEMENT SERVICES MARKET

Facility management is the integrated management of various activities or interactions arising from the use or occupation of premises. Facility management services generally include (i) property management services; (ii) car parking rental and management services; and (iii) cleaning services.

INDUSTRY OVERVIEW

Value Chain Analysis

In general, the value chain of facility management services market in Hong Kong consists of subcontractor, facility management service provider and property owner or occupants. Some of the cleaning and maintenance services are provided directly to property owners and occupants.



Source: Frost & Sullivan

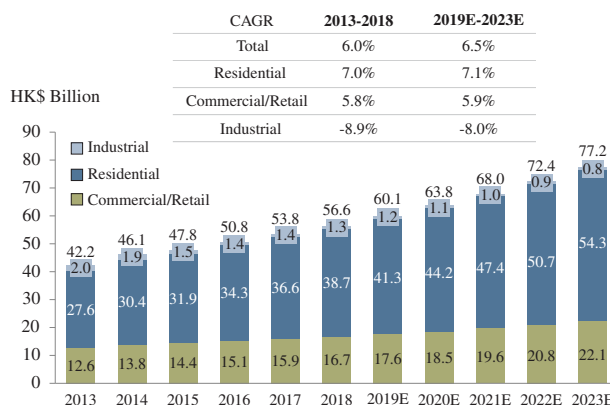
Market Size

The facility management market in Hong Kong has experienced a growth from approximately HK\$42.2 billion in 2013 to approximately HK\$56.6 billion in 2018, representing a CAGR of approximately 6.0%. Supported by the strong demand for housing and the expediting of land supply, the facility management market is expected to maintain a growing trend and reach approximately HK\$77.2 billion by 2023, representing a CAGR of approximately 6.5% from HK\$60.1 billion in 2019 to HK\$77.2 billion in 2023. Residential is the largest sector of facility management service market in Hong Kong. In addition, the residential facility management is forecasted to grow at a CAGR of approximately 7.1% from 2019 to 2023, primarily due to the rising needs for living place.

To optimise the use of industrial buildings, a set of revitalisation measures to facilitate the redevelopment and wholesale conversion of older industrial buildings are launched in order to providing more floor space for suitable uses to meet Hong Kong's changing social and economic needs, which lead to a slightly drop in the industrial market size.

INDUSTRY OVERVIEW

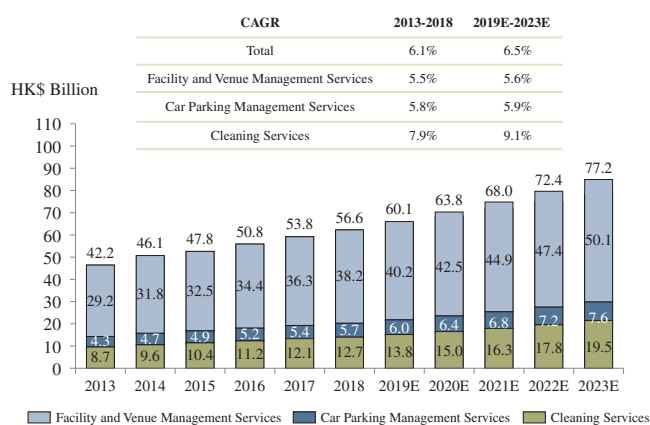
Market Size of Facility Management Services and Breakdown by Property Type (Hong Kong), 2013 – 2023E



Source: Frost & Sullivan

The market size of facility and venue management services in Hong Kong experienced a growth from approximately HK\$29.2 billion in 2013 to approximately HK\$38.2 billion in 2018, representing a CAGR of approximately 5.5% and is forecasted to reach approximately HK\$50.1 billion in 2023 with a CAGR of approximately 5.6% from 2018 to 2023. Due to the substantial development of property development market in Hong Kong, the facility and venue management services, car parking rental and management services and cleaning services market each maintain a stable growth rate. The facility and venue management services market is the largest part of the facility management services market in Hong Kong. The cleaning services market recorded a growth of CAGR 7.9% approximately, from HK\$8.7 billion in 2013 to HK\$12.7 billion in 2018 while the car parking rental and management services market increased from HK\$4.3 billion in 2013 to HK\$5.7 billion in 2018, representing a CAGR of approximately 5.8%

Market Size of Facility Management Services and Breakdown by Services Type (Hong Kong), 2013 – 2023E



Source: Frost & Sullivan

INDUSTRY OVERVIEW

Market Drivers and Trends

Rising land and housing supply – As stated in the “2018 Policy Address”, the Hong Kong Housing Authority (HKHA) has reopened applications for Home Ownership Scheme (HOS) 2018, which will provide a total of 7,426 housing units. In addition, the government kicked off the statutory planning procedures for the Mass Transit Railway Corporation Limited’s (MTRCL) Siu Ho Wan Depot Site in 2018. It is estimated that its topside development can provide no less than 14,000 residential units in the medium to long term. The expected rise of housing supply would boost the demand for Facility Management services, including venue and facility management, car parking rental and management and cleaning services.

Provision of more parking spaces – According to the Transport and Housing Bureau, during the period from 2014 to 2018, the total number of licensed vehicles in Hong Kong increased from 44,437 in 2014 to 55,545 in 2018 while the total number of parking spaces increased only by 9.5% approximately. To cope with the imbalance, the Hong Kong Government is implementing several measures to mitigate the parking spaces shortage which includes providing incentives for private developers to provide more public underground public parking spaces which in turn increase the demand for car parking rental and management services.

Rising complexity and requirements for Facility Management services – Introduction to the mix of office, commercial and non-pollution industrial uses is now becoming increasingly common, and is driving the number of office and the revitalisation of the retail business in the traditional industrial areas in Hong Kong. These development projects and change of land uses not only contribute to the rise of facility management services but also lead to the rising complexity and requirement for facility management services. The service scope is expected to expand from operation, management and cleaning to monitoring, control system management and maintenance of facility. The rising needs for customised and integrated multi services solutions are heightened in the redeveloped buildings, which would translate into business opportunities for the industry.

Market Opportunities and Challenges of Facility Management Services Industry

Rising needs for value-added services – With the higher living standards and growing number of residential and commercial building in market, property owners, residents and visitors are having higher expectation and requirements for facility management services. In view of this rising trend, facility management services providers continue to enhance their service coverage and quality in order provide clients with more value-added services. For example, facility management services providers would establish online booking system and organise training courses for the sports and recreation facilities available in private residential premises and offer parcel delivery, transportation, tools for lending and catering services.

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Accelerated urban renewal – The rising number of ageing buildings in Hong Kong has prompted the redevelopment of community by renovation and demolition of existing buildings and facilities. According to the Urban Renewal Authority, they have implemented over 60 redevelopment projects, providing about 26,000 sq.m. of open space, some 53,000 sq.m. of government/institution and community facilities as well as about 18,000 new residential units and approximately 400,000 sq.m. of commercial areas. In addition, more than 60 redevelopment projects remain to be implemented in different areas of Hong Kong. Thus, the ongoing urban renewal serves as a good opportunity for the facility management services industry in Hong Kong.

Strengthened governance of facility management services – Facility Management services industry in Hong Kong is expected to operate in a more regulated environment and the Hong Kong Government has issued specific regulations to enhance the governance of the industry. For instance, the Facility Management Services Ordinance was passed by Legislative Council in 2016, which is expected to provide a consistent and clear standard for the whole Facility Management services market. All the companies and the management staff engaged in the industry must be licensed by Facility Management Service Authority in the future, and the increase in professional standards would support the growth of the industry.

Growing public awareness of facility management and safety – A multi-pronged approach is adopted to enhance building management and raise public awareness of building maintenance and safety. In response to the incidents concerning the safety of buildings and facilities (e.g. the collapse of a green roof at City University in May 2016, and malfunctioning escalators and elevators in Times Square in August 2015), professional advisory services are required. These include the forming of owners' corporations or other residents' organisations, preparing management audit reports, application for various loans and funding schemes and following up on repair works. As a result, some venue and facility management services offered as one-stop solution are started to be preferred by owners.

Competitive Landscape

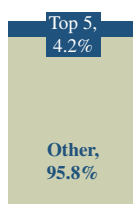
The facility management services market in Hong Kong is competitive and fragmented as reflected by the large number of companies and the top five players contributing to approximately 4.1% of the entire market in terms of revenue in 2018. As estimated, there are approximately 900 facility management companies (including property management and car parking rental and management services providers) and 1,000 cleaning services companies in Hong Kong in 2018. With the government's supportive and on-going urban renewal projects, the land and housing supply is expected to grow, resulting in further potential growth of facility management services.

The Hong Kong Association of Property Management Companies (HKAPMC), a corporate organisation of property management in Hong Kong, had 99 members in 2018 covering over 1,000 residential units, 30,000 sq.m² of industrial space and 10,000 sq.m² of commercial space in Hong Kong. The top industry practitioners in Hong Kong usually offer a wide variety of services including property and facility management, repair and maintenance, environmental hygiene services, clubhouse and car parking rental and management, etc. in order to gain market share in the competitive environment.

INDUSTRY OVERVIEW

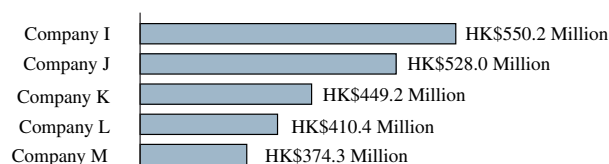
Our Group recorded revenue of approximately HK\$27.7 million for the provision of facility management services in 2018 in Hong Kong, accounting for a market share of approximately 0.05%.

Market Concentration, 2018



Total Revenue: HK\$56,600 million

Ranking and Market Share of Facility Management Services Providers by Revenue (Hong Kong), 2018



Source: Frost & Sullivan

Notes:

- (i) Company I is a listed comprehensive property management services group, engaging in facility management, general building services and building consultancy.
- (ii) Company J is the subsidiary of a property developer, specialising in facilities management companies.
- (iii) Company K is the subsidiary of a property developer, engaging in the provision of total property management service for tenants, including facility management, property management, asset management, property lease management, clubhouse management, training support, cleaning services, project management, technical maintenance, and property surveys.
- (iv) Company L is a Hong Kong-based facility management services providers, with an extensive client portfolio.
- (v) Company M is an international facility management services provider.

REGULATORY OVERVIEW

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

LABOUR, HEALTH AND SAFETY

Employment Ordinance (Chapter 57 of the Laws of Hong Kong)

According to section 43C of the Employment Ordinance, if any wages become due to the employee who is employed by a sub-contractor on any work involving, inter alia, external cleaning of any building, dock or pier which the sub-contractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance, such wages shall be payable by the principal contractor and/or every superior sub-contractor jointly and severally. However, such payment of wages is recoverable from the sub-contractor pursuant to section 43F of the Employment Ordinance.

Mandatory Provident Fund Schemes Ordinance (Chapter 485 Of The Laws Of Hong Kong) (“MPFSO”)

Under the MPFSO, employers are required to enroll their regular employees (except for certain exempt persons) aged between at least 18 but under 65 years of age and employed for 60 days or more in the MPF scheme within the first 60 days of employment.

For both employees and employers, it is mandatory to make regular contributions into a registered MPF scheme. For an employee, subject to the maximum and minimum levels of income (HK\$25,000 and HK\$7,100 per month, respectively before 1 June 2014 or HK\$30,000 and HK\$7,100 per month, respectively on or after 1 June 2014), an employer will deduct 5% of the relevant income on behalf of an employee as mandatory contributions to a registered MPF scheme with a ceiling of HK\$1,250 before 1 June 2014 or HK\$1,500 on or after 1 June 2014. An employer will also be required to contribute an amount equivalent to 5% of an employee’s relevant income to the MPF scheme, subject only to the maximum level of income (HK\$25,000 per month before 1 June 2014 or HK\$30,000 on or after 1 June 2014).

MPF offset mechanism for certain payments under the Employment Ordinance

According to section 12 of the MPFSO, there is allowance for offsetting of payments for an employer who is liable to pay an employee severance payments or long service payments under the Employment Ordinance. The employer is entitled to apply for an offset of such payments with the accrued benefits derived from the employer’s contribution made to a mandatory provident fund scheme for the employee. After paying the employee such payments, the employer may apply to the trustee of the mandatory provident fund scheme with supporting evidence for repayment of the relevant amount from the employee’s accrued benefit derived from the employer’s contributions. If the accrued benefits derived from the employer’s contribution are insufficient to cover such payments payable by the employer, the employee is entitled to recover the difference from the employer.

REGULATORY OVERVIEW

Offences and penalties for non-compliance with MPFSO

Contribution surcharge for mandatory contribution due

According to section 18 of the MPFSO, if the employer does not pay the mandatory contribution when it is due, he is liable to pay to the MPF Scheme Authority (the “MPFSA”) as contribution surcharge an amount determined by multiplying the arrears by 5%.

Failure to contribute for employees on time

An employer must ensure that contributions in respect of each employee for each contribution period are paid to a registered MPF scheme on or before the contribution day (i.e. the 10th day of the following month). A non-complying employer is liable to a financial penalty of HK\$5,000 or 10% of the amount due, whichever is greater.

Failure to provide monthly pay-records to MPF scheme members

An employer must give monthly pay-records to relevant employees not later than 7 working days after the contribution payment. A non-complying employer is liable to a financial penalty of HK\$10,000 on the first occasion and up to HK\$50,000 for subsequent failures.

Failure to notify the registered MPF scheme of an employee’s cessation of employment

An employer must inform the trustee of the relevant registered MPF scheme in writing of an employee’s cessation of employment and the date on which the employment ceased or provide such information in the remittance statement for the contribution period that ends immediately following the employee’s cessation of employment. A non-complying employer is liable to a financial penalty of HK\$5,000 on the first occasion and up to HK\$20,000 for subsequent failures.

Failure to notify the registered MPF scheme of change of employer’s information

An employer must inform the trustee of the relevant registered MPF scheme in writing of changes in employer information such as company name, address and telephone number. A non-complying employer is liable to a financial penalty of HK\$5,000 on the first occasion and up to HK\$20,000 for subsequent failures.

Civil claims and criminal prosecution

The MPFSA may file a civil claim on behalf of employees to a court of competent jurisdiction to recover contributions in arrears and any surcharges. It may also initiate prosecution against employers, including their officers, directors and partners of the companies, who fail to comply with the MPFSO.

- (i) An employer who fails to enroll his/her/its employees in a registered MPF scheme is liable to a maximum penalty of a fine of HK\$350,000 and imprisonment for three years.

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- (ii) An employer who fails to pay contribution for his/her/its employees is liable to a maximum penalty of a fine of HK\$350,000 and imprisonment for three years.
- (iii) If an employer has deducted the employee's mandatory contributions from the wages of an employee but failed to pay them to a registered MPF scheme, he/she/it is liable to a maximum penalty of a fine of HK\$450,000 and imprisonment for four years.
- (iv) If an employer provides false or misleading information in pay-records given to employees, he/she/it is liable to a maximum penalty of a fine of HK\$100,000 and imprisonment for one year on the first conviction; and to a fine of HK\$200,000 and imprisonment for two years on each subsequent conviction.
- (v) If an employer provides false or misleading information to the trustee of the relevant registered MPF Scheme or the MPFSA, he/she/it is liable to a maximum penalty of a fine of HK\$100,000 and imprisonment for one year on the first conviction; and to a fine of HK\$200,000 and imprisonment for two years on each subsequent conviction.

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

According to the Employees' Compensation Ordinance, all employers (including contractors and subcontractors) are required to take out insurance policies to cover their liabilities both under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees).

Further, pursuant to section 24 of the Employees' Compensation Ordinance, a principal contractor shall be liable to pay compensation to sub-contractor's employees who are injured to the execution of the work which the subcontractor has contracted to perform. The principal contractor is nonetheless, entitled to be indemnified by the sub-contractor who would have been liable to pay compensation to the injured employee.

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

The Minimum Wage Ordinance provides for a prescribed minimum hourly wage rate (currently set at HK\$37.5 per hour) during the wage period for every employee engaged under a contract of employment under the Employment Ordinance. Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee by the Minimum Wage Ordinance is void.

Immigration Ordinance (Chapter 115 of the Laws of Hong Kong)

Under the Immigration Ordinance, a person is lawfully employable if he holds the requisite visa or entry permit to work in Hong Kong, or has the right of abode or right to land in Hong Kong. Section 17I of the Immigration Ordinance provides that any person who is the employer of an employee who is not lawfully employable commits an offence and is liable to a fine of HK\$350,000 and to imprisonment for three years.

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OCCUPATIONAL SAFETY AND HEALTH ORDINANCE (CHAPTER 509 OF THE LAWS OF HONG KONG)

The Occupational Safety and Health Ordinance provides for the safety and health protection to employees in workplaces, both industrial and non-industrial.

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

- Providing and maintaining plant and work systems that do not endanger safety or health;
- Making arrangement for ensuring safety and health in connection with the use, handling, storage or transport of plant or substances;
- Providing all necessary information, instruction, training, and supervision for ensuring safety and health;
- Providing and maintaining safe access to and egress from the workplaces; and
- Providing and maintaining a safe and healthy work environment.

SECURITY AND GUARDING SERVICES ORDINANCE (CHAPTER 460 OF THE LAWS OF HONG KONG) (“SGSO”)

The Security and Guarding Services Industry Authority (the “**SGSIA**”) was established by the SGSO on 1 June 1995. Its functions include, in summary:

- (a) to consider and determine application made to it under the SGSO
- (b) to specify:
 - (i) the criteria that must be satisfied by a person before the Commissioner of Police (or any police officer acting under and in accordance with an authorisation conferred on him in writing by the Commissioner of Police) (the “**Commissioner**”) may issue a Security Personnel Permit (“**SPP**”) to him;
 - (ii) the conditions subject to which an SPP is to be issued;
 - (iii) the matters to which the Authority shall have regard when determining an application for a Security Company Licence (“**SCL**”);
 - (iv) the criteria that must be satisfied before the Commissioner may grant a person an exemption from the SGSO; and
 - (v) the matters to which the SGSIA shall have regard when determining whether the SGSIA should specify any, if so what, period for the purpose of investigation in respect of the application for an SPP or SCL.

REGULATORY OVERVIEW

In accordance to the SGSO, the SGSIA has established regimes to regulate SPP (the “**SPP Regime**”) and SCL (the “**SCL Regime**”).

SCL Regime

According to section 11 of the SGSO, only a company with an SCL (an “**SCL Company**”) shall supply, agree to supply, or hold himself out as supplying any individual to do security work for another person for reward. Such an individual must be a holder of a SPP that is valid for that type of work.

According to section 12 of the SGSO, no person shall authorise or require another person to do any type of security work for him unless the other person:

- (a) is a holder of a SPP that is valid for that type of work, an SCL Company, or an individual supplied by an SCL Company; or
- (b) is authorised or required to do the work otherwise than for reward.

According to sections 2 and 19 of the SGSO, SCL are issued only to companies incorporated under the Companies Ordinance, the former Companies Ordinance or any other Ordinance. SCL applications shall be made to the SGSIA.

According to Schedule 2 of the Security and Guarding Services (Licensing) Regulation (Chapter 460B of the Laws of Hong Kong), there are three types of security work for which a company may apply for an SCL:

Type I security work	Provision of security guarding services
Type II security work	Provision of armoured transportation services
Type III security work	Installation, maintenance and/or repairing of a security device and/or designing (for any particular premises or place) a security system incorporating a security device

Matters to which the SGSIA shall have regard when determining an application for an SCL

According to section 21(3) of the SGSO, the SGSIA shall issue an SCL only when it is satisfied that:

- (a) the applicant is a fit and proper person to supply individual to do security work of the type proposed;
- (b) any person who is a controller of the applicant is a fit and proper person to be a controller of a company that supplies individuals to do security work of the type proposed;

REGULATORY OVERVIEW

- (c) the security equipment and methods used or proposed to be used by the applicant are adequate; and
- (d) the applicant's proposed method of supervising the individuals it supplies to do security work is suitable.

Furthermore, the SGSIA will also have regard to the following matters when determining application for an SCL for Type I security work:

- (a) the applicant must be a company registered in Hong Kong;
- (b) the applicant should have a sound financial background and be able to furnish an appropriate financial reference from a Hong Kong bank or similar institutions;
- (c) the controller(s), the directors and executives are of good character, having regard to his criminal record and other relevant factors;
- (d) the applicant is appropriately insured for the extent of its business subject to a minimum of HK\$10 million per incident for public liability. Insurance should also include employee compensation;
- (e) the applicant should have a place of business, the size, layout, and facilities of which is commensurate with its scale and nature of operations;
- (f) the applicant, if required by nature of its work, should have a control room of adequate size which meets the requirements of SGSIA;
- (g) the applicant, when monitoring remote alarms off site, should have a central alarm monitoring station (the "CAMS") which meets requirements of the SGSIA;
- (h) the armoury should, if required, in all respects, fully comply with the requirements as laid down in the Firearms and Ammunition Ordinance (Chapter 238 of the Laws of Hong Kong);
- (i) all personnel engaged in security work must have a valid permit;
- (j) the applicant must carry out its own employment vetting, which includes, where possible, employment history, reference check or other acceptable modes of character check and residential address check;
- (k) the applicant must have a nominated training officer responsible for the training of all operational staff;
- (l) all training must be held in a suitable training facility;

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- (m) all employees, before performing operational duties, must undergo and pass an initial basic training course of not less than 16 hours (except when he produces a valid certificate issued to him in respect of a training course accepted by the SGSIA within 5 years);
- (n) all employees deployed to operate a CAMS must undergo and pass relevant training in addition to that prescribed under item (m) above before performing related operational duties;
- (o) results of these courses must be recorded in the employee personnel files;
- (p) the applicant must maintain 2 full copies of assignment instructions for each duty post (one in management records and one at the duty area), which should cover, among others, name of the employer, address of the duty area, telephone procedures, action in emergencies, fire precautions and crime prevention;
- (q) the applicant must supervise all patrols on a shift basis through a minimum of one visit per week by supervisor from an off-site location if teleprotection is available, and one visit per shift if otherwise;
- (r) occurrence books must be maintained at every duty post;
- (s) all incidents must be recorded and investigated;
- (t) confidential documents no longer required must be shredded before being discarded; and
- (u) the applicant should have contingency plans for fire and other disasters.

Conditions for issuing a SCL

The issuance of SCL will be subject to the following conditions (together with any such conditions the SGSIA may impose):

The licensee must:

- (a) display its SCL in a prominent position inside its principal place of business;
- (b) only supply individuals to perform the type of security work as specified in its SCL;
- (c) enter its name and the period of employment on the SPP of security personnel under its employ;
- (d) notify the Commissioner in writing of:
 - (i) any criminal proceedings against the controller(s), directors and executives, and all SPP holders of the company within 14 days after the licensee has become aware of the institution of such proceedings;

REGULATORY OVERVIEW

- (ii) the name of the persons whom it employs to do security work and the date on which the employment commenced within 14 days after the commencement of the employment; and
 - (iii) the name of the persons whom it ceases to employ to do security work and the date on which the employment ceased within 14 days after the cessation of the employment (items (ii) and (iii) are collectively referred to as the “Notification Requirements”);
- (e) not act contrary to the requirements of its work as a security company.

A SCL is not assignable or transmissible, and is valid for five years (or such shorter period as the SGSIA may specify, and subject to payment of prescribed fee). An application for renewal of a SCL shall be made to the SGSIA not earlier than 6 months and not later than 3 months before the SCL is due to expire.

Penalties

Under section 31(1) of the SGSO, any person who operates a company which supplies, agrees to supply, or holds himself out as supplying any individual to do security work for another person for reward without a valid SCL commits an offence and is liable on conviction to a fine of HK\$100,000 and to imprisonment for 2 years.

Pursuant to section 31(2) of the SGSO, any person who fails to notify the Commissioner of the Notification Requirements (together with the relevant date of commencement/cessation giving rise to such Notification Requirements) commits an offence and is liable on conviction to a fine of HK\$10,000 and to imprisonment for 3 months.

SPP Regime

Under section 10 of the SGSO, no individual shall do, agree to do, or hold himself out as doing or as available to do, security work for another person unless he does so (i) under and in accordance with an SPP issued by the Commissioner in accordance with the SGSO; or (ii) otherwise than for reward.

As set out above, pursuant to section 12 of the SGSO, no person shall authorise or require another person to do any type of security work for him unless the other person, among others, is a holder of an SPP that is valid for that type of work, a holder of SCL, or an individual supplied by a holder of SCL.

Application for a SPP shall be made to the Commissioner. Under the SGSO, no SPP shall be issued to a body of persons, whether corporate or unincorporate.

REGULATORY OVERVIEW

Under the current SPP Regime, the following are the four categories of security work in which a person holding an SPP may perform:

Category A Guarding work restricted to a “single private residential building”, the performance of which does not require the carrying of arms and ammunitions

Note: A “single private residential building” means an independent structure (i) covered by a roof and enclosed by walls extending from the foundation to the roof; (ii) used substantially for private residential purpose; and (iii) with only one main access point.

Category B Guarding work in respect of any persons, premises or properties, the performance of which does not require the carrying of arms and ammunition and which does not fall within Category A

Category C Guarding work, the performance of which requires the carrying of arms and ammunitions

Category D Installation, maintenance and/or repairing of a security device and/or designing (for any particular premises or place) a system incorporating a security device

Criteria for issuing a SPP

An SPP applicant has to satisfy the Commissioner that he is a fit and proper person to do a type of security work pursuant to section 14(5) of the SGSO.

Set out below are the major criteria in relation to a Category A and Category B of security work, which must be satisfied by a person before the Commissioner may issue to him an SPP under the SGSO to do that type of security work:

(A) Guarding work in respect of Category A

- (i) Age
 - (i) The applicant must be 18 years of age or above on the date of application.
 - (ii) If the applicant or SPP holder is 65 years of age or above, he must produce a medical certificate issued by a registered medical practitioner to certify that he is fit to undertake the duties required every 2 years.
- (ii) Fitness
 - The applicant must be physically fit to perform the job. A medical certificate issued by a registered medical practitioner may be required if the Commissioner reasonably considers necessary.

REGULATORY OVERVIEW

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|-----------------------------------|---|
| (iii) Good character | The applicant must be of good character having regard to his employment history, criminal records and other relevant factors. |
| (iv) Proficiency in security work | <p>The applicant must satisfy one of the followings:</p> <ul style="list-style-type: none">(i) He must have sat and passed a trade test recognised by the SGSIA and announced in a manner that it thinks fit, within 1 year before submitting his application; or(ii) He must have not less than 3 years of cumulative working experience in performing security work lawfully in Hong Kong over the past 5 years immediately before submitting his application; or(iii) He must have not less than 1 year of cumulative working experience in performing security work lawfully in Hong Kong over the past 2 years immediately before submitting his application; or(iv) He must have sat and passed a course-end examination, within 1 year before submitting his application, of a security training course that has met the requirements of a scheme for quality assurance that has been endorsed by the SGSIA and announced in a manner that it thinks fit. |

(B) Guarding work in respect of Category B

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|----------------------|--|
| (v) Age | The applicant must be 18 years of age or above. The upper age limit for engaging in this type of security work is 70. |
| (vi) Fitness | The applicant must be physically fit to perform the job. A medical certificate issued by a registered medical practitioner may be required if the Commissioner reasonably considers necessary. |
| (vii) Good character | The applicant must be of good character having regard to his employment history, criminal records and other relevant factors. |

REGULATORY OVERVIEW

- (viii) Proficiency in security work
- The applicant must satisfy one of the followings:
- (i) He must have sat and passed a trade test recognised by the SGSIA and announced in a manner that it thinks fit, within 1 year before submitting his application; or
 - (ii) He must have not less than 3 years of cumulative working experience in performing security work lawfully in Hong Kong over the past 5 years immediately before submitting his application; or
 - (iii) He must have not less than 1 year of cumulative working experience in performing security work lawfully in Hong Kong over the past 2 years immediately before submitting his application; or
 - (iv) He must have sat and passed a course-end examination, within 1 year before submitting his application, of a security training course that has met the requirements of a scheme for quality assurance that has been endorsed by the SGSIA and announced in a manner that it thinks fit.

Conditions for issuing an SPP

The issuance of an SPP is subject to the following conditions (together with any such conditions the Commissioner may impose).

The SPP holder must:

- (a) carry his SPP at all times when he is on duty;
- (b) produce his SPP for inspection on demand by any police officer;
- (c) notify the Commissioner in writing of:
 - (i) any change of employer, unless he is employed by a licensed security company; and
 - (ii) any institution of criminal proceedings against him,

within 14 days after the relevant event has occurred;

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- (d) only perform the type of security work as specified in his SPP;
- (e) not work over 372 hours per month and not normally work over 12 hours per day; and
- (f) not act contrary to the requirements of his duties as a security personnel or remiss in the execution of his duties.

An SPP is not assignable or transmissible, and is valid for a period of 5 years (or such shorter period as the Commissioner may specify). Holder of an SPP should apply to the Commissioner for renewal not earlier than 6 months and not later than 3 months before his SPP is due to expire.

Penalties

Under section 31(2) of the SGSO, any person who does, agrees to do, or holds himself out as doing or as available to do, security work for another person for reward without a valid SPP commits an offence and is liable on conviction to a fine of HK\$10,000 and to imprisonment for 3 months.

As disclosed in the section headed “Risk Factors – Risks Relating to our Business” in this prospectus, IWS Security, a principal operating company of the Group, is a holder of SCL licensed to carry out Type I security work. In the event that our SCL is revoked, suspended or not renewed by the SGSIA, or if we experience material delays in renewing our SCL, our operation and business performance may be materially and adversely affected.

PROPERTY MANAGEMENT SERVICES ORDINANCE (CHAPTER 626 OF THE LAWS OF HONG KONG) (“PMSO”)

Licence Regime for Property Management Services

The Legislative Council enacted the PMSO on 26 May 2016. On 24 October 2016, part of the PMSO, not including any licensing regime came into force. As at the Latest Practicable Date, only sections 1 and 2; Part 7; Part 8; sections 66(2) and 68; and Schedule 3 of the PMSO have come into operation. There is no indication when the PMSO will fully come into force.

Sections 1 and 2 of the PMSO ascribe meanings to terms employed throughout the Ordinance.

The Property Management Services Authority (the “PMSA”) was established on 24 October 2016 in accordance with the PMSO. Pursuant to section 43 of the PMSO, its principal functions are:

- (a) to regulate and control the provision of property management services in Hong Kong by the licensing of property management companies and property management practitioners;

REGULATORY OVERVIEW

- (b) to promote the integrity, competence and professionalism of the profession of property management services; and
- (c) to maintain and enhance the status of the profession of property management services.

In addition to the principal functions of the PMSA, Part 7 also sets out the following relating to the PMSA:

- (i) its powers of authority;
- (ii) it is a self-financing statutory body and is not a servant or agent of the Hong Kong Government;
- (iii) immunity from civil liability in respect of acts done or omitted to be done by a member of the PMSA or a committee of the PMSA, an officer or employee of the PMSA and a person who is performing any service for the PMSA under a contract for services;
- (iv) a member of the PMSA and a member of a committee of the PMSA who is not also a member of the PMSA must disclose to the authority any interest he/she has which is of a class or description determined by the PMSA and register of such disclosure must be kept by the PMSA and be available for public inspection;
- (v) it may delegate any of its powers to (a) a committee of the PMSA; (b) the chief executive officer of the PMSA; or (c) the holder of any office in the PMSA, designated by the authority; and
- (vi) it must comply with a written direction for performing any of its functions given by the chief executive officer of the PMSA if he/she is satisfied that it is in the public interest to do so.

The PMSA is a self-financing body supported by income from licence fees and a fixed levy at HK\$350. With effect from 1 July 2018, pursuant to Part 8 of the PMSO, transferees under conveyances on sale of immovable properties (both residential and non-residential) in Hong Kong are liable to pay a levy to the PMSA within a prescribed period of time. Late payment or non-payment of levy are subject to a penalty, the amount of which ranges from two to ten times of the original amount of the levy, depending on the length of delay. The PMSA may recover the amount of any levy or penalty payable as a civil debt due to it or register a certificate of levy and penalty in the Land Registry.

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Schedule 3 of the PMSO sets out the following in relation to the setting up and operations of the PMSA:

- (i) it must consist of a chairperson, a vice-chairperson and not more than 18 ordinary members. The Chief Executive of the Hong Kong SAR (the “CE”) has to appoint members of the PMSA from among the following categories of individuals with the aim to strike a balance between protecting the interests of the industry and those of owners and the general public:
 - a. around one-fourth are individuals who are engaged in property management services (Category I persons);
 - b. around one-fourth are individuals who, because of their experience in property management, general administration or consumer affairs, appear to the Chief Executive to have knowledge of property management services (Category II persons); and
 - c. at least half are general public, who appear to the CE to be suitable to be appointed as members (Category III persons);
- (ii) each member of the PMSA is to be appointed for a term of not more than three years;
- (iii) a member of the PMSA may, at any time, resign from office by giving his/her signed written notice of resignation to the CE;
- (iv) general procedure, quorum, voting mechanism, keeping of minutes and validity of written resolutions of meetings of the PMSA;
- (v) it must prepare a report after the end of each financial year, setting out amongst others, an outline of investigations conducted by the PMSA and a summary of complaints received. Together with its audited accounts, the annual report will be laid on table of the Legislative Council;
- (vi) it may establish a standing committee for hearing disciplinary matters under the PMSO of which each member is to be appointed by the PMSA. Such disciplinary committee must consist of (a) at least three members; (b) a majority of its members must be members of the PMSA; and (c) its chairperson must be a member of the PMSA.

Pursuant to section 66(2) of the PMSO, in respect of any amendments to Schedule of the ordinance, the Secretary for Home Affairs may by notice publish in the Gazette.

Pursuant to section 68 of the PMSO, the related amendment specified in Schedule 5 are amended as set out in that schedule, which is omitted as spent.

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According to section 6(1) of the PMSO, no person may, without a property management company licence (“**PMCL**”) issued in accordance with the PMSO (i) act as a business entity (whether a company, partnership or sole proprietorship) that carries on the business of providing property management services (“**property management company**”); or (ii) claim to be a holder of a PMCL (“**PMCL Company**”).

According to section 7(2) of the PMSO, a property management company whose business does not involve the provision of property management services that fall within more than one category of services does not require a PMCL.

According to section 8(1) of the PMSO, the PMSA may, on application, issue:

- (i) a PMCL;
- (ii) a property management practitioner (Tier 1) licence (“**PMP (Tier 1) licence**”); or
- (iii) a property management practitioner (Tier 2) licence (“**PMP (Tier 2) licence**”).

Only those property management practitioners (“**PMPs**”), as defined in section 2 of the PMSO as individuals who assume a managerial or supervisory role in a property management company in relation to property management services provided by the company, who take up a managerial or supervisory role in the provision of property management services are subject to licensing. Frontline staff are not required to obtain PMP licences. A PMP has to fulfill all licensing criteria and comply with the licence conditions. According to section 15(2)(b) of the PMSO, criteria for a PMP (Tier 1) licence or PMP (Tier 2) licence may include those relating to the person’s academic qualifications, professional qualifications and relevant work experience; and may impose more stringent requirements for a PMP (Tier 1) licence. The licensing criteria, and licence conditions will be stipulated in the subsidiary legislation. As at the Latest Practicable Date, the PMSA is in the process of preparing the licensing regulatory regime.

According to Section 11(2) of the PMSO, in determining whether a person is a suitable person to hold a PMCL, the PMSA must have regard to the following in case of a company:

- (i) whether the company is in liquidation or is the subject of a winding-up order;
- (ii) whether a receiver has been appointed in relation to the company;
- (iii) whether, in the 5 years before the relevant application, the company has entered into a composition or scheme of arrangement with its creditors;
- (iv) whether the company has been convicted of a criminal offence (other than an offence under the PMSO) involving fraud or dishonesty;
- (v) whether the company has been convicted of a disciplinary offence or a criminal offence under the PMSO; and
- (vi) whether every director of the company is a suitable person to be associated with the company’s business of providing property management services.

REGULATORY OVERVIEW

It is likely that IWS Property Management will be able to meet the aforesaid requirements for the following reasons:

- (i) it is unlikely IWS Property Management will be in liquidation or is the subject of a winding-up order at the time of the application;
- (ii) it is unlikely that a receiver will be appointed in relation to IWS Property Management;
- (iii) it is unlikely that in the 5 years before the intended application, IWS Property Management has entered into a composition or scheme of arrangement with its creditors;
- (iv) it is unlikely that IWS PM will be convicted of a criminal offence involving fraud or dishonesty;
- (v) it is unlikely that IWS PM will be convicted of a disciplinary offence or a criminal offence under the PMSO; and
- (vi) every director of IWS PM is and is expected to be a suitable person to be associated with IWS PM's business of providing property management services.

As most of the key sections of the PMSO are not yet in operation as at the Latest Practicable Date, there is no provision in the PMSO as to the amount of licence fees to be paid for application and/or renewal of the licence. Based on the knowledge of our Directors, we consider that the amount of licencing fees and related costs to be paid when the PMSO becomes fully effective in the future will not have a material impact on our financial position. Upon the PMSO fully coming into force, PMCL Companies and PMPs will be under the scrutiny of the PMSA.

The property management of private properties in Hong Kong

The management of a private property in Hong Kong is regulated by the Building Management Ordinance and governed under the DMCs. The Building Management Ordinance provides the legislative framework setting out the rules and regulations for the incorporation of owners of units in buildings or groups of buildings and for the management of buildings or group of buildings.

According to the Building Management Ordinance, an owners' corporation can be formed to deal with building management matters on behalf of all the owners. When an owners' corporation has been formed, the rights, powers, privileges and duties of the owners in relation to the common parts of the building shall be exercised and performed by the owners' corporation. In addition, the owner's corporation may decide whether to engage any paid staff member, property management company or other professional trade or person to assist in carrying out its duties or powers.

REGULATORY OVERVIEW

A DMC is a document registered with the Land Registry and sets out the rights, interests and obligations of the owners of the units in a building. In a typical situation, an owners' corporation or other owner/tenant body (such as an owners' committee or a mutual aid committee) would be established and a management committee would be elected to represent such body to work with and monitor the performance of the property manager.

In addition to providing property management services, the property manager is also required under the Building Management Ordinance to prepare annual budgets for the management expenses and prepare income and expenditure statements. Furthermore, the Code of Practice issued under the Building Management Ordinance stipulates, among other things, that the procurement of supplies, goods and services by the owners' corporation exceeding certain amounts specified thereunder should be conducted by way of tenders.

To promote the standards of the housing management profession in Hong Kong, the Hong Kong Institute of Housing Ordinance (Chapter 507 of the Laws of Hong Kong) (the “**HKIHO**”) was enacted to recognise the qualifications of housing professionals. In addition, the Housing Managers Registration Ordinance (Chapter 550 of the Laws of Hong Kong) (the “**HMRO**”) provides for the registration of professional housing managers who have achieved the qualifications and experience recognised by the Hong Kong Institute of Housing and for the disciplinary control of the professional activities of such registered managers.

The Home Affairs Bureau maintains a list of building management agents for the purpose of appointment of building management agents by Secretary for Home Affairs or by order of the Lands Tribunal in Hong Kong pursuant to the Building Management Ordinance.

Building management agents may be appointed by order of the Secretary for Home Affairs pursuant to the Building Management Ordinance. When it appears to the Secretary for Home Affairs in case of any building with a management committee that:

- (a) no person is, for the time being, managing that building;
- (b) the management committee has, in any material particular, failed substantially to perform the duties of a corporation under section 18 of the Building Management Ordinance; and
- (c) by reason of the circumstances mentioned in paragraphs (a) and (b), there is a danger or risk of danger to the occupiers or owners of the building,

the Secretary for Home Affairs may order that, within such reasonable period as shall be specified in the order, the management committee must appoint a building management agent for the purposes of managing that building.

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Building management agents may also be appointed by order of the Lands Tribunal in Hong Kong under certain limited circumstances specified in the Building Management Ordinance.

A person is eligible to be appointed as a building management agent if his name appears in a list of persons engaged in the business of the management of buildings compiled by the Secretary for Home Affairs from time to time.

Requirements for the procurement of supplies, goods and services by an owners' corporation

The procurement of supplies, goods and services (including the service for property management) by owners' corporations is regulated by the Building Management Ordinance. Pursuant to the Building Management Ordinance, the procurement of all supplies, goods or services required by an owners' corporation in the exercise of its powers and the performance of its duties under the DMC (if any) or the Building Management Ordinance shall be procured by invitation to tender if the value of service exceeds or is likely to exceed:

- (a) the sum of HK\$200,000; or
- (b) a sum which is equivalent to 20% of the annual budget of the owners' corporation, whichever is the lesser.

Whether the tender submitted for such purpose is accepted or not shall be decided by a resolution of the owners passed at a general meeting of the owners' corporation.

The above requirement for invitation to tender is exempted if:

- (a) the relevant supplies, goods or services are of the same type as any supplies, goods or services which are for the time being supplied to the owners' corporation by a supplier; and
- (b) the owners' corporation decides by a resolution of the owners passed at a general meeting of the owners' corporation that the relevant supplies, goods or services shall be procured from that supplier on such terms and conditions as specified in the resolution, instead of by invitation to tender.

The contract for the procurement of the relevant supplies, goods or services is not void by reason only that it does not comply with the above requirements. However, subject to order made by the Hong Kong court, the contract may be avoided, i.e. cancelled by the owners' corporation by a resolution of the owners passed at a general meeting of the owners' corporation, only for the reason that it does not comply with the above requirements. The Hong Kong courts may make such orders (including whether the service contract is void or voidable) and give such directions in respect of the rights and obligations of the contractual parties as it thinks fit having regard to various circumstances including whether the owners have benefited from the service contract and whether the owners have incurred any financial loss due to the service contract and the extent thereof.

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Unless and until the relevant service contract is cancelled by the owners' resolution at a general meeting of the owners, the service contract remains valid and enforceable, and each party is required to fulfil its obligations thereunder.

Apart from the Building Management Ordinance, the HKIHO, the HMRO and the PMSO, there is no other specific legislation in Hong Kong that governs the property management industry. However, property management is a multi-disciplinary business covering a wide variety of trades including the provision of maintenance and security services. The qualifications of the building services engineers, maintenance surveyors, technicians and security guards providing such services are subject to other various legislative requirements.

ELECTRICITY ORDINANCE (CHAPTER 406 OF THE LAWS OF HONG KONG) (“EO”)

The EO provides that no person shall do personally or offer or undertake to do electrical work personally unless he is a registered electrical worker registered with the Electrical and Mechanical Services Department (the “**EMSD**”) and who is entitled by his certificate to do the work (the “**Registered Electrical Worker**”). The EO imposes criminal penalties for persons contravening the registration requirements for doing business as an electrical contractor or doing electrical work.

Electricity (Registration) Regulations (Chapter 406D of the Laws of Hong Kong)

A registration for Registered Electrical Worker is valid for the three year period shown on the certificate of registration. Under Regulation 13 of the Electricity (Registration) Regulations, a Registered Electrical Worker shall apply to the director of the EMSD for renewal of his registration within one to four month prior to the date of expiry of the registration.

COMPETITION ORDINANCE (CHAPTER 619 OF THE LAW OF HONG KONG)

Under the Competition Ordinance, anti-competitive conduct that prevents, restricts or distorts competition in Hong Kong is prohibited. The following arrangements are considered unlawful under the Competition Ordinance:

- (a) unprofitable pricing to gain market share and put pressure on the competitor's ability to compete;
- (b) tying (where one product can only be bought or used if another product is also bought);
- (c) bundling (two or more products offered together at a discount);
- (d) exclusive dealing arrangement or imposition of tougher pricing and terms for certain customers;

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- (e) sharing of pricing, information and agreement of practices or pricing through trade associations; and
- (f) joint ventures or tenders by competitors capable of bidding independently.

The Competition Commission established by section 129 of the Competition Ordinance (the “**Competition Commission**”) intends to enforce matters that provide the greatest overall benefit to consumers in Hong Kong so as to facilitate fair and healthy competition in the market. Section 39 of the Competition Ordinance empowers the Competition Commission to conduct an investigation into any conduct that constitute or may constitute a contravention of competition rule based on its own volition, complaints from public or referral by the Competition Tribunal established by section 134 of the Competition Ordinance or by the Hong Kong Government. According to the Guidelines on Investigations jointly issued by the Competition Commission and the Communications Authority established under the Communications Authority Ordinance (Chapter 616 of the Laws of Hong Kong), after becoming aware of any possible or potential contraventions, the Competition Commission will conduct an initial assessment. Only when the Competition Commission is satisfied, after the initial assessment, that there is a reasonable cause to suspect a contravention of a competition rule, will it exercise its investigation powers under section 39 of the Competition Ordinance. Any failure to comply with the Competition Commission’s investigation without reasonable excuse amounts to an offence punishable by a fine of up to HK\$200,000 and imprisonment of one year.

PREVENTION OF BRIBERY ORDINANCE (CHAPTER 201 OF THE LAWS OF HONG KONG)

The Prevention of Bribery Ordinance prohibits all forms of bribery and corruption. Any director or employee is prohibited from soliciting, accepting or offering any bribe in conducting a company’s business or affairs, whether in Hong Kong or elsewhere. In particular, in conducting all business or affairs of a company, the director or employee must comply with the Prevention of Bribery Ordinance and must not:

- (i) solicit or accept any advantage from others as a reward for or inducement to doing any act, abstaining from doing any act or showing favour in relation to the company’s business or affairs, or offer any advantage to an agent of another as a reward for or inducement to doing any act, abstaining from doing any act of showing favor in relation to his principal’s business or affairs;
- (ii) offer any advantage to any public servant, which, for the purpose of the Prevention of Bribery Ordinance, includes any employee of a public body, such as the HK Government Departments, as a reward for or inducement to his performing any act in his official capacity or his showing any favour or providing any assistance with the Hong Kong Government or public body;

REGULATORY OVERVIEW

- (iii) offer any advantage to any staff of any department under the Hong Kong Government or public body while he is having business dealing with the latter; or
- (iv) offer any advantage to any other person as an inducement to or a reward for the withdrawal of a tender or the refraining from making of a tender for any contract with a public body or bidding at any auction conducted by any public body. Depending on the offence committed, the maximum penalties for the above offences under the Prevention of Bribery Ordinance range from fines of HK\$100,000 to HK\$500,000 and imprisonment for one year to 10 years.

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

To the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, our Directors confirm that the Group was not informed by any party of any investigation against the Group or its employees or directors in relation to any contravention of the Prevention of Bribery Ordinance.

HISTORY, CORPORATE STRUCTURE AND REORGANISATION

OVERVIEW

In April 2008, the Ma Family acquired IWS Security, the first and principal operating subsidiary of our Group to focus on security services in Hong Kong, through an advertisement in the newspaper in 2007. Immediately prior to the acquisition, IWS Security was principally engaged in the provision of property management services with an annual revenue of approximately HK\$3 million. Shortly after the acquisition, leveraging on the experience of Mr. Andy Choi, our chief executive officer, who specialises in, amongst others, crowd management, IWS Security was awarded with a contract for the provision of professional security and customer services to Olympic Live Sites in Hong Kong at Sha Tin Park and Victoria Park in 2008 (the “**HK Olympic Event**”). Please refer to the paragraph headed “Senior Management” in the section headed “Directors and Senior Management” for details of Mr. Andy Choi’s qualifications and experience. IWS Security was then awarded a letter of appreciation for its outstanding performance at the HK Olympic Event and together with the experience accumulated, IWS Security was awarded the contract to provide event and crisis security services at the 2009 East Asian Games accordingly.

In 2016, we further established IWS PM, IWS Cleaning and IWS Carpark to expand into offering of facility management services covering property management services, car parking rental and management services, cleaning services and hotel management services.

BUSINESS MILESTONES

The following table sets forth the important milestones in the development of our business up to the Latest Practicable Date:

Year	Event
2008	<ul style="list-style-type: none">• Acquisition of IWS Security by members of the Ma Family• Provision of professional security and customer services to the HK Olympic Event
2009	<ul style="list-style-type: none">• Provision of event and crisis security services at the 2009 East Asian Games• Started provision of security services at railway stations and facilities; land migration control points and public amenities for the Railway Corporation and HK Government Departments

HISTORY, CORPORATE STRUCTURE AND REORGANISATION

Year	Event
2010	<ul style="list-style-type: none">• Provision of security services to a government department responsible for providing leisure and cultural activities in Hong Kong in respect of a three-day rugby event at the Hong Kong Stadium• Provision of security services at a flugtag event at the West Kowloon Waterfront
2011	Expanded into provision of event security services for football matches in Hong Kong
2012	Expanded into provision of elite protection services to celebrities and overseas football teams
2013	Started provision of traffic control services to the transport department of the Hong Kong Government
2014	Provision of security services during a social movement in Central and Admiralty to the Railway Corporation
2015	<ul style="list-style-type: none">• IWS Security was accredited ISO 9001:2008• Started provision of security services for buses operated at immigration control points by the Railway Corporation
2016	Commencement of facility management services business by establishing IWS PM, IWS Cleaning and IWS Carpark
2017	Provision of health screening services to the Health Authority
2018	Provision of security services to Guangshen'gang XRL and the future Tuen Ma Line operated by the Railway Corporation, and to the Immigration Authority at the Hong Kong-Zhuhai-Macao Bridge
2019	Provision of ambassador service for the Public Transport Fare Subsidy Scheme

HISTORY, CORPORATE STRUCTURE AND REORGANISATION

CORPORATE HISTORY

The following sets forth the corporate development of each of our Group companies.

IWS Security

IWS Security (formerly known as International Wing Shing Property Management Limited (國際永勝物業管理有限公司), with its name changed to the current on 21 April 2008) was incorporated in Hong Kong with limited liability on 18 April 1996. It is principally engaged in security guarding services. On the date of incorporation, IWS Security had an authorised share capital of HK\$10,000.00 divided into 10,000 shares with a par value of HK\$1.00 each. On the date of incorporation, 9,999 shares and one share were allotted and issued, credited as fully paid to the initial subscribers, Mr. Lau Ching Bui and Mr. Yim Siu Ming at par value, respectively. The initial subscribers are independent third parties.

Immediately prior to acquisition by members of the Ma Family, IWS Security had an authorised share capital of HK\$10,000.00 divided into 10,000 shares of HK\$1.00 each, and was wholly owned by Mr. Lau Ching Bui.

On 2 April 2008, Mr. Lau Ching Bui transferred 3,334 shares, 3,333 shares and 3,333 shares to Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma, respectively at a consideration of HK\$320,064.00, HK\$319,968.00 and HK\$319,968.00, respectively. Such consideration was determined by reference to the net profit of IWS Security based on its audited accounts for FY2007 and the Type I Security Company Licence possessed at the time of the acquisition and was settled end of 2008. The transfers have been properly and legally completed.

On 10 November 2011, the authorised share capital of IWS Security was increased to HK\$3,000,000.00 divided into 3,000,000 shares of HK\$1.00 each.

On the same day, 996,666 shares, 996,667 shares and 996,667 shares were allotted and issued, credited as fully paid to Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma respectively at par value. Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma thereby each held 1,000,000 shares in IWS Security.

On 25 May 2018, as part of the Reorganisation, IWS Security BVI (as purchaser) entered into a share sale and purchase agreement with Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma (as vendors), pursuant to which Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma each transferred 1,000,000 shares in IWS Security, aggregate of which represents the entire issued share capital of IWS Security, to IWS Security BVI in consideration of IWS Security BVI to allot and issue one share in its issued share capital to our Company and credited as fully paid at par at the direction of Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma. Therefore, at the Latest Practicable Date, IWS Security is wholly owned by IWS Security BVI.

The transfers of ordinary shares in the capital of IWS Security as disclosed above had taken place on 25 May 2018 and the Reorganisation step complies with the laws of Hong Kong and would not require any prior approval or permit from any government authorities in Hong Kong.

HISTORY, CORPORATE STRUCTURE AND REORGANISATION

IWS PM

IWS PM was incorporated in Hong Kong with limited liability on 9 August 2016. It is principally engaged in the provision of property and hotel management services. On the date of incorporation, IWS PM had an authorised share capital of HK\$10,000.00 divided into 10,000 shares. On the date of incorporation, 3,334 shares, 3,333 shares and 3,333 shares were allotted and issued, credited as fully paid to the initial subscribers, Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma, respectively.

On 25 May 2018, as part of the Reorganisation, IWS PM BVI (as purchaser) entered into a share sale and purchase agreement with Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma (as vendors), pursuant to which Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma transferred 3,334 shares, 3,333 shares and 3,333 shares, respectively in IWS PM, aggregate of which represents the entire issued share capital of IWS PM, to IWS PM BVI in consideration of IWS PM BVI to allot and issue one share in its issued share capital to our Company and credited as fully paid at par at the direction of Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma. Therefore, at the Latest Practicable Date, IWS PM is wholly owned by IWS PM BVI.

The transfers of ordinary shares in the capital of IWS PM as disclosed above had taken place on 25 May 2018 and the Reorganisation step complies with the laws of Hong Kong and would not require any prior approval or permit from any government authorities in Hong Kong.

IWS Cleaning

IWS Cleaning was incorporated in Hong Kong with limited liability on 4 November 2016. It is principally engaged in the provision of cleaning services. On the date of incorporation, IWS Cleaning had an authorised share capital of HK\$10,000.00 divided into 10,000 shares. On the date of incorporation, 3,334 shares, 3,333 shares and 3,333 shares were allotted and issued, credited as fully paid to the initial subscribers, Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma, respectively.

On 25 May 2018, as part of the Reorganisation, IWS Cleaning BVI (as purchaser) entered into a share sale and purchase agreement with Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma (as vendors), pursuant to which Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma transferred 3,334 shares, 3,333 shares and 3,333 shares, respectively in IWS Cleaning, aggregate of which represents the entire issued share capital of IWS Cleaning, to IWS Cleaning BVI in consideration of IWS Cleaning BVI to allot and issue one share in its issued share capital to our Company and credited as fully paid at par at the direction of Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma. Therefore, at the Latest Practicable Date, IWS Cleaning is wholly owned by IWS Cleaning BVI.

The transfers of ordinary shares in the capital of IWS Cleaning as disclosed above had taken place on 25 May 2018 and the Reorganisation step complies with the laws of Hong Kong and would not require any prior approval or permit from any government authorities in Hong Kong.

HISTORY, CORPORATE STRUCTURE AND REORGANISATION

IWS Carpark

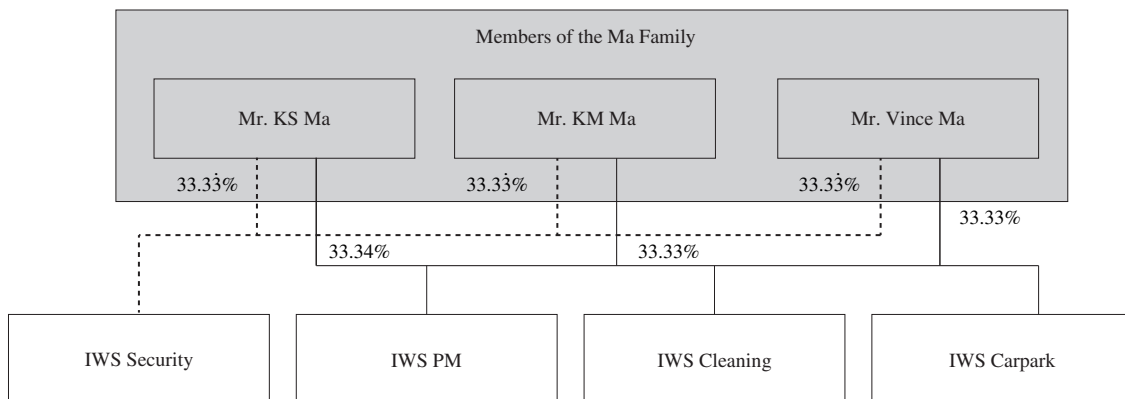
IWS Carpark was incorporated in Hong Kong with limited liability on 30 December 2016. It is principally engaged in the provision of car parking rental and management services. On the date of incorporation, IWS Carpark had an authorised share capital of HK\$10,000.00 divided into 10,000 shares. On the date of incorporation, 3,334 shares, 3,333 shares and 3,333 shares were allotted and issued, credited as fully paid to the initial subscribers, Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma, respectively.

On 25 May 2018, as part of the Reorganisation, IWS Carpark BVI (as purchaser) entered into a share sale and purchase agreement with Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma (as vendors), pursuant to which Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma transferred 3,334 shares, 3,333 shares and 3,333 shares, respectively in IWS Carpark, aggregate of which represents the entire issued share capital of IWS Carpark, to IWS Carpark BVI in consideration of IWS Carpark BVI to allot and issue one share in its issued share capital to our Company and credited as fully paid at par at the direction of Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma. Therefore, at the Latest Practicable Date, IWS Carpark is wholly owned by IWS Carpark BVI.

The transfers of ordinary shares in the capital of IWS Carpark as disclosed above had taken place on 25 May 2018 and the Reorganisation step complies with the laws of Hong Kong and would not require any prior approval or permit from any government authorities in Hong Kong.

CORPORATE STRUCTURE

The following diagram shows the shareholding and corporate structure of our Group immediately before the Reorganisation:



HISTORY, CORPORATE STRUCTURE AND REORGANISATION

REORGANISATION

In contemplation of the Listing, members of our Group have undergone the Reorganisation whereby a coherent structure of our Group has been established which is suitable for Listing. The Reorganisation involved the following steps:

1. Incorporation of Morewood, Mandarin and Cambridge;
2. Incorporation of IWS BVI;
3. Incorporation of our Company;
4. Incorporation of IWS Security BVI, IWS PM BVI, IWS Cleaning BVI and IWS Carpark BVI;
5. Transfers of IWS Security, IWS PM, IWS Cleaning and IWS Carpark to IWS Security BVI, IWS PM BVI, IWS Cleaning BVI and IWS Carpark BVI, respectively;
6. Incorporation of IWS Carpark (JV); and
7. Increase of share capital of our Company.

Incorporation of Morewood, Mandarin and Cambridge

Incorporation of Morewood

Morewood was incorporated in the BVI with limited liability on 7 February 2018. On incorporation, it was authorised to issue up to a maximum of 50,000 shares without par value, of which one share was allotted and issued, credited as fully paid to Mr. KS Ma on the same date for a consideration of HK\$1.00. It is an investment holding company.

Incorporation of Mandarin

Mandarin was incorporated in the BVI with limited liability on 7 February 2018. On incorporation, it was authorised to issue up to a maximum of 50,000 shares without par value, of which one share was allotted and issued, credited as fully paid to Mr. KM Ma on the same date for a consideration of HK\$1.00. It is an investment holding company.

Incorporation of Cambridge

Cambridge was incorporated in the BVI with limited liability on 7 February 2018. On incorporation, it was authorised to issue up to a maximum of 50,000 shares without par value, of which one share was allotted and issued, credited as fully paid to Mr. Vince Ma on the same date for a consideration of HK\$1.00. It is an investment holding company.

HISTORY, CORPORATE STRUCTURE AND REORGANISATION

Incorporation of IWS BVI

IWS BVI was incorporated in the BVI with limited liability on 7 March 2018. On incorporation, it was authorised to issue up to a maximum of 50,000 shares without par value, of which one share was allotted and issued, credited as fully paid, to each of Morewood, Mandarin and Cambridge respectively on the same date for a consideration of HK\$1.00 per share. It is an investment holding company.

Incorporation of our Company

Our Company (formerly known as IWS Group Limited (國際永勝集團有限公司) with its name changed to the current on 25 April 2018) was incorporated in the Cayman Islands with limited liability on 23 March 2018 and is the holding company of our subsidiaries. On incorporation, it had an authorised share capital of HK\$380,000 divided into 38,000,000 shares of a par value of HK\$0.01 each, of which one share was allotted and issued, credited as fully paid at par to an initial subscriber, an independent third party, who then transferred the share to IWS BVI on the same date at par value. As a result of the allocation, our Company became wholly owned by IWS BVI. Mr. Ma Ah Muk, Mr. KS Ma, Mr. KM Ma, Mr. Vince Ma and Mr. Leo Ma were appointed as Directors on the same date.

As a result of the Reorganisation, our Company became the holding company of our subsidiaries. The principal business activity of our Company is investment holding.

Incorporation of IWS Security BVI, IWS PM BVI, IWS Cleaning BVI and IWS Carpark BVI

Incorporation of IWS Security BVI

IWS Security BVI was incorporated in the BVI with limited liability on 18 May 2018. On incorporation, it was authorised to issue up to a maximum of 50,000 shares without par value, of which one share was allotted and issued, credited as fully paid to our Company on the same date for a consideration of HK\$1.00. It is an investment holding company.

Incorporation of IWS PM BVI

IWS PM BVI was incorporated in the BVI with limited liability on 18 May 2018. On incorporation, it was authorised to issue up to a maximum of 50,000 shares without par value, of which one share was allotted and issued, credited as fully paid to our Company on the same date for a consideration of HK\$1.00. It is an investment holding company.

Incorporation of IWS Cleaning BVI

IWS Cleaning BVI was incorporated in the BVI with limited liability on 18 May 2018. On incorporation, it was authorised to issue up to a maximum of 50,000 shares without par value, of which one share was allotted and issued, credited as fully paid to our Company on the same date for a consideration of HK\$1.00. It is an investment holding company.

HISTORY, CORPORATE STRUCTURE AND REORGANISATION

Incorporation of IWS Carpark BVI

IWS Carpark BVI was incorporated in the BVI with limited liability on 18 May 2018. On incorporation, it was authorised to issue up to a maximum of 50,000 shares without par value, of which one share was allotted and issued, credited as fully paid to our Company on the same date for a consideration of HK\$1.00. It is an investment holding company.

Transfers of IWS Security, IWS PM, IWS Cleaning and IWS Carpark to IWS Security BVI, IWS PM BVI, IWS Cleaning BVI and IWS Carpark BVI, respectively

Transfer of IWS Security to IWS Security BVI

On 25 May 2018, IWS Security BVI (as purchaser) entered into the IWS Security SPA with Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma (as vendors), pursuant to which Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma transferred 1,000,000 shares each in IWS Security, aggregate of which represents the entire issued share capital of IWS Security, to IWS Security BVI in consideration of IWS Security BVI to allot and issue one share in its issued share capital to our Company and credited as fully paid at par at the direction of Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma.

As a result of the Reorganisation, IWS Security became directly wholly owned by IWS Security BVI.

The transfers of ordinary shares in the capital of IWS Security as disclosed above had taken place on 25 May 2018 and the Reorganisation step complies with the laws of Hong Kong and would not require any prior approval or permit from any government authorities in Hong Kong.

Transfer of IWS PM to IWS PM BVI

On 25 May 2018, IWS PM BVI (as purchaser) entered into the IWS PM SPA with Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma (as vendors), pursuant to which Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma transferred 3,334 shares, 3,333 shares and 3,333 shares respectively in IWS PM, aggregate of which represents the entire issued share capital of IWS PM, to IWS PM BVI in consideration of IWS PM BVI to allot and issue one share in its issued share capital to our Company and credited as fully paid at par at the direction of Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma.

As a result of the Reorganisation, IWS PM became directly wholly owned by IWS PM BVI.

The transfers of ordinary shares in the capital of IWS PM as disclosed above had taken place on 25 May 2018 and the Reorganisation step complies with the laws of Hong Kong and would not require any prior approval or permit from any government authorities in Hong Kong.

HISTORY, CORPORATE STRUCTURE AND REORGANISATION

Transfer of IWS Cleaning to IWS Cleaning BVI

On 25 May 2018, IWS Cleaning BVI (as purchaser) entered into the IWS Cleaning SPA purchase agreement with Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma (as vendors), pursuant to which Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma transferred 3,334 shares, 3,333 shares and 3,333 shares respectively in IWS Cleaning, aggregate of which represents the entire issued share capital of IWS Cleaning, to IWS Cleaning BVI in consideration of IWS Cleaning BVI to allot and issue one share in its issued share capital to our Company and credited as fully paid at par at the direction of Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma.

As a result of the Reorganisation, IWS Cleaning became directly wholly owned by IWS Cleaning BVI.

The transfers of ordinary shares in the capital of IWS Cleaning as disclosed above had taken place on 25 May 2018 and the Reorganisation step complies with the laws of Hong Kong and would not require any prior approval or permit from any government authorities in Hong Kong.

Transfer of IWS Carpark to IWS Carpark BVI

On 25 May 2018, IWS Carpark BVI (as purchaser) entered into the IWS Carpark SPA with Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma (as vendors), pursuant to which Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma transferred 3,334 shares, 3,333 shares and 3,333 shares respectively in IWS Carpark, aggregate of which represents the entire issued share capital of IWS Carpark, to IWS Carpark BVI in consideration of IWS Carpark BVI to allot and issue one share in its issued share capital to our Company and credited as fully paid at par at the direction of Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma.

As a result of the Reorganisation, IWS Carpark became directly wholly owned by IWS Carpark BVI.

The transfers of ordinary shares in the capital of IWS Carpark as disclosed above had taken place on 25 May 2018 and the Reorganisation step complies with the laws of Hong Kong and would not require any prior approval or permit from any government authorities in Hong Kong.

Incorporation of IWS Carpark (JV)

IWS Carpark (JV) was incorporated in Hong Kong with limited liability on 8 March 2019 and one subscriber share in IWS Carpark (JV) was allotted and issued as fully paid with a total share capital of HK\$1 to the initial subscriber, an independent third party. On 14 March 2019, the subscriber share was transferred by the initial subscriber to IWS Carpark at a consideration of HK\$1. On 14 March 2019, IWS Carpark and Oblivian Limited (“**JV Partner**”), a company incorporated in the British Virgin Islands and an independent third party, were allotted and issued 7,999 shares and 2,000 shares in IWS Carpark (JV) respectively for a total consideration

HISTORY, CORPORATE STRUCTURE AND REORGANISATION

of HK\$9,999. IWS Carpark (JV) was incorporated with the intention to engage in a public carpark and related services project. As (i) we are experienced in providing car parking rental and management services in parking lots such as shopping malls and residential properties; and (ii) the JV Partner is able to provide financial resources for the development of public carpark and related services project, the Directors are of the view that the cooperation between IWS Carpark and the JV Partner can achieve a complementary effect.

Increase of Share Capital of our Company

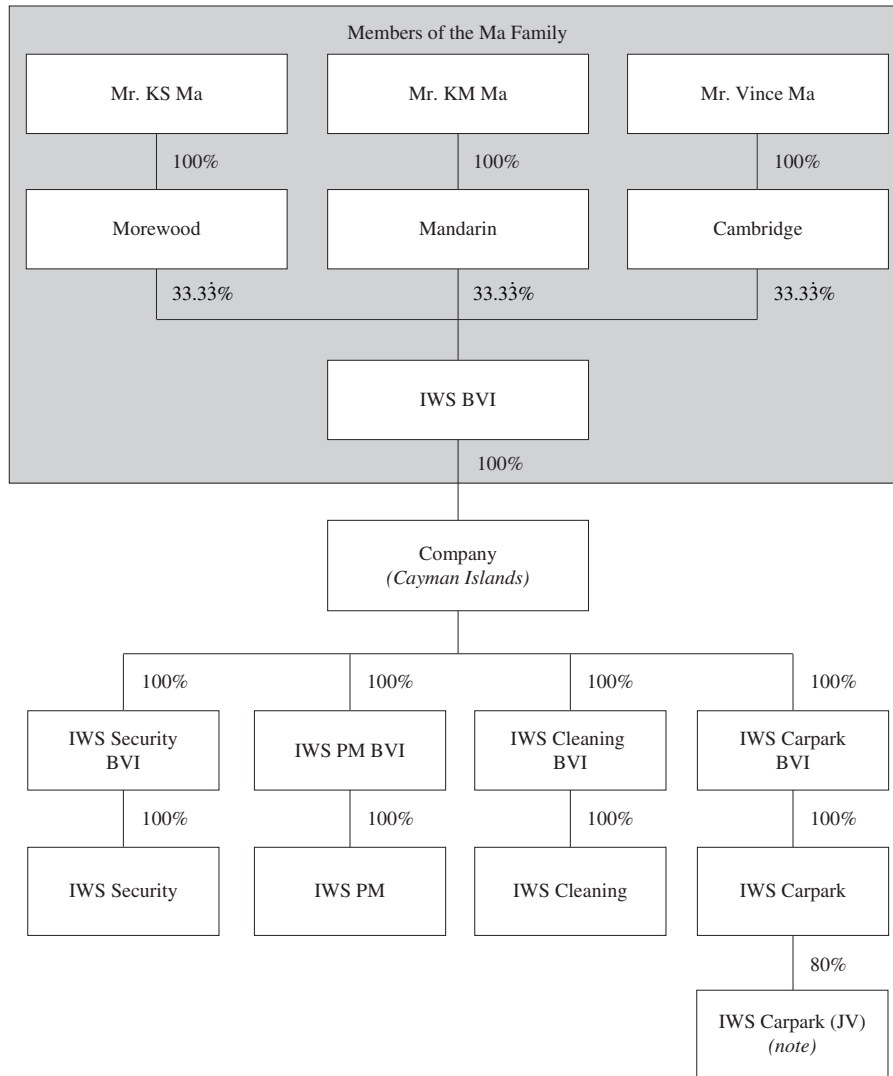
By ordinary resolution of the Shareholder of our Company passed on 20 September 2019, the authorised share capital of our Company increased to HK\$20,000,000 divided into 2,000,000,000 Shares of HK\$0.01 each by creation of an additional 1,962,000,000 Shares of HK\$0.01 each.

ACTING IN CONCERT ARRANGEMENT OF OUR CONTROLLING SHAREHOLDERS

Each of Mr. Ma Ah Muk, Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma, has been acting in concert with each other in exercising and implementing the management and operation of our Group. Because we were a group of private entities in the past, these arrangements were not formalised in writing and Mr. Ma Ah Muk, Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma agreed on these arrangements based on their personal and/or family relationships. Mr. Ma Ah Muk, Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma have confirmed that they have been acting in concert in all material aspects in the management and/or exercise of voting rights in our Group since the acquisition or incorporation of the relevant member of our Group; and for all important decisions relating to the business, operations, financial matters and development that require approval in the shareholders' meetings and/or board meetings of the relevant member of our Group, they have been acting in concert and exercised their voting rights to prepare, nominate, vote and to decide in a unitary manner since they obtained shareholders' rights of the relevant member of the Group. In preparation for the Listing, Mr. Ma Ah Muk, Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma executed the Deed of AIC Confirmation on 28 May 2018, details of which are set out in the section headed "Relationship with our Controlling Shareholders – Our Controlling Shareholders – Acting in concert arrangements" in this prospectus.

HISTORY, CORPORATE STRUCTURE AND REORGANISATION

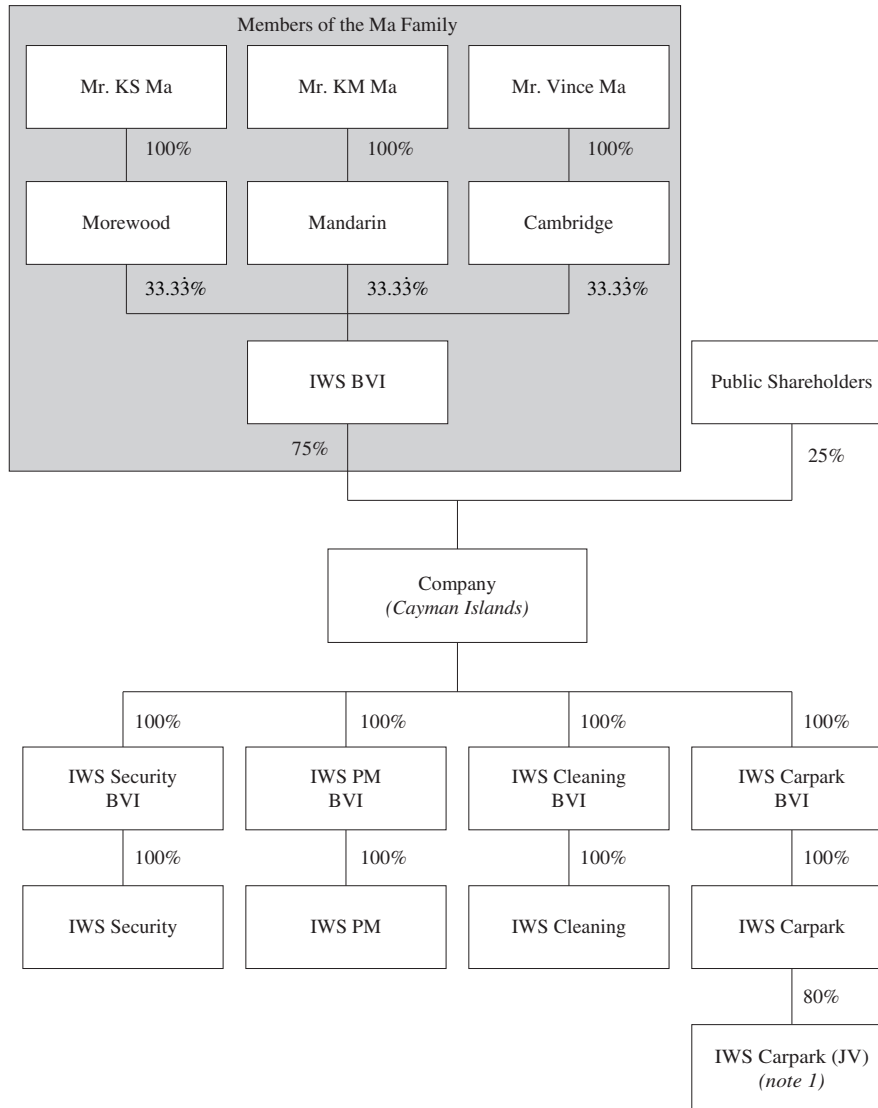
The Reorganisation has been legally completed. The following diagram shows the shareholding and corporate structure of our Group immediately after completion of the Reorganisation but before completion of the Share Offer and Capitalisation Issue:



Note: 20% of the issued shares of IWS Carpark (JV) is held by Oblivian Limited, a company incorporated in the British Virgin Islands and an independent third party.

HISTORY, CORPORATE STRUCTURE AND REORGANISATION

The following diagram shows the shareholding and corporate structure of our Group immediately after completion of the Share Offer and the Capitalisation Issue (without taking into consideration any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme and assuming the Offer Size Adjustment Option is not exercised):



Notes:

1. 20% of the issued shares of IWS Carpark (JV) is held by Oblivian Limited, a company incorporated in the British Virgin Islands and an independent third party.
2. Immediately upon completion of the Share Offer and Capitalisation Issue (without taking into account any Shares which may be issued upon exercise of any options which may be granted under the Share Option Scheme and assuming the Offer Size Adjustment Option is not exercised), public Shareholders will hold in aggregate 25.0% of the issued share capital of our Company and the shareholding interest of IWS BVI will be diluted to 75.0% of the issued share capital of our Company.

BUSINESS

OVERVIEW

We are an established facility services provider specialised in providing security services and with a growing focus on facility management services across public and private sectors in Hong Kong. We have over ten years' experience in providing security services at railway stations and facilities, sea, land and railway immigration control points and public amenities as well as crowd coordination and management services at various large-scale events and emergency and critical incidents in Hong Kong. According to the Frost & Sullivan Report, our Group was the largest public security services provider in Hong Kong, representing approximately 6.7% and 18.5% of the market share in terms of revenue in 2017 and 2018, respectively.

Throughout a decade of our development, we believe our "IWS" brand has established a reputation of offering quality security services amongst our clients in Hong Kong. Up to 31 March 2019, we had been able to secure contracts from the Railway Corporation for the provision of security services at different railway stations along 13 railway lines for nine consecutive years. Furthermore, during the Track Record Period, we were providing security services at ten sea, land and railway immigration control points out of a total of 14 immigration control points in Hong Kong with our Group providing services at three of the land immigration control points as early as 2009. We also provided crowd coordination and management services for large-scale sports and recreational events at the largest outdoor multi-purpose recreation and sports venue in Hong Kong which can accommodate 40,000 audience. Since April 2018, we have started providing general manned guarding, manpower support and car parking rental and management services to several mega-scale railway and transportation infrastructure contracts relating to Guangshen'gang XRL (i.e. the XRL Contracts) from the Railway Corporation for a term of approximately three years until September 2021. As at the Latest Practicable Date, we served over 50 clients at more than 100 locations in Hong Kong.

We are committed to satisfying our clients' different needs by providing a spectrum of facility services. In order to fulfill this commitment, in 2016, facility management services were formally introduced as one of our principal business segments covering property management services, car parking rental and management services, cleaning services and hotel management services. In less than 36 months' time, we were engaged to manage over 13 properties, carparks and facilities with gross floor area of approximately over 400,000 sq.ft. in Hong Kong up to 31 March 2019.

Our revenue increased by approximately 26.5% from approximately HK\$103.4 million for FY2017 to approximately HK\$130.8 million for FY2018 and was further increased by approximately 125.7% to HK\$295.2 million for FY2019. Our profit and comprehensive income increased by approximately 4.2% from approximately HK\$10.3 million for FY2017 to approximately HK\$10.7 million for FY2018 and was further increased by approximately 65.8% to HK\$17.7 million for FY2019. Excluding non-recurring Listing expenses, our profit and total comprehensive income would have increased by approximately 61.3% from approximately HK\$10.3 million for FY2017 to approximately HK\$16.6 million for FY2018 and would have increased by approximately 58.4% to HK\$26.3 million for FY2019.

BUSINESS MODEL

Our Business and Services

We have two principal business segments, namely security services and facility management services, each with a number of key service lines:

- (i) **Security services** – Our security services range from providing security service personnel primarily for general manned guarding services, event and crisis security services to manpower support services at railway stations and facilities, sea, land and railway immigration control points, public amenities, private commercial, residential and other properties in Hong Kong. In this business segment, our major clients from the Hong Kong public sector include the Railway Corporation, the Immigration Authority, the Health Authority and other HK Government Departments, educational institutions and other public institutions, while our clients from the Hong Kong private sector mainly include property owners, property management companies, property developers and construction companies.
- (ii) **Facility management services** – Our facility management services involve the provision of property management services, car parking rental and management services, cleaning services and hotel management services primarily in the private sector for property owners, property management companies and property developers with a focus on commercial and residential properties in Hong Kong such as shopping mall, office building and hotel. We also commenced such service in the public sector during FY2019.

Our large and qualified workforce

We have a large workforce deployed at our clients' properties and workplaces designated by our clients. As at the Latest Practicable Date, we had a workforce of 2,133 employees, including the five executive Directors, 1,414 full-time and 714 casual employees, respectively. Of our total employees, we had 1,526 and 1,526 security service personnel who were qualified to perform Category A Security Work and Category B Security Work respectively. In addition, we had a team of 74 qualified personnel for providing facility management services. Employee benefit expenses is the most significant component of our operating expenses. During the Track Record Period, our employee benefit expenses amounted to approximately HK\$85.1 million, HK\$102.8 million and HK\$252.1 million, representing approximately 93.3%, 92.6% and 95.8% of our total operating expenses, respectively.

COMPETITIVE STRENGTHS

Our Directors believe that we possess the following competitive strengths:

One of the leading security services providers in the Hong Kong public sector with solid track record

We are one of the leading security services providers in the Hong Kong public sector. We have over ten years' experience in providing security services at railway stations and facilities, sea, land and railway immigration control points and public amenities in Hong Kong. According to the Frost & Sullivan Report, our Group was the largest security services provider in public sector, representing approximately 6.7% and 18.5% of the market share in terms of revenue in the public sector in 2017 and 2018, respectively.

With over ten years of operational history, we have developed a solid track record of serving both public and private sectors, in particular Railway Corporation and the HK Government Departments. Up to 31 March 2019, we provided facility services at more than 100 different locations and were allowed to provide services to up to 13 railway lines and nine of out of a total of 14 sea, land and railway immigration control points and over 13 properties and facilities with gross floor area of over 400,000 sq.ft. in Hong Kong. We also specialise in crowd coordination and management and have served at various large-scale events and emergency and critical incidents in Hong Kong such as the 2008 Beijing Olympic Paralympic Games, the 2009 East Asian Games, a social movement in Central and Admiralty in 2014 and the largest outdoor multi-purpose recreation and sports venue in Hong Kong which can accommodate 40,000 audience.

Our Directors believe that our leading position and our solid track record in the security services industry in Hong Kong has given us an advantage in maintaining our existing clients, securing new business opportunities and developing our capability to offer integrated facility services, which is crucial to the business development of our Group.

Solid client base and long-standing business relationships

During the Track Record Period, our clients included both public and private sectors. Our major clients in the public sector included the Railway Corporation, the HK Government Departments, educational institutions and other public institutions, while our major clients in the private sector were mainly property owners, property management companies, property developers and construction companies. For the Track Record Period, approximately 72.4%, 62.0% and 81.7% of our revenue were attributable to our clients in the public sector.

BUSINESS

As at 31 March 2019, we had seven Fixed-term Contracts with a remaining contract term of at least two years. During the Track Record Period, our recurring clients (i.e. clients who during the Track Record Period engaged us for more than one contract when FY2016 is set as the base year for determination) contributed approximately 94.7%, 90.1% and 99.1% of our total revenue, respectively. Our Directors are of the view that these contracts and clients' are testament to our clients' confidence in our Group and form a stable source of our Group's recurring revenue.

Our five largest clients during the Track Record Period included Railway Corporation, Immigration Authority and Health Authority, each of which had over eight years of business relationship with our Group as at the Latest Practicable Date. See "Clients" in this section for further details.

Our Directors believe that by maintaining a close relationship with our clients, we are able to gain a better understanding of their needs and preferences to allow us to deliver better services. Furthermore, our ability to maintain stable relationships with our clients, in particular our reputable clients, such as the Railway Corporation and the HK Government Departments, also guarantees a stable source of revenue to our Group so that we are less exposed to any market fluctuation or instability. The profile of such reputable clients also reduce our own credit risks and strengthen our market reputation.

Ability to offer a spectrum of quality services through our qualified workforce

We are committed to providing a spectrum of quality services including general manned guarding services, event and crisis security services, manpower support services, property management services, car parking rental and management services, cleaning services and hotel management services. Depending on the requirements of our clients, we are able to provide our services on a single, multi-service or integrated basis.

Our services are provided through our qualified workforce, among which 1,526 and 1,526 of our employees were Security Personnel Permit holders qualified to carry out Category A Security Work and Category B Security Work, respectively, as at the Latest Practicable Date. Other than Security Personnel Permit holders, our qualified workforce also included personnel of various training, qualifications and/or experience to cater the different needs of our clients. As at the Latest Practicable Date, our workforce included holders of Port Facility Security Officer Certificate and staff qualified as Competent Person (Track). With a workforce of various backgrounds, qualifications and capabilities, we are able to easily accommodate and respond to the different needs and requirements of our clients in a timely manner. To ensure consistent delivery of quality services, as at the Latest Practicable Date, the performance of our qualified workforce was monitored and supervised by 15 officers and our management team. Each of our employees are also required to comply with standards, procedures and guidelines formulated by our Group. For details, see "Quality Assurance" in this section.

BUSINESS

As part of our ability to offer event and crisis security services, our Group is able to mobilise manpower through our existing pool of qualified workforce within a short period of time, which enables us to timely respond to urgent and/or ad hoc demands from our clients. For example, we have committed our clients a performance pledge of mobilising 30 personnel within one hour. During the Track Record Period, approximately 24.4%, 20.0% and 7.5% of our total revenue were attributable to Ad-hoc Contracts which were entered into between our Group and our clients with less than one day's notice. Our Directors believe we are able to secure these contracts due to our capability in mobilising manpower within a short period of time which is an important strength we have over our competitors.

Our Directors believe that, through our qualified workforce and quality assurance mechanism, we are able to offer quality services to our clients which gives us an advantage in maintaining relationships with our existing clients and securing new business opportunities which are crucial to our daily operations and our business development.

Strong and experienced management team

Our Group has a management team which is well-experienced in the security services and facility management services industries. Our Group is led by our executive Directors, namely, Mr. Ma Ah Muk, Mr. KS Ma, Mr. KM Ma, Mr. Vince Ma and Mr. Leo Ma, most of them having been in the security services industry for more than eight years and are responsible for overall corporate and/or business strategic development in our Group.

As part of the core management team, our senior management team members also have in-depth industry knowledge expertise in various areas including security services, facility management services and auditing and accounting. Mr. Choi Ming Fai Andy, our chief executive officer, has over 18 years of experience in the security services industry in Hong Kong and was a member of the Hong Kong Auxiliary Police Force for approximately 26 years. Mr. Kwong Tat Man, our general manager, has over 30 years of experience in the facility management services industry. He is a member of the Royal Institution of Chartered Surveyors. He was registered as a professional housing manager on the Housing Managers Registration Board and a member of the Hong Kong Institute of Housing and the Chartered Institute of Housing. See "Directors and Senior Management" in this prospectus for further information.

Our Directors believe that based on the experience of our management team and their in-depth knowledge of our industries and the needs of our clients, our Group is able to deliver quality and satisfactory services to our clients which are essential to our success and future developments.

BUSINESS

BUSINESS STRATEGIES

We aim to become a leading integrated facility services provider in Hong Kong by pursuing the following business strategies:

Expanding our business in security services

According to the Frost & Sullivan Report, the market size of security services in Hong Kong would reach approximately HK\$38.3 billion in 2023, at the CAGR of approximately 7.2% from 2019 to 2023. The increase is expected to be driven by the continuous growth of newly developed real estate projects and large scale events. Railway extensions and infrastructure projects in Hong Kong including Shatin to Central Link, the Northern Link and Kwu Tung Station, Hung Shui Kiu Station, Tung Chung West Extension, the Kowloon East Line, Tuen Mun South Extension and North Island Line are also our potential source of public sector and/or large scale contracts which we may undertake in the coming years. Our Directors intend to capture such market growth by continuing to bid for and secure certain public sector and/or large-scale contracts.

Up to 31 August 2019, we secured seven new contracts with an aggregate contract sum of approximately HK\$104.7 million. For details of contracts with a contract sum of over HK\$10.0 million, see “Sales and Marketing – Our Major Contracts” in this section. The availability of sufficient working capital is crucial in determining the number and scale of contracts that we are able to undertake. While we are qualified to undertake certain types of contracts which require, for example, prior experience of completing at least four events, each with an average daily attendance of no less than 10,000 persons or no less than 10,000 persons in any one day of the event in handling event and crisis security, due to limited resources and working capital, we had focused on other types of public sector contracts. For public sector and/or large-scale contracts, our financial capability would be assessed by our clients. Depending on individual clients, an amount equivalent to 2% or 5% or 6% (as the case may be) of the contract sum may be payable directly or if so required by the clients as contract security in the form of, among other things, contract deposit, for each contract at start of our engagement in accordance with the relevant contracts. According to Frost & Sullivan, such payment of contract securities is in line with market practice. Furthermore, we may experience mismatch in time between receipt of payments from our clients and payments of our operating expenses, when we generally granted credit terms ranging from 30 days to 120 days to our clients, while our employee benefit expenses, being our most significant component of our operating expenses, are paid on a monthly basis. Therefore, in order to capture the market opportunities and expand our market share, we need the additional working capital to secure new contracts, recruit security service personnel and acquire patrol vehicles for each of the additional contracts and other potential business opportunities.

We expect to use the net proceeds of the Share Offer and our internal resources and/or bank borrowings, if necessary, to expand our business in security services. See “Statement of Business Objectives and Use of Proceeds” in this prospectus for details.

BUSINESS

Enhancing our capability in providing facility management services

In order to enhance the diversity of our services, having considered the market demand for integrated facility services, the opening up of cross-selling opportunities and the benefits of business diversification, facility management services were formally introduced as one of our principal business segments covering property management services, car parking rental and management services, cleaning services and hotel management services, in 2016. According to the Frost & Sullivan Report, the total revenue of the facility management market in Hong Kong experienced a growth from approximately HK\$42.2 billion in 2013 to approximately HK\$56.6 billion in 2018, representing a CAGR of approximately 6.0%. As such, our Directors intend to continue with our current business strategy of becoming an integrated facility services provider.

To further expand our business in facility management services, our Directors intend to strengthen our capability in undertaking contracts and other business opportunities. We intend to recruit additional sales and marketing personnel in order to strengthen our sales and marketing efforts at facility management services and acquire equipment since, as an integrated facility services provider, we are typically expected to possess the necessary equipment to carry out our services. Such machines and equipment include floor washing machine, escalator cleaning machine and surface polishing machine for marble and granite.

We expect to use the net proceeds of the Share Offer to enhance our capability in providing facility management services. See “Statement of Business Objectives and Use of Proceeds” in this prospectus for details.

Improving operational efficiency and scalability

Due to the labour-intensive nature of our business, it is critical for us to take advantage of the recent technological trends and developments to optimise our operational efficiency and scalability and promote effective deployment of our workforce while maintaining our quality of services. In particular, in view of the expected growth in our scale of operation, operational optimisation will become even more important to ensure our continual profitability and financial performance.

We will also acquire certain mobile application modules to track our employees and assist our facility management service personnel in performing various property management functions. The mobile application modules shall be installed on hand-held devices we issue to our employees. It facilitates the provision of our services by allowing our employees to perform a series of functions including monitoring and supervision through the hand-held devices, increasing operating efficiency and reducing reliance on labour. By centralising and digitalising our management and control, we expect our service quality and users’ satisfaction could be significantly improved by utilising such automated technologies, thereby enhancing our brand image. Deploying automated technologies will also give rise to an increase in our scale of economies under which average staff costs per unit could be lowered through enhancing the efficient management and utilisation of our rapidly growing workforce, the

specialisation of managerial and human resource personnel and the simultaneous execution of different contracts in various size. Our Directors are also of the view that effective communications within our workforce and management team and resources management can be better promoted and maximised.

We plan to set up a centralised operational and monitoring control room for the reception, verification and transmission of video and alarm signals and the communication of such signals to law enforcement agencies and to improve our operational efficiency, in addition to the provision of our current scope of security services. According to the Frost & Sullivan Report, it is noted that (1) control room is increasingly used in the security guarding services industry in Hong Kong; (2) the use of control room increases operational efficiency and enhances the quality of security guarding services; and (3) control room is required for some tenders including those initiated by the Hong Kong Governments and multinational corporations which have high safety standard. As such, there is an increasing trend of including control room service for large-scale projects in recent years. Our Directors expect that our security services can be broadened to extend to the reception of business alert coming from our clients such as temperature or pressure information, status of cameras and video recorders on our clients' premises or opening or closing of doors, all of which can be remotely supervised. We would also be able to offer crisis coordination and management services as well as the monitoring and supervision of certain business processes at our clients' premises remotely.

Accordingly, our Group plans to use the net proceeds of the Share Offer to lease an additional premises for the setting up of a centralised operational control room and upgrade our information technology system including our computers and email system.

Selectively pursuing strategic acquisitions and investment opportunities

According to the Frost & Sullivan Report, the security services and facility management services industries are relatively fragmented. Our Directors are therefore of the view that there are opportunities for strategic acquisitions and investments. As at the Latest Practicable Date, we did not have any specific acquisition plans or targets and had not entered into any definitive agreements with any potential targets. The timing of any potential acquisition would depend on the identification of suitable acquisition target and we do not have an expected timeframe for the potential acquisition until there is any suitable opportunity comes along. When selecting acquisition or investment target, we would consider criteria such as their service offerings and technical capability and would focus on selecting target which could bring us opportunities in expanding our business in security services, exploring new facility management services, enhancing our operational efficiency and/or synergy through vertical integration. We expect that our potential acquisition or investment target would be mainly small to medium size company with relevant licences and track record. We intend to fund the acquisition and investment activities with our internal resources and/or bank borrowing, as appropriate.

BUSINESS

OUR SERVICES

Our services may be provided on a single, multi-service or integrated basis.

Our facility services comprise (i) security services which involve general manned guarding services, event and crisis security services and manpower support services; and (ii) facility management services which involve property management services, car parking rental and management services, cleaning services and hotel management services. The following table sets out our revenue by types of services during the periods indicated:

	FY2017		FY2018		FY2019	
	<i>(HK\$'000)</i>	<i>%</i>	<i>(HK\$'000)</i>	<i>%</i>	<i>(HK\$'000)</i>	<i>%</i>
Security services						
– General manned guarding services	98,836	95.6	103,872	79.4	161,855	54.8
– Manpower support services	–	–	7,604	5.8	105,216	35.7
– Event and crisis security services	655	0.6	1,005	0.8	385	0.1
	<u>99,491</u>	<u>96.2</u>	<u>112,481</u>	<u>86.0</u>	<u>267,456</u>	<u>90.6</u>
Facility management services						
– Property management services	2,491	2.4	13,103	10.0	12,958	4.4
– Car parking rental and management services	677	0.7	1,537	1.2	10,840	3.7
– Cleaning services	220	0.2	1,511	1.2	1,757	0.6
– Hotel management services	540	0.5	2,160	1.6	2,160	0.7
	<u>3,928</u>	<u>3.8</u>	<u>18,311</u>	<u>14.0</u>	<u>27,715</u>	<u>9.4</u>
Total	<u><u>103,419</u></u>	<u><u>100.0</u></u>	<u><u>130,792</u></u>	<u><u>100.0</u></u>	<u><u>295,171</u></u>	<u><u>100.0</u></u>

Security Services

During the Track Record Period, our security services were further divided into the following key service lines:



- (i) **General manned guarding services:** We secure and guard both individuals and physical property by, among other things, conducting patrols (including mobile patrols), entrance guarding, access control and alarm monitoring and response such as fire and gas detection, burglary detection and emergency management such as first aid service and communication and evacuation. During the Track Record Period, such services were generally provided at railway stations and facilities, sea, land and railway immigration control points, public amenities and private real estates. In particular, we were allowed to provide services at different railway lines and stations operated by Railway Corporation and ten out of 14 sea, land and railway immigration control points in Hong Kong.



- (ii) **Manpower support services:** Other than the provision of services through our Security Personnel Permit holders, we assist in and provide manpower to support our clients by providing them with personnel who are specifically trained, qualified and/or experienced in certain tasks and areas other than security and guarding. During the Track Record Period, these engagements included the provision of health screening services at land immigration control point.



- (iii) **Event and crisis security services:** Other than general manned guarding services, we specialise in crowd coordination and management and elite guarding services. During the Track Record Period, such services mainly focused on events and exhibitions organised by our clients or ad hoc or emergency situations and the protection and escort of designated personnel such as guests attending events or exhibitions, celebrities and football players. Throughout the history of our operation, we served at various large-scale events and emergency and critical incidents in Hong Kong such as the 2008 Beijing Olympic Paralympic Games, the 2009 East Asian Games and a social movement in Central and Admiralty in 2014.

Facility Management Services

During the Track Record Period, our facility management services which can be further divided into the following key service lines, were mainly provided to our clients at the private sector:



- (i) **Property management services:** Our property management services typically involve account management, tenancy management, minor repair and maintenance, energy management including water supply, lighting, power and cooling system and environmental management including waste and recycling management. During the Track Record Period, such services were generally provided at private residential properties and commercial properties.

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(ii) **Car parking rental and management services:** Our car parking rental and management services comprise carpark management services, carpark operation which involves the leasing of carparks to vehicle users and carpark rental which involves the leasing of carparks from a landlord to other third party carpark operators.



(iii) **Cleaning services:** Our cleaning services typically involve daily cleaning services for washrooms and waste handling and periodical cleaning services for floors or ground and windows. During the Track Record Period, such services were generally provided at commercial properties.



(iv) **Hotel management services:** During the Track Record Period, we operated, managed and maintained a hotel on behalf of our client. We are responsible for, among other things, sales and marketing, hiring and managing the hotel employees and financial operation.

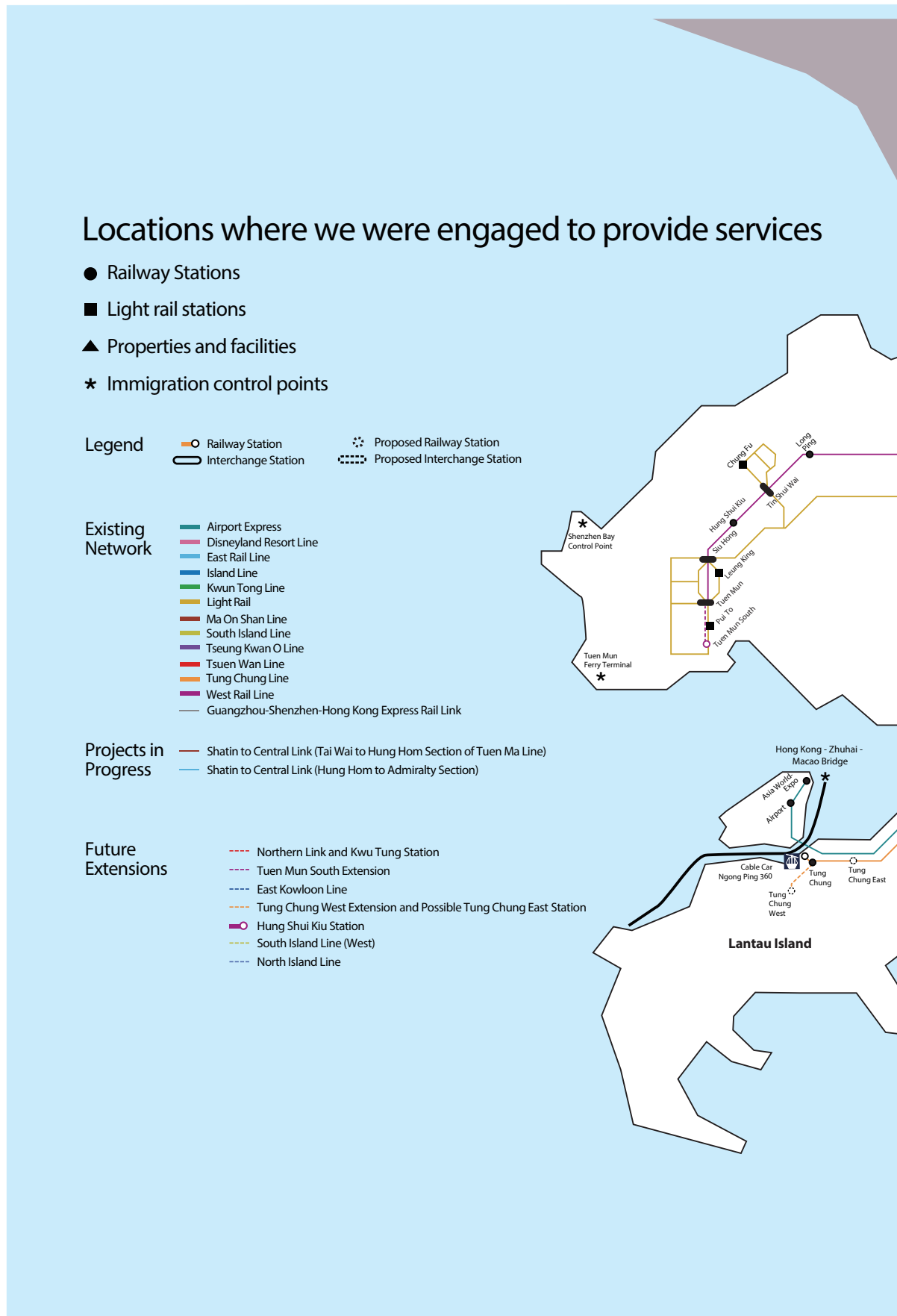
BUSINESS

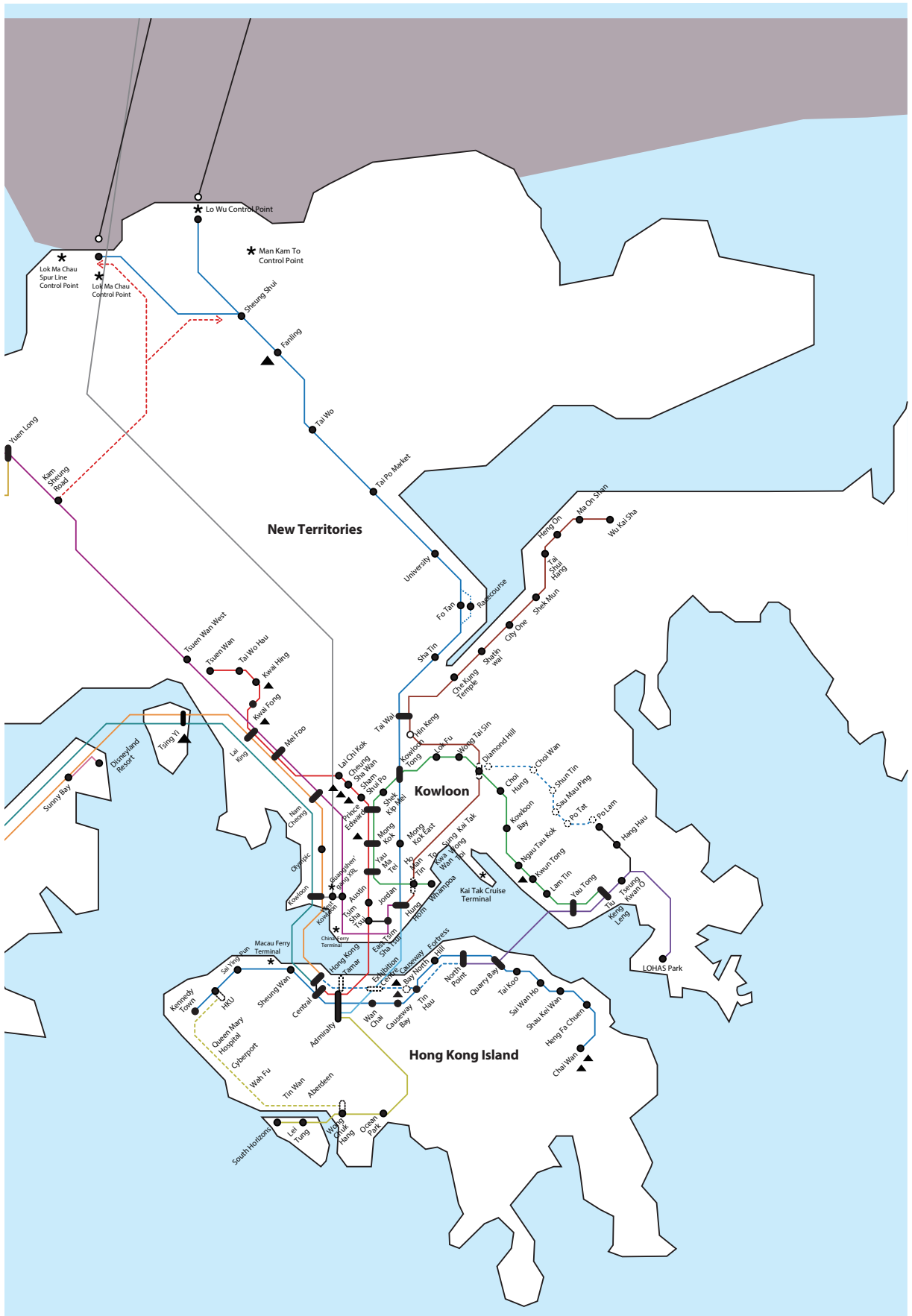
Our geographical coverage

Our Group was engaged to provide services at the following locations in Hong Kong up to the Latest Practicable Date:

<p>(A) Almost all stations along all railway lines</p> <ul style="list-style-type: none"> (1) Kwun Tong line (2) Island line (3) South Island line (4) Tseung Kwan O line (5) Tsuen Wan line (6) East Rail line (7) Ma On Shan line (8) West Rail line (9) Airport line (10) Disneyland Resort line (11) Tung Chung line (12) Light Rail line (13) Guangzhou-Shenzhen-Hong Kong Express Rail Link 	<p>(C) Ten out of 14 immigration control points</p> <ul style="list-style-type: none"> (1) Land and railway immigration control points which serve railway passengers at: <ul style="list-style-type: none"> (i) Lo Wu (ii) Lok Ma Chau spur line (iii) Guangshen'gang XRL (2) Land immigration control points which serve cross-boundary vehicles at: <ul style="list-style-type: none"> (i) Lok Ma Chau (ii) Shenzhen Bay (iii) Man Kam To (3) Sea immigration control points which serve ferry and cruise passengers at: <ul style="list-style-type: none"> (i) China Ferry Terminal (ii) Kai Tak Cruise Terminal (iii) Macau Ferry Terminal (iv) Tuen Mun Terminal
<p>(B) Public transportation infrastructure</p> <ul style="list-style-type: none"> (1) Hong Kong-Zhuhai-Macao Bridge 	<p>(D) Properties and facilities</p> <ul style="list-style-type: none"> (1) Commercial properties at: <ul style="list-style-type: none"> (i) Tsing Yi (ii) Kwai Chung (iii) Fanling (iv) Kwun Tong (v) Cheung Sha Wan (vi) Causeway Bay (vii) Aberdeen (2) Residential properties at: <ul style="list-style-type: none"> (i) Chung Hom Kok (3) Car parks at: <ul style="list-style-type: none"> (i) Cheung Sha Wan (ii) Mong Kok (iii) Kwai Chung (iv) Tsing Yi (v) Fanling (4) Hotel at: <ul style="list-style-type: none"> (i) Causeway Bay

The following map illustrates our geographical coverage in Hong Kong during the Latest Practicable Date:





BUSINESS

CLIENTS

Our major clients in the public sector include Railway Corporation, the HK Government Departments, educational and other public institutions, while our major clients in the private sector mainly include property owners, property management companies, property developers and construction companies. Up to the Latest Practicable Date, we had established business relationship of over eight years with most of our five largest clients during the Track Record Period. Our Director confirm we had no material dispute with our clients during the Track Record Period.

The following table sets forth the breakdown of our revenue by major types of our clients during the periods indicated:

	FY2017		FY2018		FY2019	
	<i>(HK\$'000)</i>	%	<i>(HK\$'000)</i>	%	<i>(HK\$'000)</i>	%
Security services						
<i>Public sector</i>						
– Railway Corporation	41,097	39.7	31,419	24.0	156,044	52.8
– Immigration Authority and Health Authority at immigration control points	18,562	17.9	33,711	25.8	62,742	21.3
– Other HK Government Departments	15,237	14.8	15,923	12.2	15,913	5.4
	<u>74,896</u>	<u>72.4</u>	<u>81,053</u>	<u>62.0</u>	<u>234,699</u>	<u>79.5</u>
<i>Private sector</i>						
Owners, managers, developers and construction companies of						
– Commercial properties	10,897	10.5	18,831	14.4	22,511	7.6
– Residential and other properties	13,698	13.3	12,597	9.6	10,246	3.5
	<u>24,595</u>	<u>23.8</u>	<u>31,428</u>	<u>24.0</u>	<u>32,757</u>	<u>11.1</u>
	<u>99,491</u>	<u>96.2</u>	<u>112,481</u>	<u>86.0</u>	<u>267,456</u>	<u>90.6</u>

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	FY2017		FY2018		FY2019	
	<i>(HK\$'000)</i>	<i>%</i>	<i>(HK\$'000)</i>	<i>%</i>	<i>(HK\$'000)</i>	<i>%</i>
Facility management services						
<i>Public sector</i>						
– Railway Corporation	–	–	–	–	6,519	2.2
<i>Private sector</i>						
Private owners, managers, developers of private commercial and residential properties	<u>3,928</u>	<u>3.8</u>	<u>18,311</u>	<u>14.0</u>	<u>21,196</u>	<u>7.2</u>
	<u>3,928</u>	<u>3.8</u>	<u>18,311</u>	<u>14.0</u>	<u>27,715</u>	<u>9.4</u>
Total	<u><u>103,419</u></u>	<u><u>100.0</u></u>	<u><u>130,792</u></u>	<u><u>100.0</u></u>	<u><u>295,171</u></u>	<u><u>100.0</u></u>

We may serve the end users such as the Railway Corporation, the HK Government Departments and educational institutions directly through their direct engagement, or indirectly when our services are engaged by intermediaries such as property management companies.

For the Track Record Period, revenue attributable to our five largest clients amounted to approximately HK\$76.8 million, HK\$85.5 million and HK\$250.1 million, representing approximately 74.2%, 65.4% and 84.7% of our revenue, respectively, whereas revenue attributable to the Railway Corporation, our largest client, amounted to approximately HK\$41.1 million, HK\$31.4 million and HK\$162.6 million, representing approximately 39.7%, 24.0% and 55.1% of our revenue, respectively.

The revenue attributable to the Railway Corporation decreased from approximately HK\$41.1 million for FY2017 to HK\$31.4 million for FY2018 mainly because of the completion of certain railway stations and facilities during FY2017, in which no further general manned guarding services in the construction premises were required in FY2018. It increased significantly to approximately HK\$162.6 million for FY2019 mainly due to the revenue recognised under large-scale XRL Contracts. For details of contracts with a contract sum of over \$10.0 million, see “Sales and Marketing – Our major contracts” in this section.

BUSINESS

The following tables set out the profile of our five largest clients during the Track Record Period:

FY2019

Client	Client background	Services provided	Credit terms	Business relationship commenced since	Revenue (HK\$'000)	Approximate percentage of total revenue %
Railway Corporation	A company listed on the Main Board of the Stock Exchange in Hong Kong. It recorded revenue of approximately HK\$53,930 million for the year ended 31 December 2018 and net assets of approximately HK\$180,619 million as at 31 December 2018	Provision of security services and facility management services	30 days (with settlement period up to 120 days) ⁽¹⁾	2010	162,563	55.1
Immigration Authority	A government department responsible for immigration control in Hong Kong	Provision of security services	30 days	2009	36,801	12.5
Health Authority	A government department responsible for healthcare policies and the provision of basic healthcare services in Hong Kong	Provision of security services	30 days	2009	25,942	8.8

BUSINESS

Client	Client background	Services provided	Credit terms	Business relationship commenced since	Revenue (HK\$'000)	Approximate percentage of total revenue %
Certain members of the Ma Companies	(2)	Provision of security services and facility management services	30 days	2010	17,662	5.9
Client A	A private company which principally engages in property investment	Provision of facility management services	30 days	2017	7,149	2.4
					250,117	84.7

FY2018

Client	Client background	Services provided	Credit terms	Business relationship commenced since	Revenue (HK\$'000)	Approximate percentage of total revenue %
Railway Corporation	A company listed on the Main Board of the Stock Exchange in Hong Kong. It recorded revenue of approximately HK\$53,930 million for the year ended 31 December 2018 and net assets of approximately HK\$180,619 million as at 31 December 2018	Provision of security services	30 days	2010	31,419	24.0

BUSINESS

Client	Client background	Services provided	Credit terms	Business relationship commenced since	Revenue (HK\$'000)	Approximate percentage of total revenue %
Immigration Authority	A government department responsible for immigration control in Hong Kong	Provision of security services	30 days	2009	26,107	20.0
Certain members of the Ma Companies	⁽²⁾	Provision of security services and facility management services	30 days	2010	13,302	10.2
Health Authority	A government department responsible for healthcare policies and the provision of basic healthcare services in Hong Kong	Provision of security services	30 days	2009	7,604	5.8
Client A	A private company which principally engages in property investment	Provision of facility management services	30 days	2017	7,071	5.4
					<hr/>	<hr/>
					<u>85,503</u>	<u>65.4</u>

BUSINESS

FY2017

Client	Client background	Services provided	Credit terms	Business relationship commenced since	Revenue (HK\$'000)	Approximate percentage of total revenue %
Railway Corporation	A company listed on the Main Board of the Stock Exchange in Hong Kong. It recorded revenue of approximately HK\$53,930 million for the year ended 31 December 2018 and net assets of approximately HK\$180,619 million as at 31 December 2018	Provision of security services	30 days	2010	41,097	39.7
Immigration Authority	A government department responsible for immigration control in Hong Kong	Provision of security services	30 days	2009	18,562	17.9
Certain members of the Ma Companies	⁽²⁾	Provision of security services and facility management services	30 days	2010	6,832	6.6
Client B	A government department responsible for fire-fighting and rescue on land in Hong Kong	Provision of security services	30 days	2013	5,369	5.2

BUSINESS

Client	Client background	Services provided	Credit terms	Business relationship commenced since	Revenue (HK\$'000)	Approximate percentage of total revenue %
Client C	A wholly-owned subsidiary of a company listed on the Main Board of the Stock Exchange in Hong Kong which principally engages in property and facility management. It recorded revenue of approximately HK\$85,644 million for the year ended 30 June 2018 and net assets of approximately HK\$548,432 million as at 30 June 2018	Provision of security services	30 days	2010	4,931	4.8
					<u>76,791</u>	<u>74.2</u>

Notes:

1. Our credit terms in relation to the contracts entered into with the Railway Corporation are generally 30 days. However, having considered the contract scale of the XRL Contracts and the background of Railway Corporation, a longer settlement period of up to 120 days were allowed.
2. For details of these entities and transactions, see “Connected Transactions” in this prospectus.

As at the Latest Practicable Date, save for the connected transactions set out in “Connected Transaction” in this prospectus, our Directors confirmed that all of our remaining five largest clients during the Track Record Period were independent third parties, and none of our Directors, their associates or any Shareholders who, to the best knowledge of our Directors, owned more than 5% of our share capital, had any interest in any of the remaining five largest clients. Our Directors further confirm that none of our major clients during the Track Record Period were our suppliers during the Track Record Period.

BUSINESS

SALES AND MARKETING

Contracting

Due to the nature of our services, the contracts we entered into with our clients can be categorised into (i) Fixed-term Contracts with a fixed contract term typically ranging from six months to three years; (ii) Ad-hoc Contracts including contracts and invoices provided on an ad hoc or urgent basis with a term ranging from one day to 30 days; and (iii) Event Contracts for a single-purpose event. The following table sets out our revenue breakdown during the Track Record Period by types of contract:

	FY2017			FY2018			FY2019		
	No. of contracts ⁽¹⁾	(HK\$'000)	%	No. of contracts ⁽¹⁾	(HK\$'000)	%	No. of contracts ⁽¹⁾	(HK\$'000)	%
Fixed-term									
Contracts	42	77,275 ⁽²⁾	74.7	50	103,038 ⁽³⁾	78.8	58	268,905 ⁽⁴⁾	91.1
Ad-hoc Contracts	2,757	25,181	24.4	2,530	26,232	20.0	2,062	22,008	7.5
Event Contracts	73	963	0.9	82	1,522	1.2	66	4,258	1.4
Total	<u>2,872</u>	<u>103,419</u>	<u>100.0</u>	<u>2,662</u>	<u>130,792</u>	<u>100.0</u>	<u>2,186</u>	<u>295,171</u>	<u>100.0</u>

Notes:

- (1) The number of Fixed-term Contracts refers to the sum of ongoing Fixed-term Contracts as at the beginning of the year and Fixed-term Contracts newly awarded, extended and renewed during the relevant year.
- (2) Approximately HK\$3.6 million were from fixed term contract that were ongoing as at 31 March 2019 while the remaining were revenue from completed projects as at 31 March 2019.
- (3) Approximately HK\$56.5 million were from fixed term contract that were ongoing as at 31 March 2019 while the remaining were revenue from completed projects as at 31 March 2019.
- (4) Approximately HK\$254.2 million were from fixed term contract that were ongoing as at 31 March 2019 while the remaining were revenue from completed projects as at 31 March 2019.

BUSINESS

The following table sets out movement of our Fixed-term Contracts during the Track Record Period by number of contracts and contract sums:

	FY2017		FY2018		FY2019	
	No. of	Total	No. of	Total	No. of	Total
	contracts	contract	contracts	contract	contracts	contract
		sum		sum		sum
		(HK\$'000)		(HK\$'000)		(HK\$'000)
Fixed-term Contracts						
As at the beginning of						
the year	24	148,766	29	181,450	37	259,978
New engagements	13	61,384	11	65,724	12	397,068
Extensions/Renewals	5	10,473	10	115,082	9	47,574
Completion/Termination	(13)	(39,173)	(13)	(102,278)	(15)	(44,476)
		<u> </u>		<u> </u>		<u> </u>
As at the end of the year	<u>29</u>	<u>181,450</u>	<u>37</u>	<u>259,978</u>	<u>43</u>	<u>660,144</u>

A significant portion of our revenue were derived from Fixed-term Contracts during the Track Record Period. We take into account various factors when considering whether to renew or extend any expired contracts including but not limited to the scale or contract sum of the contracts, profitability, the availability of our resources at the time of renewal or extension, clients' profile and credibility, availability of tenders, etc.

For contracts that do not include an option to extend or renew the duration of the contract term, we are required to submit new tenders upon the expiry of existing or renewed contracts or bid for new contracts from time to time. Extension or renewal of some of our existing contracts may also be subject to a set of criteria including our performance and the quality of services which we provide and we are under continuous supervision and inspection of our clients. During the Track Record Period, the renewal or extension rates of our expired Fixed-term Contracts were approximately 38.5%, 76.9% and 60%, respectively. The renewal or extension rate is calculated by the number of renewal contracts divided by the number of completed or terminated contracts. Contracts are considered renewed when we are required to prepare and submit a tender submission or quotation in order to secure a new contract containing substantially the same terms and conditions and work scope as the original contract which has expired. During the Track Record Period, such contracts were mainly contracts from the HK Government Departments. Contracts are considered extended when the original contract contains terms which allow the parties to extend the original term of the contract without our Group preparing and submitting a tender submission or quotation. Our Directors confirm that we experienced a lower renewal or extension rate in FY2017 mainly because we decided to focus our resources on other sizable, more profitable and/or longer-term projects.

BUSINESS

The following table sets out details of the expiry profile of our Fixed-term Contracts that were on-going as at 31 March 2019 and newly awarded up to 31 August 2019 which shall be undertaken for the periods indicated:

Type of Fixed-term Contracts	No. of contracts on hand	Revenue recognised/to be recognised				Total sum ⁽¹⁾ (e) = sum of (a) to (d)
		up to FY2019 (a)	in FY2020 (b)	in FY2021 (c)	Subsequent to FY2021 (d)	
Major contracts⁽²⁾						
– On-going	8	239,600	161,500	110,000	83,500	594,600
– Newly awarded	4	–	31,100	50,300	19,600	101,000
Subtotal	12	239,600	192,600	160,300	103,100	695,600
Non-major contracts⁽³⁾						
– On-going	35	77,500	38,600	13,100	3,700	132,900
– Newly awarded	3	–	1,800	2,000	–	3,800
Subtotal	38	77,500	40,400	15,100	3,700	136,700
On-going contracts⁽⁴⁾	43	317,100 ⁽⁷⁾	200,100	123,100	87,200	727,500
Newly awarded contracts⁽⁵⁾	7	–	32,900	52,300	19,600	104,800
Total	50	317,100	233,000	175,400	106,800⁽⁶⁾	832,300
<i>% of total sum</i>		38.1%	28.0%	21.1%	12.8%	100.0%

Notes:

- The total sum includes revenue which was actually recognised up to FY2019, having taken into account of the subsequent change in contract sum and other ad hoc revenue recognised up to FY2019.
- Major contracts refer to the contracts with a contract sum of over HK\$10.0 million.
- Non-major contracts refer to the contracts with a contract sum of below HK\$10.0 million.
- On-going Fixed-term Contracts refer to the on-going contracts as at 31 March 2019.
- Newly awarded contracts refers to the contracts which were awarded up to 31 August 2019 and includes contracts awarded during March 2019 but commencing after FY2019.
- Such sum included approximately HK\$97.2 million to be recognised in FY2022, HK\$7.0 million in FY2023, HK\$2.4 million in FY2024 and HK\$0.2 million in FY2025, respectively.
- Approximately HK\$2.8 million was recognised prior to FY2017, approximately HK\$3.6 million was recognised in FY2017, approximately HK\$56.5 million was recognised in FY2018, and approximately HK\$254.2 million was recognised in FY2019.

BUSINESS

Our Major Contracts

During the Track Record Period and up to 31 August 2019, our initial contract sum for each major facility services contract ranged from approximately HK\$11.7 million to HK\$154.7 million.

The following table sets out our contracts with a initial contract sum of over HK\$10.0 million (the “Major Contracts”) by different stages:

Contract	Client	Contract details	Contract period	Initial contract sum (approximately) (HK\$'000)	Revenue recognised/to be recognised			
					in FY2017 (approximately) (HK\$'000)	in FY2018 (approximately) (HK\$'000)	in FY2019 (approximately) (HK\$'000)	in subsequent to FY2019 (approximately) (HK\$'000)
<i>(a) Contracts completed during the Track Record Period</i>								
Contract A	Railway Corporation	Security services at railway stations and facilities including Tsing Yi, Hunghom, Hong Kong, Kowloon, Homantin and Whampoa stations ⁽¹⁾	1 May 2015 to 30 April 2017	27,500	18,700	1,900	-	-
Contract B	Immigration Authority	Security services at Shenzhen Bay control point	1 February 2015 to 31 January 2018	19,500	6,600	5,600	-	-
Contract C	Immigration Authority	Security services at Lok Ma Chau control point	1 February 2015 to 31 January 2018	16,000	5,300	4,800	-	-
Contract D	Railway Corporation	Security services for South Island Line stations, Kwun Tong Line extension stations and Wong Chuk Hang Depot ⁽²⁾	1 March 2016 to 28 February 2017	11,700	8,700	-	-	-
Contract M	Client A	Provision of security services and facility management services in respect of a shopping mall and carpark at Tsing Yi	15 February 2017 to 14 February 2019	14,200	800	7,100	6,500	-
Total:				88,900	40,100	19,400	6,500	-

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Contract	Client	Contract details	Contract period	Revenue recognised/to be recognised					
				Initial contract sum (approximately) (HK\$'000)	in FY2017 (approximately) (HK\$'000)	in FY2018 (approximately) (HK\$'000)	in FY2019 (approximately) (HK\$'000)	in FY2020 (approximately) (HK\$'000)	in subsequent to FY2020 (approximately) (HK\$'000)
<i>(b) Ongoing contracts as at 31 March 2019</i>									
Contract E	Health Authority	Manpower support services in relation to health screening at Shenzhen Bay Port and Man Kam To control points	16 December 2017 to 15 December 2019	52,000 ⁽³⁾	-	7,600	26,000	18,400	-
Contract F	Railway Corporation	Security services at various railway stations including Tsing Yi, Hunghom and Mongkok stations ⁽¹⁾	1 May 2017 to 30 April 2019 ⁽¹⁾	40,000	-	18,500	23,600	1,600	-
Contract G	Immigration Authority	Security services at Lo Wu control point	1 March 2017 to 29 February 2020	26,300	700	8,700	8,800	8,100	-
Contract H	Immigration Authority	Security services at Shenzhen Bay control point	1 February 2018 to 31 January 2021 ⁽⁴⁾	21,000	-	1,300	7,100	12,600	-
Contract I	Immigration Authority	Security services at Lok Ma Chau control point	1 February 2018 to 31 January 2021 ⁽⁵⁾	18,500	-	1,100	7,000	10,400	-
Contract J ⁽⁶⁾ (i.e. one of the XRL Contracts)	Railway Corporation	Security services and car parking rental and management services at West Kowloon station of the Hong Kong section of the Guangshen'gang XRL	1 April 2018 to 15 September 2021	134,100	-	-	46,000	37,000	71,000

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Contract	Client	Contract details	Contract period	Revenue recognised/to be recognised					
				Initial contract sum <i>(approximately)</i> <i>(HK\$'000)</i>	in FY2017 <i>(approximately)</i> <i>(HK\$'000)</i>	in FY2018 <i>(approximately)</i> <i>(HK\$'000)</i>	in FY2019 <i>(approximately)</i> <i>(HK\$'000)</i>	in FY2020 <i>(approximately)</i> <i>(HK\$'000)</i>	in subsequent to FY2020 <i>(approximately)</i> <i>(HK\$'000)</i>
Contract K ⁽⁶⁾ (i.e. one of the XRL Contracts)	Railway Corporation	Provision of services for station customer service centres and backend accountancy for the Hong Kong Section of the Guangshen'gang XRL	1 July 2018 to 15 September 2021	75,300	-	-	22,400	21,700	37,900
Contract L ⁽⁶⁾ (i.e. one of the XRL Contracts)	Railway Corporation	Provision of station assistants trolley and porter management, traffic control management and train attendants for the Hong Kong Section of the Guangshen'gang XRL	1 July 2018 to 15 September 2021	154,700	-	-	60,200	44,400	77,700
Contract N ⁽⁷⁾	Client A	Provision of security services and facility management services in respect of a shopping mall and carpark at Tsing Yi	15 February 2019 to 14 February 2021	14,800	-	-	600	7,300	6,900
Total:				536,700	700	37,200	201,700	161,500	193,500

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Contract	Client	Contract details	Contract period	Revenue recognised/to be recognised			
				Initial contract sum <i>(approximately)</i> <i>(HK\$'000)</i>	in FY2019 <i>(approximately)</i> <i>(HK\$'000)</i>	in FY2020 <i>(approximately)</i> <i>(HK\$'000)</i>	subsequent to FY2020 <i>(approximately)</i> <i>(HK\$'000)</i>
<i>(c) Contracts that were newly awarded up to 31 August 2019⁽⁸⁾</i>							
Contract O ⁽⁹⁾	Immigration Authority	Provision of security guards for crowd control management services at Hong Kong-Zhuhai-Macau Bridge-Hong Kong Port	15 April 2019 to 15 April 2022	35,500	-	11,300	24,200
Contract P ⁽¹⁾	Railway Corporation	Security services at various railway stations including Tsing Yi, Hunghom and Mongkok stations	1 May 2019 to 30 April 2021	35,200	-	16,100	19,100
Contract Q ⁽¹⁰⁾	Client D	Provision of security services in respect of oil depots in Tsing Yi and Chai Wan	1 May 2019 to 30 April 2024	11,900	-	2,200	9,700
Contract R	A government department responsible for fire-fighting and rescue on land in Hong Kong	Provision of Security Guard Services	1 January 2020 to 31 December 2022	18,400	-	1,500	16,900
Total:				101,000	-	31,100	69,900

Notes:

1. Contract A, Contract F (an extension of Contract A) and Contract P (a renewed contract of Contract F) cover 66 railway stations along 12 railway lines.
2. Contract D covers seven railway stations along two railway lines.
3. The sum does not include an optional additional scope of services to be provided to the Health Authority being approximately HK\$37.0 million, where it is expected that no material amount is likely recognised during its term.
4. Contract H is a renewed contract of Contract B.
5. Contract I is a renewed contract of Contract C. Contract H and Contract I are under the same master contract in respect of security services at different control points.
6. Contract J, Contract K and Contract L are related to Guangshen'gang XRL, collectively known as the "XRL Contracts".

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7. Contract N is a renewed contract of Contract M.
8. Also including contracts awarded during March 2019 but commencing after FY2019.
9. Contract O is a renewed contract of a contract awarded by the Immigration Authority to our Group in January 2018.
10. Contract Q is a renewed contract of a contract awarded to our Group by Client D in May 2014.

As at 31 August 2019, there was no major tender submitted pending result. The total estimated revenue to be recognised from ongoing, newly awarded contracts and tender submitted amounted to approximately HK\$233.2 million and HK\$284.0 million for FY2020 and subsequent to FY2020, respectively.

Our Major Contractual Terms

The typical contractual terms of a Fixed-term Contract are summarised below:

- | | | |
|-------------------------------|---|--|
| Terms of services | : | A fixed period of six months to three years in which some of the contracts come along with an option to renew for up to two years. |
| Service fee and payment terms | : | Service fees are generally charged on a lump-sum basis or actual usage basis with reference to the cost of rendering such services and shall be payable generally 30 days after the invoice being issued. |
| Insurance | : | Generally, our Group has to take out at our costs and maintain and renew upon expiry (i) the public liability insurance; and (ii) the employee compensation insurance. In particular, Railway Corporation and HK Government Departments typically require our Group to obtain such insurance policies in the joint names of our relevant operating subsidiary and them together as additional insured(s). See “Insurance” in this section for further details. |
| Deployment of guards/manpower | : | The security guards and other employees arranged by the Group shall be fit to carry out security duties and may have to hold valid Security Personnel Permit. |
| Minimum wage | : | Our major contracts provide that our Group has to confirm our abidance by the statutory minimum wage at the request of our clients or annually. |
| Termination | : | Unless there is any default on either party, generally, parties may terminate the contract provided a 30-day prior notification in writing is served. |

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For public sector and/or large-scale contracts, our financial capability would be assessed by our clients. Depending on individual clients, an amount equivalent to 2% or 5% or 6% (as the case may be) of the contract sum may be payable directly or if so required by the clients as contract security in the form of, among other things, contract deposit, for each contract at start of our engagement in accordance with the relevant contracts. Such contract securities are generally refunded three months subsequent to the completion of service contract.

Our clients may be entitled to vary the terms of the contract, including the total contract sum of a fixed fee contract, during the contract duration. For example, in October 2017, we were approached by Railway Corporation in respect of a proposal on manpower variation for a contract which was first awarded to us in 2015 and renewed in 2017 by way of tender. Under the contract, we are mainly required to provide security services including kiosk management and delivery control service at various railway stations for a period from 1 May 2017 to 30 April 2019 for an original contract sum of approximately HK\$37.1 million. After a revised manpower plan was agreed and finalised by the parties in December 2017, our contract sum was adjusted from approximately HK\$37.1 million to approximately HK\$28.2 million when the required service hours per shift were reduced, resulting in the employment termination of 29 security service personnel.

Our clients may sometimes also require our security services urgently, such as unexpected crowd control at railway stations and a social movement in Central and Admiralty in 2014 and temporary relief of existing personnel. Under such circumstances, with a list of full-time and casual employees, our Group will mobilise the necessary manpower to satisfy the ad-hoc demand from our clients. While it is part of our strengths to be able to respond to our clients and satisfy their demands within a short period of time, our management also recognises the risk on the failure to enter into formal written agreements for such contracts. Therefore, other than the typical factors we consider in assessing the potential of a project, we would only undertake such contracts when the client involved is a recurring client and that we are able to obtain at least a signed quotation or purchase order or an email confirmation from the client before commencement of work. Upon completion, our Group will issue an invoice to the client. For the associated risks, see “Risk Factors – Risks Relating to our Business – Failure to enter into formal written agreements or to obtain new contracts or to retain our existing clients could materially affect our financial performance” in this prospectus.

Pricing Policy

During the Track Record Period, majority of our revenue was derived from our service fee for providing security services and facility management services, with a small portion of our revenue being derived from the earnings of parking fees received by our Group in respect of carparks operated by our Group for a hourly or monthly rental fee payable by the vehicle users and rental income payable by the third party carpark operators to our Group for the leasing of carparks.

We typically charge service fees for our security services and facility management services either on a lump-sum basis or actual usage basis and such service fees are payable on a monthly basis or upon completion of services.

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Our service fees are determined on a cost-plus basis with reference to a number of factors, including the urgency of the intended timetable, location, complexity of the work or services, estimated time to be spent on the preparation of the work or services and any factors affect the supply of human resources. We have also taken into account the potential impact of change in statutory minimum wage pursuant to Minimum Wage Ordinance from time to time.

Some of our contracts provide a mechanism for our Group to adjust our service fee according to the change in statutory minimum wage as notified by our clients or as initiated by us. During the Track Record Period, certain of our major contracts representing approximately 27.3%, 21.0% and 54.0% of our total revenue contain such adjustment mechanism. Some of our contracts, however, are silent on the possibility of price adjustment and are therefore subject to negotiation. As at the Latest Practicable Date, following the revision of the statutory minimum wage to HK\$37.5 per hour on 1 May 2019, our service fees in respect of our major contracts where such adjustment mechanism is available have been adjusted accordingly or are in the course of adjustment (except for the contracts which were entered into or renewed after the revision of the statutory minimum wage in May 2019 had been announced). More than 65% of the total expected revenue to be recognised in FY2020 in respect of our on-going major contracts as at 31 March 2019 and newly awarded major contracts up to 31 August 2019 would be attributable to those major contracts which contain such adjustment mechanism. Our Directors confirmed that there are no loss-making contracts during the Track Record Period and up to the Latest Practicable Date, and do not expect to incur any loss from the Group's contracts on hand in FY2020.

In light of the increasing labour costs and the labour-intensive nature of our business, it is important for us to accurately estimate our cost in preparing tenders or pricing our services. We believe that our clients expect accurate assessment of costs (including potential increases in labour costs) prior to submitting any tenders or entering into any service contracts. As such, we generally consider potential changes in labour costs as early as when we estimate our fees during the tendering or quotation stage rather than adjusting our fees on an ad hoc basis. We generally rely on our accurate assessment of costs in the stage of preparing terms of our initial offer as a way to pass potential increase in service costs to clients and to tackle the risk of cost increment over time, and rely on our cost control measures to avoid cost overrun. For the risks involved, see “Risk Factors – Risks Relating to our Business – Our provision of services on a fixed fee basis could subject us to losses if we subsequently incur excess expenses in delivering our services to clients” in this prospectus.

Payment and Credit Policy

Our management is responsible for formulating our credit policy and our finance department is responsible for implementing and monitoring the settlement of our receivables from time to time. Before accepting any new customer, our Group assesses the potential client's credit quality and defines credit limits by client. Credit limits attributed to clients and credit terms granted to customers are reviewed regularly. The majority of the trade receivables that is neither past due nor impaired has no history of defaulting on repayments.

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Our clients normally settle by cheque or bank transfer in HK\$. Our Group issues invoices on a monthly basis or upon completion. In FY2017 and FY2018, a credit term of up to 90 days was generally granted to our clients.

All of our contracts with the Railway Corporation (including the XRL Contracts which commenced only in FY2019) were subject to a process of certification during the Track Record Period as described below. For these contracts, we usually issue draft monthly invoices setting out (i) the particulars of our services provided; and (ii) the revenue generated in the previous month to the Railway Corporation. The Railway Corporation would then review, verify and reconcile with attendance records (the “**Certification**”). When the Certification is being processed, while we have performed our obligations, our right to the consideration in exchange for the services that we have rendered is still not yet unconditional and is therefore regarded as uncertified revenue. Once the Certification has been obtained from the Railway Corporation by us (the “**Date of Certification**”), in general we would promptly and officially issue the final invoice. The relevant uncertified revenue would be reclassified as our trade receivables and become unconditional on the Date of Certification. Such accounting treatment of our uncertified revenue and trade receivables is also set out in the “Financial Information” section of, and the Accountants’ Reports in Appendix I to, this prospectus. Payment for the final invoice is to be settled typically within around 30 days from the Date of Certification.

During the Track Record Period, in respect of the contracts with the Railway Corporation other than the XRL Contracts, the period between the issue date of the draft monthly invoices and the Date of Certification (i.e. the time required for the Certification, the “**Certification Period**”) generally lasted for up to around 30 days and such invoices would then be settled typically within around 30 days after the Date of Certification. As such, the settlement period (being the Certification Period plus the period between the Date of Certification and the date of actual settlement) (the “**Settlement Period**”) for such other contracts with the Railway Corporation was approximately up to around 60 days.

During the Track Record Period, the Certification Period in respect of the XRL Contracts has generally been longer than the other contracts with the Railway Corporation, in particular during around the period from April 2018 to September 2018 (the “**Trial Run Period**”), because, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, this project under the XRL Contracts was one of the mega-scale railway and transportation infrastructure projects recently launched in Hong Kong and involved a large operational scale with a total initial contract sum of approximately HK\$364.1 million. The relevant invoices generally involved larger sums and more headcounts under different duties with various shifts during the day and night, rendering the Railway Corporation to require more time for Certification before processing for payment of the final invoices. The credit term for the XRL Contracts as acknowledged by the Railway Corporation was still within 30 days after the Date of the Certification, which was consistent with those for other contracts entered into with the Railway Corporation. Due to the longer time taken for the Certification, we allowed a Settlement Period of up to 120 days for invoices in respect of the XRL Contracts around the Trial Run Period. After the Trial Run Period and until March 2019, the Certification Period for the XRL Contracts usually lasted for up to around 60 to 90 days. Our Directors are willing to accept such longer Settlement Period given the scale of the XRL Contracts and the background of the Railway Corporation, which is a company listed on the Main Board of the Stock

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Exchange with solid background and financial conditions, good reputation, credibility and has a long-term business relationship with us with good payment records. As at the Latest Practicable Date, the majority of the invoices issued during April 2019 to June 2019 for both XRL Contracts and other contracts with the Railway Corporation, which represented more than 85% of the total sum of such invoices, had already been settled, with a Certification Period lasting for up to around 60 – 90 days and Settlement Period not more than around 120 days in general. In respect of the draft monthly invoices issued in July 2019 and August 2019, the majority of them which represented more than 85% of the total sum of such invoices were certified within 30 days from the issue date of the draft monthly invoices, and the Railway Corporation had settled more than 80% of the total sum as at the Latest Practicable Date. Our Directors will use their best endeavours to further discuss with the Railway Corporation to keep the Certification Period for the XRL Contracts at 30 days or to further shorten the period. For further details of our credit policy, see the “Financial Information” section in this prospectus.

The following table sets out the details of the revenue generated in FY2019, which was derived from the XRL Contracts for the Trial Run Period and after the Trial Run Period up till 31 March 2019 (the “FY2019 Official Operation Period”):

	Trial Run Period	FY2019 Official Operation Period <i>(HK\$ million)</i> <i>(Approximately)^(Note)</i>	Total
Revenue recognised in FY2019	11.5	117.1	128.6
Less: Payment settled during FY2019	(8.4)	(45.5)	(53.8)
Unsettled amount as at 31 March 2019	<u>3.2</u>	<u>71.6</u>	<u>74.8</u>
<i>Represented by:</i>			
Uncertified revenue	3.2	54.5	57.7
Trade receivables	–	17.1	17.1
	<u>3.2</u>	<u>71.6</u>	<u>74.8</u>

Note: Figures may not add up due to rounding.

As at the Latest Practicable Date, all of our (i) uncertified revenue attributable to the XRL Contracts for the Trial Run Period of approximately HK\$3.2 million; (ii) uncertified revenue attributable to the XRL Contracts for FY2019 Official Operation Period of approximately HK\$54.5 million; and (iii) trade receivables attributable to the XRL Contracts for FY2019 Official Operation Period of approximately HK\$17.1 million, had been fully settled.

In order to undertake the XRL Contracts, in FY2019 we utilised a portion of our bank facilities for salaries payment so as to ensure that we have sufficient working capital.

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The following table sets out the breakdown of credit period and settlement period of customers in public and private sectors during the Track Record Period and up to the Latest Practicable Date:

	FY2017	FY2018	FY2019	After FY2019 and up to the Latest Practicable Date
	<i>days</i>	<i>days</i>	<i>days</i>	<i>days</i>
	<i>(approximately)</i>	<i>(approximately)</i>	<i>(approximately)</i>	<i>(approximately)</i>
Public sector				
• Credit period	30	30	30	30
• Settlement period	30	30	30 – 120	30 – 120
Private sector				
• Credit period	30 – 90	30 – 90	30 – 120	30 – 120
• Settlement period	30 – 90	30 – 90	30 – 120	30 – 120

The increase of settlement period of public sector was due to the XRL Contracts, for details, please refer to the sub-section headed “Payment and credit policy” in this section of this prospectus.

Marketing

During the Track Record Period, we conduct our business through direct sales and referral.

As at the Latest Practicable Date, we had four sales and marketing personnel who were responsible for (i) administrative work and support; (ii) regularly conduct market research and implement sales and marketing initiatives to assess and identify market opportunities; (iii) prepare and/or submit tender documents; and (iv) provide quotations. In addition to our management team, our sales and marketing personnel are also responsible for maintaining good client relationship with our existing clients.

In order to better reach out to our target clients in new or developing market segments in a cost-effective manner, during the Track Record Period, we engaged two sales agents, which have business connections with some of our existing and potential clients primarily in the private sector. The sales agents are responsible for referral services which include facilitating our Group in the promotion, arrangement and negotiation of security service contracts with our clients. During the Track Record Period the projects introduced by the Group’s sales agents were largely related to commercial and residential properties in private sector in Hong Kong. Our Directors confirm that, as at the Latest Practicable Date, the two sales agents, who were

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independent third parties, were not our former employees and, to their best knowledge and information, (i) save for the above engagement, the sales agents did not and does not have any other past or present relationships (business, employment, financial or otherwise) with us, the shareholders, directors and senior management of our Company and our subsidiaries and their respective associates; and (ii) prior to becoming our exclusive sales agents, the two sales agents provided similar services to other security services companies in Hong Kong. As at the Latest Practicable Date, the sales agents had more than two and four years of business relationship with our Group, respectively.

Material terms of our co-operation with the sales agents

- | | | |
|------------------|---|---|
| Commission | : | Commission is equal to profit margin less a fixed amount times the number of shift – with the profit margin being the difference between the unit rate of the security services provided in one shift and the wage of the security guard(s) of the same shift |
| Payment terms | : | Payment of the commission will be issued on a monthly basis and will be made within one month after the completion of services of the preceding month |
| Exclusivity | : | The sales agents have contractually undertaken that they will only carry out their activities exclusively on behalf of our Group |
| Non-solicitation | : | During the term of the agreement and for a period of one year following the termination of the agreement, the service providers agree not to solicit any of our employees on behalf of any other business enterprise nor to induce any of our employees to terminate or breach an employment, contractual or other relationship with our Group |
| | | The service providers shall not, directly or indirectly, disclose to any person, firm or corporation the names or addresses of any of our clients or any other information pertaining to them. Neither shall the service providers call on, solicit, take away any of our clients on whom the service providers have called or with whom the service providers became acquainted during the term of the agreement |
| Termination | : | Either parties may terminate the agreement by one month's prior notification in writing |

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Our Directors confirm, to their best knowledge and belief, the sales agents have no contractual relationship with and are independent of our clients. During the Track Record Period, revenue generated through the sales agents amounted to approximately HK\$9.4 million, HK\$10.7 million and HK\$9.6 million, which accounted for approximately 9.0%, 8.2% and 3.3% of our revenue, respectively, while the commission paid to the sales agents amounted to approximately HK\$2.7 million, HK\$2.7 million and HK\$2.3 million, representing approximately 2.9%, 2.5% and 0.9% of our total operating expenses, respectively, which would be translated into an effective commission rate to the sales agents ranging from approximately 24.0% to 28.5% on revenue generated through the sales agents for facilitating our Group in the promotion, arrangement and negotiation of security service contracts with our clients for the Track Record Period.

Pursuant to the formula for calculating sales commission paid to the sales agents as disclosed above, our Group is entitled to a minimum profit margin for each project introduced by our Group's sales agents. On the other hand, the amount earned by our Group is almost fixed even the client is charged with a higher price. Our Directors consider that the existing commission payment scheme would also provide adequate incentives to motivate the sales agents to bring in new projects and retain existing projects, where the projects introduced by the sales agents generated margins (i.e. calculated based on revenue less direct employee benefit costs of the relevant employees and attributable to the respective service contracts divided by revenue and multiplied by 100%) ranging from approximately 39.5% to 48.2% for the Track Record Period. If the commissions paid to the sales agents are taken into account, the margins of such projects would range from approximately 15.6% to 21.5% for the Track Record Period. As such, our Directors believe that the Group's current engagement of the sales agents is fair and reasonable. According to the Frost & Sullivan Report, the engagement of sales agent for sourcing new clients is not uncommon in the security services industry. According to the Frost & Sullivan Report, in light of the competitive business environment, some market participants would adopt the commission model mentioned above since it reduces the uncertainty in cost control and is effective in maintaining profitability as commission would only be paid when there is a profit. The commission rate varies in the industry and is negotiated between the agent and the security services provider on arm's length and case-by-case basis. Having considered the above and the allocation of work, risks and rewards between the sales agents and the Group, the Directors are of the view that the commission paid to such sales agents were reasonable and in line with those of the market.

Our Group has also devoted resources in electronic platforms by developing our website to promote our security services. For the Track Record Period, our expenses relating to our sales and marketing activities amounted to approximately 2.6%, 2.1% and 0.8% of our total revenue, respectively.

Seasonality

Our Group had not experienced material seasonal fluctuations during the Track Record Period.

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OUR OPERATION

In order to provide security services, a security services company must obtain the Security Company Licence under the laws of Hong Kong. Since Ma Family controlled our Group in 2008, IWS Security has been a Type I Security Company Licence holder. See “Regulatory Overview” in this prospectus for further details. Since 2015, our quality management system in respect of the provision of guarding services in Hong Kong has also complied with recognised international standard.

The following table sets out the licence and certification held by members of our Group as at the Latest Practicable Date:

Issuing body	Description of licence/certification	Qualification/ Standard	Holder	Period of validity
Security and guarding Services Industry Authority	Security Company Licence	Type 1 – Provision of security guarding services	IWS Security	23 December 2016 – 22 December 2021
Certification Asia (HK) Limited	Quality Management System accreditation for the provision of guarding services in Hong Kong	ISO 9001:2015	IWS Security	8 September 2018 – 8 October 2021

For the permit, registration or qualifications held by our employees, see “Employees – Licences and qualifications of employees” in this section.

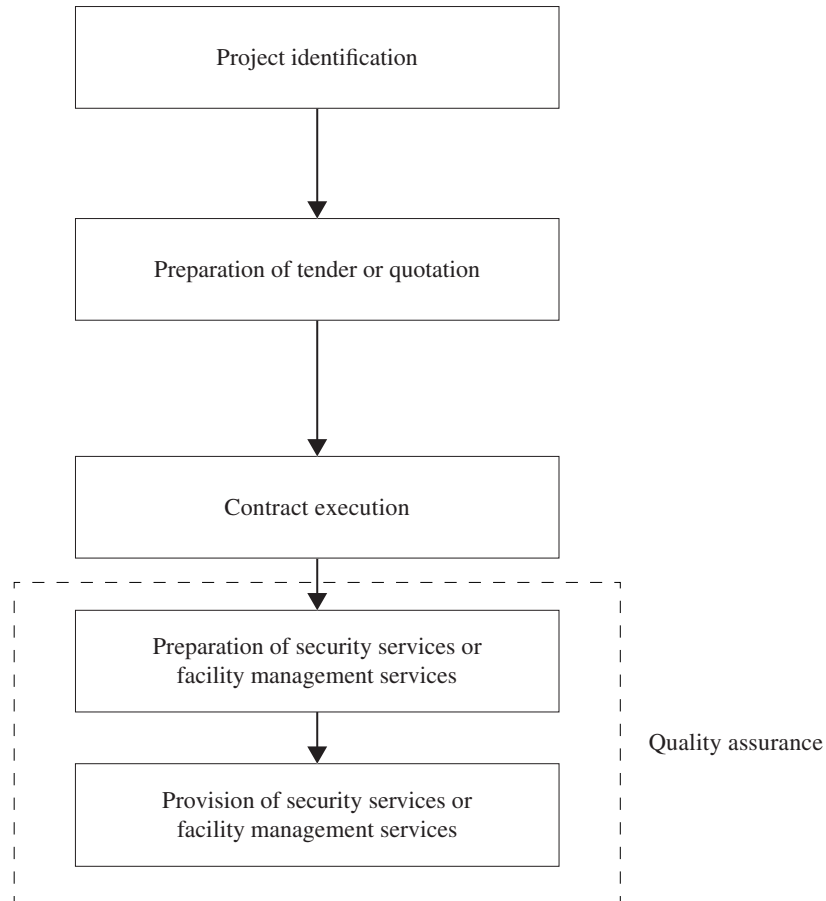
As confirmed by Ms. Yeung Wing Yan Wendy, our legal counsel as to Hong Kong laws, our Group had obtained all the approvals, permits, consents, licences and registrations required for its business and operations during the Track Record Period and as at the Latest Practicable Date. Ms. Yeung Wing Yan Wendy, our legal counsel as to Hong Kong laws, further confirmed that IWS Security had been in compliance with conditions of such Security Company Licence, and so far as they were aware of, there would be no impediment to renew the above Security Company Licence as at the Latest Practicable Date.

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Our Workflow

Our services may be rendered and completed within one day on an ad hoc or urgent basis or provided over a fixed period of typically up to three years under a Fixed-term Contract.

The general workflow for our services is illustrated by the following chart and key stages:



Project identification

During the Track Record Period, our contracts were mainly secured through tendering (open tender or tender invitation). Our remaining contracts were generally secured after undergoing a direct negotiation and quotation process with our potential clients. For the Track Record Period, revenue from tendering accounted for approximately 70.4%, 60.7% and 81.4% of our total revenue, respectively. Based on nine, 19 and 26 submitted tenders with known results as at the Latest Practicable Date, our tender success rates (based on the number of tenders) for the Track Record Period were approximately 66.7%, 73.7% and 34.6%, respectively. We experienced a lower tender success rate in FY2019 to a certain extent because of our failure in all the two tenders in relation to car parking rental and management services and four tenders in relation to cleaning services, which our Directors believe was due to our insufficiency of financial resources that were drained by our commitments under current projects, in particular the XRL contracts. For details of our financial constraints, please refer to the section headed “Statement of Business Objectives and Use of Proceeds – Reasons for Listing” of this prospectus.

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Tenders are offers or proposals with prescribed terms and conditions made for acceptance and are commonly conducted openly. Tendering is mainly required for security services contracts by our clients in the public sector including Railway Corporation and the HK Government Departments. Our remaining contracts are mainly secured without open procedures.

The factors we generally take into account when evaluating the potential of a project include the wages such as the potential impact of change in minimum wage, requirement on equipment and uniform, location and the potential labour supply at the location. The availability of our financial resources would also affect our evaluation of the project and our strategy in tendering or providing quotation for such project. As a supplier of Railway Corporation and the HK Government Departments, we generally need to first apply for pre-qualification as a tenderer in order to qualify for the tendering process. Such assessment includes our financial eligibility, safety and environmental management capability and technical scoring. Some of our existing major clients evaluate tenders based on various financial and non-financial considerations. For example, some of the contracts that we submitted a tender for during the Track Record Period prohibited tenderers from submitting a tender if the tenderer had accumulated a specified number of demerit points over a certain period of time due to the tenderer's prior breach of contractual obligations. Clients such as Railway Corporation and the HK Government Departments usually maintain an evaluation system to ensure that the service providers meet certain standards of management, industrial expertise, financial capability, reputation and regulatory compliance which may change from time to time. A standard tender process takes approximately ten weeks from the receipt of tender invitation to the announcement of the tender result, while a standard quotation takes approximately one to two days from quotation to entering into a contract.

Preparation of tender or quotation

After understanding our clients' instructions and requirements, our sales and marketing and operation teams will prepare the tender submissions or quotations with reference to our available resources and the expected manpower required for the job and take into account various factors including expected profit margin, the location, the background of our client, potential competitors for the contract, urgency of the intended timetable, prevailing market rates, complexity of the work or services, estimated time to be spent on the preparation of the work or services and any factors affecting the supply of human resources. Our Group's tender submissions or quotations will then be submitted to our management for final approval. Management plans which include plans on the requirements on our employees, health and safety and procedures in handling emergency situations would also be formulated at this stage. When new contracts are awarded to us from tender, we shall enter into agreements with our clients which are legally binding. For details of these agreements, see "Clients – Contracting" in this section.

Preparation and provision of services

The preparation stage consists of forming a project management team for each of the projects to assist in preliminary allocation of resources required and ensuring our Group has sufficient resources for current and future works.

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A meeting would be held at this stage to formulate detailed work plans such as instruction briefs and work instructions. These instruction briefs and work instructions, together with the management plans, are distributed to each of the relevant personnel prior to the commencement of work as guidelines. If specialised manpower is required, our Group will recruit qualified personnel who can fulfill the requirements of our clients at this stage as well.

Quality assurance or evaluation and reviews

Quality of our services are monitored and maintained throughout each of our engagement starting from the recruitment and screening process up to the completion of a contract. See “Quality Assurance” in this section for further details.

QUALITY ASSURANCE

We understand the importance of providing quality services and implemented a set of measures on each key operational process starting from recruitment and formulated guidelines and policies to be adhered by our employees to ensure they could meet the demands and requirements of our clients and work in a safe environment at the same time. Occasionally, upon our client’s specific requests, we may also arrange our employees to attend training at our own expenses.

As at the Latest Practicable Date, with the support of 15 officers, our chief executive officer and general manager are responsible for the overseeing of our quality assurance system. For their biography, see “Directors and Senior Management” in this prospectus.

Since 2015, we have been accredited with ISO 9001:2008 quality management system standard for the provision of guarding services in Hong Kong.

Recruitment and screening

Our Group has a standard recruitment and screening process so that our Group can assess the background, the employment history, academic background, professional qualifications, the integrity and experience to match the requirements of our clients. All of our employees are required to complete an application form in relation to their background upon applying to become our employees. In addition, our Group will conduct reference check on the employment history of these applicants, and will check the validity of the Security Personnel Permit against the list of revoked/cancelled/suspended Security Personnel Permit as provided by the Hong Kong Police Force of Licensing Department in the case of security personnel. Our Group will be notified if the Security Personnel Permit of our employees are revoked by the Hong Kong Police Force of Licensing Department.

Guidelines and policies for our employees

Our employees' general conduct is governed by our employee handbook which is distributed at orientation. Our code of conduct provides for the maximum working hours for our security service personnel and other employees, punctuality and work handover requirements and our employees are required to familiarise themselves in relation to the location deployed, to comply with their job responsibilities and to carry out their job responsibilities with fairness and courtesy. Our security service personnel and other employees are not allowed to drink liquor during their working hours and have to observe all the laws and regulations. Sometimes, our clients will also impose additional codes of conducts on our employees.

For each contract, the relevant personnel are given and are expected to comply with the management plans, instruction briefs and work instructions:

- *management plans* – they are generally formulated at the tender or quotation preparation stage for our client. After we are awarded with the contract, these plans are distributed to the employees designated for the contract. They cover our recruitment and screening process such as the requirements on our employees, supervision plan on staff performance such as the duties of different employees and reporting requirement, health and safety control such as guidelines in case of raining and lifting heavy object and contingency plan on handling different situations such as procedures in case of theft, fire or gas leakage;
- *instruction briefs* – they are generally prepared and distributed to the relevant employees after a contract is awarded to us. They aim to provide our employees with background information and certain procedures and guidelines specific to the site such as the opening hours and closing hours of the site and the visitor registration procedures; and
- *work instructions* – same as instruction briefs, they are generally prepared and distributed to the relevant employees after a contract is awarded to us. They aim to set out our client's specific instructions and requirements in detail such as uniform, equipment and the duties of each employees.

In relation to the contracts with the HK Government Departments, our Group is also required to maintain a deployment record of all security service personnel deployed at each location which is submitted to the HK Government Departments at the commencement of the contract period or as when required by the HK Government Departments. Furthermore, the HK Government Departments may also require our Group to perform planned but random supervisory inspections at different locations at least once a week.

Internal monitoring

Our Company has acquired and installed a twenty-four hours' reporting system to closely monitor the attendance of our security service personnel. Generally, our security service personnel have to report their attendance by phone. If the system fails to receive the security service personnel's report by the designated time, the system will automatically make calls to the respective post to identify and confirm that security service personnel is on duty as scheduled to ensure sufficient manpower are deployed to the venue.

We also conduct regular on-site visits to understand and evaluate the actual duties and performance of our employees. We also maintain a log book on our licence holders to keep track of the expiration dates of their respective licences and qualifications.

Regular external audit

The Crime Prevention Bureau of the Hong Kong Police Force will conduct inspection annually on our Group. We will be requested to prepare a list of documents, including letter of authorisation, valid business registration certificate, valid employees' compensation insurance policy, valid public liability insurance policy, updated employee list which should consist of the name of the security service personnel and the expiry dates of the corresponding Security Personnel Permits.

Client evaluation and complaint handling system

We consider client feedback a valuable tool for improving our services. We take client feedback seriously and have in place procedures to ensure that feedback and complaints from clients get handled in a timely and appropriate manner. We have a number of channels for soliciting and receiving client feedback, such as a 24-hour hotline and face-to-face meetings.

We have implemented a complaint handling policy, and all of the complaints lodged by our clients in respect of the services provided will be handled by the relevant managers. When handling complaints, the employee involved will submit an incident report and the appointed operations manager will conduct a thorough investigation. We will follow the standard complaint handling procedures in the ISO 9001:2008 to carry out investigation by retrieving the conversation recordings of the complaint case and conducting an interview with the relevant employee. Our contract liaison manager will then compile an interim reply to the complainant within 48 hours and the appointed operations manager will subsequently complete a detailed investigation report. Our contract liaison manager will, depending on the nature, degree of seriousness and circumstances of the complaint and other relevant factors such as the relationship with the complainant, consider appropriate remedial actions for the client and disciplinary action against the employee. Once appropriate remedial actions have been determined, we will follow up with the relevant client in respect of remedial arrangements and apology. If we decide that no remedial action is necessary, we will nevertheless pledge to improve the standards of our services in the future.

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Our Directors confirmed that we did not receive any material complaints and were not subject to any disciplinary actions imposed by any government authorities in respect of the quality of the services that we provided which could have resulted in any material adverse impact on the operations or financial conditions of our Group and no material compensation or penalty was paid to resolve any complaints during the Track Record Period.

SUPPLIERS

Due to the nature of our business, we do not have any major suppliers. During the Track Record Period, our suppliers mainly included suppliers of staff uniforms and vehicle rental providers, which were located in Hong Kong. No costs incurred from any single supplier accounted for more than 1.0% of our total operating expenses for each year during Track Record Period.

Our suppliers are selected after obtaining quotations for comparison. The comparison analysis would be recorded with the approval of our management. For new suppliers, audits and background checks, such as the obtaining of corporate documents, are also carried out. During the Track Record Period, we did not experience any material delay in receiving products or services from our suppliers.

The contract terms in relation to transactions between our suppliers and our Group are generally set out in sales order or contract and include (i) type and scope of services or type and model of goods; and (ii) contract sum. During the Track Record Period, we did not enter into any long-term or exclusive contract with our suppliers and we make our payments to our suppliers in HK\$.

As at the Latest Practicable Date, save as disclosed in Note 26 of the Accountants' Report in Appendix I in this prospectus, our Directors confirmed that all of our suppliers during the Track Record Period were independent third parties, and none of our Directors, their associates or any Shareholders who, to the best knowledge of our Directors, owned more than 5% of our share capital, had any interest in any of our suppliers.

EMPLOYEES

As the security services industry and facility management services industry are labour intensive industries, we believe our continued success depends in part upon our ability to maintain a stable team of operational workforce to deliver consistent and quality services to our clients.

We recruit our employees from the open market, mainly from publication of job advertisements and referrals. During the Track Record Period, we had a total of 760, 951 and 2,178 employees respectively. As at the Latest Practicable Date, we had a workforce of 2,133 employees, including the five executive Directors, 1,414 full-time and 714 casual employees, respectively, who were all stationed in Hong Kong. We maintain a pool of casual employees in order to satisfy ad hoc or urgent work requests from our clients without relying on subcontractors or external manpower supply companies. Having performed screening procedures in advance at time of recruitment, we are also able to ensure the consistent delivery of quality services.

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Our employee turnover rate^(Note) in respect of the full-time employees was 38.7%, 29.1%, 17.1% and 38.6% for FY2017, FY2018, FY2019 and after FY2019 and up to the Latest Practicable Date, respectively. The employee turnover rate was relatively lower in FY2019 because employment contracts for employees that we hired for XRL Contracts become effective on the commencement of XRL Contracts on 1 April 2018, and we hired more employees for the XRL contracts during FY2019 when the high speed rail officially commenced operation in September 2018; it subsequently rose again after FY2019 primarily due to our termination of employment with approximately 280 employees, the majority of which was effective in April 2019, in relation to the provision of our services at the High Speed Rail Hong Kong West Kowloon Station. For details, see “Employees – labour dispute” below.

Note: employee turnover rate is calculated by dividing the number of employees who left our Group by the average number of employees during the relevant period

The following table sets out a breakdown of the number of our employees by function as at the Latest Practicable Date:

	No. of employees with Security Personnel Permit	No. of non- licensed employees	Total
Management	3	6	9
Operations			
Officers	6	15	21
Security services			
– Full-time	868	444	1,312
– Casual	642	64	706
	<u>1,510</u>	<u>508^(Note)</u>	<u>2,018</u>
Facility management services			
– Full-time	7	59	66
– Casual	–	8	8
	<u>7</u>	<u>67</u>	<u>74</u>
Sales and marketing	–	4	4
Human resources and finance	–	7	7
	<u>1,526</u>	<u>607</u>	<u>2,133</u>

Note: Our security services include certain manpower support services such as health screening services, ambassador services and sales of ticket, which do not require Security Personnel Permit.

We enter into individual written employment contracts with our full-time and casual employees covering matters which generally include work location, scope of work, work hours, wages, employee benefits and grounds for termination. We also require all our employees to sign the code of conduct form to adhere with the provisions to provide quality services with integrity, commitment and professionalism. The provisions include prevention of bribery, provisions governing the acceptance of gifts and handling of confidential information.

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Furthermore, in order to retain our existing employees, we also offer attractive remuneration package to our employees which comprise basic salaries, bonuses and/or other employee benefits such as mandatory provident fund schemes, compensation for employment-related accidents and diseases. The remuneration package is subject to annual review. We also participate in the mandatory provident fund prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong).

Our Directors confirm that, during the Track Record Period, wages of all of our employees were no less than the applicable statutory minimum wage rate effective from time to time. For risk factor relating to the statutory minimum wage, see “Risk Factors” in this prospectus.

For the Track Record Period, our employee benefit expenses were approximately HK\$85.1 million, HK\$102.8 million and HK\$252.1 million, respectively, representing approximately 93.3%, 92.6% and 95.8% of our total operating expenses, respectively.

Licences and qualifications of employees

In connection with our security services and facility management services, in addition to our corporate licences, our employees are required to obtain the following licences and qualifications or to be trained in the performance of their duties:

- ***Security Personnel Permit:*** Pursuant to the Security and Guarding Services Ordinance, our security personnel involved in the provision of security services are required to hold a valid Security Personnel Permit. The Security Personnel Permit is valid for a period of up to five years or such shorter period as the Commissioner of Police may specify. As at the Latest Practicable Date, 1,526 and 1,526 of our employees had obtained and validly held the Security Personnel Permits to perform Category A Security Work and Category B Security Work, respectively.
- ***Qualifications relating to the XRL Contracts:*** In order to carry out some of our obligations under the XRL Contracts, some of our employees undertook different courses related to their duties organised by the Railway Corporation. They are required to attend these courses and have to pass the relevant assessments to obtain such qualifications. These qualifications are valid for one year. As at the Latest Practicable Date, up to 85 of our employees held such qualifications.
- ***Competent Person (Track):*** Some of our security personnel involved in the provision of security services to Railway Corporation are required to hold certain qualifications. Such qualifications are usually valid for one year and our employees must annually pass the relevant oral and written assessments to renew their respective qualifications. As at the Latest Practicable Date, 5 of our employees held such qualification.

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- **Qualification regarding technicians:** Our technicians involved in minor electrical repair and maintenance work such as changing of light bulbs in the provision of property management services for our clients are required to be registered electrical workers. As at the Latest Practicable Date, we employed 5 Grades A and B electrical work-registered personnel.
- **Port Facility Security Officer Certificate:** In order to provide security services to one of our clients at a port facility, at least one of our employees need to complete a port facility security officer course in accordance with the requirements of the International Ship & Port Facility Security Code, SOLAS Amendments 2002 and MSC Circular 1188. In FY2017 and FY2018, one of our employees completed such course and held such certificate. In FY2019, three additional employees completed the course and obtained the corresponding certificates. Since these employees have served our Group from approximately two to over ten years, our Directors are of the view that it is very unlikely that all these employees would leave our Group in normal circumstances. In addition, during the Track Record Period, the revenue arising from the provision of security services at a port facility amounted to approximately HK\$1.9 million, HK\$1.9 million and HK\$2.1 million, respectively, representing less than 2.0% of our revenue for each of the Track Record Period. Accordingly, our Directors consider there will be no material adverse impact on the financial condition and results of operation of our Group.

We record details of the licences and permits of our employees in a computer database and regularly monitor the status of their respective validity.

Labour Dispute

In around March 2019, the provision of our services at the High Speed Rail Hong Kong West Kowloon Station (the “**West Kowloon Station**”) were reviewed and concluded that, after around six months of operation, we were able to provide our services smoothly where certain additional staff initially engaged at the commencement stage became redundant. As such, we terminated the employment with approximately 280 employees who had generally been employed since August 2018, which led to demonstrations of certain laid-off employees at West Kowloon Station to protest against such terminations. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, in respect of the above lay-offs, we are neither in breach of the relevant employment contracts nor non-compliant with the Employment Ordinance (Chapter 57 of the laws of Hong Kong). Nevertheless, we made a provision for lay-off payment of approximately HK\$1.3 million during FY2019, and provided such amount to most of the laid-off employees as pension. The protest was settled in early April 2019. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, no legal proceeding was commenced against us in respect of the above lay-offs.

Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, our Group had not encountered or experienced any material labour disputes with any of our employees and trade unions, which would have materially affected our business operations and financial performance.

OCCUPATIONAL HEALTH AND SAFETY

Pursuant to the Occupational Safety Health Ordinance (Chapter 509 of the Laws of Hong Kong), employers must, so far as reasonably practicable, ensure the safety and health at work of all their employees. We strive to minimise workplace accidents and injuries through our stringent safety measures and policies. We require all of our employees to strictly adhere to our safety measures and policies. We believe that high standards in workplace health and safety is critical to maximising our operational efficiency and, in turn, help us compete effectively.

We have implemented various policies and measures, which include, among others:

- policies that regulate the code of conduct of our employees;
- regular occupational health and safety reminders to our employees;
- a supervision plan which includes briefing on strict compliance with the Occupational Safety and Health Ordinance, preventative measures to be taken by security service personnel to minimise dangerous situations and incidents from arising, and hazards and dangerous chemicals training;
- charts to illustrate the chain of command are placed on-site at the locations that our employees are dispatched to facilitate effective communication in the event of emergencies and other incidents;
- guidelines to assist our security service personnel to prevent the occurrence of incidents or accidents and to handle such incidents or accidents should they arise; and
- an emergency manual and procedures that provide for handling procedures in emergency situations including bomb explosion, flooding, unidentified gas leakage, black rainstorm or typhoon signal no. 8 or above, theft or pickpocketing, arson, fire or smoke found.

During the Track Record Period and up to the Latest Practicable Date, after implementation of the enhanced policies and guidelines over the course of time since January 2016, our Directors confirmed that there was no material breach of work safety rules by our employees or any significant incident or accident in relation to our employees' safety, and, as advised by our Hong Kong Legal Advisers, we did not experience any non-compliance with the applicable laws and regulations relevant to the work safety and health issues.

Procedure for recording and handling employee injuries or accidents at work

Due to our nature of our business, we may be subject to claims from employees for work-related injuries. We therefore maintain a set of procedures to record and handle employee injuries or accidents at work and their work-related personal injuries claims. Our Group will determine the nature of the injuries of our employees, the seriousness of injury and attend to the filing requirements, where necessary.

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During the Track Record Period, all our employees' compensation and/or personal injury claims against our Group were covered by our insurance, and our employees were not involved in any fatal or material work injuries or accident which had a material and adverse impact on our business operations. For further details of our insurance policies, see "Insurance" in this section. For details of our ongoing and potential employees' compensation and/or personal injury claims, see "Occupational Health and Safety – Litigation and claims" in this section.

While we have formulated and implemented a set of quality assurance measures, including the management plans, instruction briefs and work instructions and a set of quality assurance measures, the properties or personnel that we secure, guard, manage and/or serve are still subject to security breaches, theft, burglary, loss or damage, bodily harm and accidents resulting in personal injury which are beyond our control. For example, during the Track Record Period, there had been various security incidents concerning the Railway Corporation, including the firebomb attack in February 2017 and a cleaner being shoved onto a rail track in October 2017. Our Directors confirm that none of our Group or our employees was directly involved as tortfeasor or victim and we were not liable for any loss or damages in those two incidents and our operations were not adversely affected by those two incidents. Our Directors further confirm that none of our Group or our employees was directly involved as tortfeasor or victim and we were not liable for any loss or damages in other similar incidents (if any) during the Track Record Period. During the Track Record Period, we were not subject to any fine, penalty, compensation, claim or proceedings as a result of incidents of such nature (if any).

Since June 2019, the state of political environment in Hong Kong has been unstable, and protests have been taking place in or around the railway stations which resulted in violent conflicts and destruction of properties. We may be liable for losses suffered by our clients if it is caused by our staff's negligence or our breach of contract. Where potentially dangerous incident, such as a protest, violent conflict or damage of property, happens in or around a railway station, our staff are responsible for reporting such incidents to the station controller, but not for making any decision, or handling the potentially dangerous incident, so as to maintain station order. As our responsibility is reporting potentially dangerous incident, our Directors are of the view that we are not liable for any personal injury or property damage caused by such incident, unless our staff fail to report such incident or are otherwise negligent in carrying out their duties. Our Directors confirm that no claim has been made by our client against us in respect of the conflicts or destruction or property associated with the protests that took place in or around railway stations. For associated risk, see "Risk Factors – Risks relating to our Business – Security breach, theft, burglary, any loss of property occurring at and/or any damage to the properties or bodily harm or any accidents resulting in personal injury to the personnel secured, guarded, managed and/or served by us could adversely affect our business, results of operations, financial position and reputation" in this prospectus.

Litigation and claims

Due to the nature of our industry, we are prone to employees' compensation and personal injury claims. During the Track Record Period and up to the Latest Practicable Date, there were (i) five settled litigation claims against our Group as defendants which involved labour

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disputes, employees' compensation and personal injury claims made by five different employees and were settled with an aggregate settlement amount of approximately HK\$1.0 million and (ii) one unsettled litigation claim against our Group as defendant which involves an employee's compensation claim, the compensation amount of which is to be assessed by the court. All costs and expenses in respect of the claims set out above were fully covered by our Group's insurance policies.

Our Directors confirm that, to their best knowledge after making all reasonable enquiries, save for certain legal proceedings set out above, as at the Latest Practicable Date, (i) no member of our Group was engaged in any litigation, arbitration or claim of material importance, (ii) there was no litigation, arbitration or claim pending or threatened by third parties against any member of our Group that would have a material adverse effect on our Group's results of operations or financial condition, and (iii) no claim has been made by our client against us in respect of the conflicts or destruction of property associated with the protests that took place in or around railway stations.

INSURANCE

We maintain various insurance policies to cover our risks in respect of our business operations and our employees, including:

- **Public liability insurance policy:** The policy covers our liability to pay compensation in respect of loss or damage to property occurring within specified locations in Hong Kong as a result of an accident or prescribed incident. We took out four public liability insurance policies to cover our business operations:

Public liability insurance for security services

- (1) When determining application for a Security Company Licence for Type I security work, the Security Authority will also take into account whether the applicant is appropriately insured for the extent of its business subject to a minimum of HK\$10 million per incident for public liability. In this relation, we have taken out a public liability insurance policy with a limit of HK\$10 million in any one claim and during the period of insurance, covering anywhere within Hong Kong for our security services;

Public liability insurance upon customer request or for other services

- (2) The Railway Corporation requires our Group to obtain such public liability insurance policy in the joint names of our relevant operating subsidiary and them together as additional insureds. As such, we have taken out a public liability insurance with a limit of HK\$50 million in any one claim and unlimited number of claims during the period of insurance, covering all railway stations and stops of Hong Kong;

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- (3) We have also taken out a public liability insurance with a limit of HK\$30 million in any one claim and unlimited number of claims during the period of insurance, which covers our services provided to the HK Government Departments as well as our property management services and carpark management services; and
- (4) We have also taken out a public liability insurance with unlimited number of claims subject to an aggregate limit of HK\$10 million during the insurance period, which covers our cleaning services provided anywhere in Hong Kong.
- **Employees' compensation insurance policy:** The employees' compensation insurance policy which we maintain is in accordance with the Employees' Compensation Ordinance. The policy covers our liability to make any payment in respect of the bodily injury or death of our all employees arising out of an accident. As at the Latest Practicable Date, we had taken out two employees' compensation insurance policies with a limit of indemnity of HK\$100 million and HK\$200 million in any one claim, respectively.
 - **Group medical insurance policy:** Medical insurance policies are maintained for our full-time employees.
 - **Third party motor-vehicle insurance policy:** As at 31 March 2019, we owned two vehicles for patrolling purposes. Third party motor-vehicle insurance covers any liability, loss, claim or proceedings against us for any third party death or bodily injury, or third party property damage caused by any of our insured drivers.

Other than insurance policies voluntarily taken out by our Group, we also obtain and maintain specified insurance policies at the request of our clients at our own expense on the terms and conditions approved by our clients with prescribed coverage. Such insurance policies typically include (i) public liability insurance, which may be required by our client to be obtained exclusively for the relevant contract and; and (ii) employees' compensation insurance policies. Two of our major clients require our Group to obtain such insurance policies in the joint names of our relevant operating subsidiary and our client together as additional insured(s).

For the Track Record Period, our total insurance cost (which included the public liability insurance policy and third party motor-vehicle insurance policy) amounted to approximately HK\$0.04 million, HK\$0.06 million and HK\$0.04 million, respectively. Our costs for employees' compensation insurance policy and group medical insurance policy amounted to approximately HK\$0.5 million, HK\$0.5 million and HK\$0.6 million during the Track Record Period, respectively, which were included in our employee benefit expenses. Our Directors consider our insurance coverage to be customary for and consistent with businesses of our size, type and is adequate with respect to our business operations. As mentioned above, we maintain public liability insurance policies with higher limit of indemnity covering locations where our employees provide services and in accordance with the requirements of the Railway

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Corporation or the HK Government Departments. As such, our Directors believe that we have adequate insurance to cover the public liability which may arise from our provision of security and facility management services. Although we recorded a significant increase in revenue for FY2019 primarily due to the revenue derived from the Railway Corporation, it did not request us to increase our limit of indemnity per claim in respect of the required public liability insurance policy. Also, during the Track Record Period and up to the Latest Practicable Date, we had not made any significant claims under our insurance policies, and our Directors believe this led to a slight decrease in our insurance cost for FY2019. Our Directors will review our insurance policies and coverage from time to time to ensure our insurance remains adequate in the future.

INFORMATION TECHNOLOGY AND INTELLECTUAL PROPERTY

Other than our accounting software which we generate management accounts regularly to monitor the performance of our business, we did not rely on any major information technology system for our business operation. During the Track Record Period, we did not conduct any technological research and development activities, or incur any research and development costs.

As at the Latest Practicable Date, we had two registered trademarks at the Intellectual Property Department Hong Kong which we consider are material to our business. For further details on our Material Intellectual Property rights, see “Statutory and General Information – B. Further Information about the Business of our Company – 2. Intellectual Property Rights of our Group” in Appendix IV to this prospectus.

For the risks associated with our unregistered logos or our intellectual properties, see “Risk Factors – Risks Relating to our Business – Damage to our brand name or failure to protect our brand name may affect the attractiveness of our services” in this prospectus.

During the Track Record Period and up to the Latest Practicable Date, to the best knowledge of our Directors after having made all reasonable enquiries, we had not infringed or had not been alleged to infringe any intellectual property rights owned by third parties and we had not been subject to any material intellectual property claims against us or involved in any material intellectual property dispute.

ENVIRONMENTAL PROTECTION

Due to the nature of our business, our Group’s operational activities do not significantly generate industrial pollutants, and we did not incur material costs of compliance with applicable environmental protection rules and regulations during the Track Record Period. Our Directors expect that we will not incur significant costs for compliance with applicable environmental protection rules and regulations in the future. Nevertheless, we recognise the importance of environmental protection and we strive to meet the expectation of the community for healthy standards of living and working environment. We have implemented environmental protection measures in the course of providing our facility management

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services, such as encouraging the use of recycled paper and providing separate recycling bins for different types of refuse. As at the Latest Practicable Date, we had not recorded any material non-compliance in respect of any applicable laws and regulations on environmental protection.

PROPERTIES

As at the Latest Practicable Date, we did not own any properties and we leased one property for use as our headquarters and a number of carparks for our car parking rental and management services, with the following details of our major leases set out below:

Location	Usage	Area	Landlord	Monthly rental fee	Commencement date	Expiry date
1/F, Hang Seng Castle Peak Road Building, 339 Castle Peak Road, Cheung Sha Wan, Kowloon	Office	4,045 sq.ft.	Independent third party	HK\$56,630 (for the period from 16 August 2017 to 15 August 2018), HK\$64,720 (for the period from 16 August 2018 to 15 August 2019) and HK\$68,765 (for the period from 16 August 2019 to 15 August 2020)	• 16 August 2017	15 August 2020
G/F-3/F and Rooftop, Hing Wah Apartments, 38 Hing Wah Street, Cheung Sha Wan, Kowloon	Carpark	26 parking slots	Yan Yan Motors, a member of the Ma Companies <i>(Note)</i>	HK\$32,000	• 1 May 2018	30 April 2020
Parking slots 1-20, G/F., Wah Fu Court, 110 Soy Street, Mong Kok, Kowloon	Carpark space	20 parking slots	Yan Yan Motors, a member of the Ma Companies <i>(Note)</i>	HK\$58,000	• 1 July 2018	30 June 2020
					• 1 July 2016	30 June 2018

Note: During the Track Record Period, we leased a number of carparks in Hong Kong for our business operation from Yan Yan Motors, a member of the Ma Companies, which constitute exempt continuing connected transactions.

As at the Latest Practicable Date, we had no single property with a carrying amount of 15% or more of our total assets, and, on this basis, we are not required under rule 8.01A of the GEM Listing Rules to include in this prospectus any valuation report. Pursuant to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance

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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.

MARKET COMPETITION

According to the Frost & Sullivan Report, the security services and facility management services markets in Hong Kong are fragmented and competitive. In 2018, there were approximately over 600 players in the security services industry in Hong Kong, while there were approximately 900 property and carpark management companies and 1,000 cleaning companies in Hong Kong. There is no single industry player accounting for a market share of more than 10% in 2018 in each of our business segments. However, our Directors believe that we have strong brand recognition and a proven track record of providing a spectrum of quality services with solid base of reputable client base which enable us to differentiate ourselves in the industry and continue to capitalise market opportunities. For details about the markets in which our Group operates in, please see “Industry Overview” in this prospectus.

LEGAL COMPLIANCE

As confirmed by our Directors, we had not been involved in any incidents which, as considered by our Directors, is either a material impact non-compliance or systemic non-compliance in accordance with the interpretation of the Stock Exchange’s Guidance Letter HKEX-GL63-13, and we had complied with all applicable Hong Kong laws and regulations for our business activities and operations in all material aspects during the Track Record Period and up to the Latest Practicable Date.

INTERNAL CONTROL AND RISK MANAGEMENT

We believe that effective internal control and risk management are critical to our success. In accordance with the applicable laws and regulations, we have established an internal control system, covering areas such as corporate governance, risk management, operations, management, legal matters, finance and audit.

We have also established an internal control system, covering areas such as operations including cash management, payroll management, insurance and finance. We believe that our internal control system is sufficient in terms of comprehensiveness, practicability and effectiveness.

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In preparation for Listing, on 21 December 2017, we appointed an internal control consultant to perform a detailed review of our Group's financial procedures, systems and internal controls with an aim to, among other matters, improve our Group's corporate governance and ensure compliance with the applicable laws and regulations. The scope of the internal control review included the areas of corporate governance, risk management, financial, operations and compliance. Upon completion of such review, the following major findings were identified in the internal control review report:

Major findings	Recommendations and remediation actions taken by our Group
<p>(i) <i>Maintenance of chart of accounts</i></p> <ul style="list-style-type: none">• The chart of accounts could be amended without written approval.• Result of regular review had not been recorded to ascertain the appropriateness of the active accounts.	<ul style="list-style-type: none">• Going forward, the amendment of chart of accounts and the result of periodic review would be properly recorded.• The procedure of maintenance of chart of accounts and regular review has been stipulated in written policy.
<p>(ii) <i>Accounts receivable aging</i></p> <ul style="list-style-type: none">• Accounts receivable aging analysis was not regularly prepared and submitted to the management for review.• The follow up status of long outstanding receivables was not recorded.	<ul style="list-style-type: none">• Going forward, the accounting officer would prepare the list of accounts receivable and report its status to the management for review.• Going forward, payment reminder would be sent to clients with more than 30 days outstanding trade receivables balance.
<p>(iii) <i>Management of contracts</i></p> <ul style="list-style-type: none">• Terms and conditions of certain engagements which were entered into by our Group on an ad-hoc or urgent basis were not set out in writing.	<ul style="list-style-type: none">• Procedures and policy of managing such contracts have been adopted.• Going forward, such contracts are undertaken only when the client involved is a recurring client and that we are able to obtain at least a signed quotation or purchase order or an email confirmation from the client before commencement of work.

Major findings	Recommendations and remediation actions taken by our Group
<p>(iv) <i>Payment authorisation</i></p> <ul style="list-style-type: none">• A single signatory was sufficient to execute the cheque payment regardless of the amount. Dual control was not established in this aspect.	<ul style="list-style-type: none">• Payment approval matrix has been formulated with different approval limits and respective authority.• Dual control for cheque payment has been established. Going forward, two signatories are required to execute the cheque payment.
<p>(v) <i>Depreciation</i></p> <ul style="list-style-type: none">• Depreciation expense was recorded once a year instead of once a month.	<ul style="list-style-type: none">• Fixed asset depreciation summary have been prepared and, going forward, monthly depreciation voucher would be prepared and reviewed.• Going forward, the accounting vouchers would be attached with the depreciation schedule.

The internal control consultant also performed a follow-up review on the status of our actions to address the findings in the abovementioned evaluation and did not identify any material weakness or raise any further recommendation in the review.

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

- we have established a risk management committee to, among other things, advise our Board on risk-related issues and oversee risk management framework. For details, see “Directors and Senior Management” in this prospectus;
- our Board will continuously monitor, evaluate and review our internal control system to ensure compliance with the applicable legal and regulatory requirements and will adjust, refine and enhance our internal control system as appropriate;
- induction trainings were arranged for our Directors, our company secretary or head of finance department so as to discuss and study the relevant regulatory requirements in relation to directors’ responsibilities and duties under the relevant laws and regulation, and if necessary, additional trainings on the legal and regulatory requirements applicable to our business operations would be arranged from time to time;

BUSINESS

- all management and staff of our Group are required to report to and/or notify our Directors, our compliance officer or our external legal advisers promptly of any non-compliance or potential non-compliance events;
- we will appoint Red Solar Capital Limited as our compliance adviser upon Listing to advise our Group on matters relating to compliance with the GEM Listing Rules; and
- if necessary, we may consider appointing external Hong Kong legal advisers to advise us on matters relating to compliance with the GEM Listing Rules and the applicable Hong Kong laws and regulations.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Our Board consists of eight Directors, comprising five executive Directors and three independent non-executive Directors. Our Board is responsible for and has general powers of the management and conduct of the business of our Group. The powers and duties of our Board include convening general meetings and reporting our Board's work at our Shareholders' meetings, determining our business and investment plans, preparing our annual financial budgets and final reports, formulating proposals for profit distributions and for the increase or reduction of our registered capital as well as exercising other powers, functions and duties as conferred by the Memorandum and Articles of Association.

The table below sets forth certain information in respect of members of our Board:

Members of our Board

Name	Age	Date of joining our Group	Date of appointment as Director	Position	Roles and Responsibilities	Relationship with other Directors
<i>Executive Directors</i>						
Mr. Ma Ah Muk (馬亞木)	88	1 April 2008	23 March 2018	Chairman of our Company and Executive Director	Overall business strategic development of our Group	Father of Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma, and grandfather of Mr. Leo Ma
Mr. Ma Kiu Sang (馬僑生)	63	1 April 2008	23 March 2018	Executive Director	Overall corporate and business strategic formulation of our Group	Son of Mr. Ma Ah Muk, brother of Mr. KM Ma and Mr. Vince Ma, and father of Mr. Leo Ma
Mr. Ma Kiu Mo (馬僑武)	61	1 April 2008	23 March 2018	Executive Director	Overall corporate and business strategic formulation of our Group	Son of Mr. Ma Ah Muk, brother of Mr. KS Ma and Mr. Vince Man, and uncle of Mr. Leo Ma

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Name	Age	Date of joining our Group	Date of appointment as Director	Position	Roles and Responsibilities	Relationship with other Directors
Mr. Ma Kiu Man, Vince (馬僑文)	57	1 April 2008	23 March 2018	Executive Director	Overall corporate and business strategic formulation of our Group	Son of Mr. Ma Ah Muk, brother of Mr. KS Ma and Mr. KM Ma, and uncle of Mr. Leo Ma
Mr. Ma Yung King, Leo (馬雍景)	31	23 March 2018	23 March 2018	Executive Director	Overall corporate strategic formulation, business management, execution and operation of our Group	Son of Mr. KS Ma, grandson of Mr. Ma Ah Muk and nephew of Mr. KM Ma and Mr. Vince Ma

Independent non-executive Directors

Dr. Ng Ka Sing, David (吳家聲)	62	20 September 2019	20 September 2019	Independent non-executive Director	Supervising and providing independent advice on the operation and management of our Group	Nil
Ms. Chang Wai Ha (鄭惠霞)	51	20 September 2019	20 September 2019	Independent non-executive Director	Supervising and providing independent advice on the operation and management of our Group	Nil
Mr. Yau Siu Yeung (游紹揚)	33	20 September 2019	20 September 2019	Independent non-executive Director	Supervising and providing independent advice on the operation and management of our Group	Nil

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Executive Directors

Mr. MA Ah Muk (馬亞木), aged 88, is the Chairman of our Company and executive Director and is primarily responsible for the overall strategic business development of our Group. He is the father of Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma, and the grandfather of Mr. Leo Ma.

Mr. Ma Ah Muk founded and has been a director of Yan Yan Motors since its incorporation in 1977. He has over 30 years of experience in the public light bus industry. His public light bus business continued to expand over the years and his green minibus fleet is currently the largest in Hong Kong, operating on major routes in Hong Kong. As an entrepreneur, Mr. Ma Ah Muk ventured into new businesses covering various industries including real estate, finance, food and beverage, security services and hotel management. Amongst all, being a strategic investor as he has always been and is constantly on the lookout for investment opportunities that will deliver long-term returns, Mr. Ma Ah Muk ventured into the security services sector in 2008 when he along with the other members of the Ma Family acquired IWS Security and subsequently tapped into the provision of facility management services in 2016 with an aim to satisfy our clients' different needs through providing a spectrum of facility services which involve property management services, car parking rental and management services, cleaning services and hotel management services. Mr. Ma Ah Muk has been the director of IWS Security since its acquisition as well as the director of each of IWS PM, IWS Cleaning and IWS Carpark since their respective date of incorporation. Since the founding of our Group, with the assistance of our senior management who possess in-depth industry knowledge expertise in various areas including security services and facility management services, Mr. Ma Ah Muk along with our other executive Directors oversees the overall business strategic development of our Group.

Mr. Ma Ah Muk is an advocate of youth development and education, setting up scholarships at The Chinese University of Hong Kong.

Mr. Ma Ah Muk also serves as an Honorary Life President of Hong Kong, Kowloon and N.T. Public & Maxicab Light Bus Merchants' United Association and Public Light Bus General Association. Mr. Ma Ah Muk was awarded an honorary fellowship from the Hong Kong Academy for Performing Arts in October 2017.

Mr. Ma Ah Muk was a director of the companies listed below, which were incorporated in Hong Kong and were dissolved by deregistration by Registrar of Companies in Hong Kong pursuant to section 291AA of the former Companies Ordinance or section 751 of the Companies Ordinance (as the case may be) due to cessation of business:

Name of company	Principal business activity prior to its dissolution	Date of dissolution
RICH TYPE INVESTMENT LIMITED (富式投資有限公司)	Catering	15 June 2001

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Name of company	Principal business activity prior to its dissolution	Date of dissolution
LONG BENEFIT TRANSP. CO. LIMITED (朗華旅遊巴士服務有限公司)	Transportation	17 October 2008
LUCKY CRYSTAL LIMITED (福瑩有限公司)	Investment holding	28 October 2011
KIU WAN PUBLIC LIGHT BUS (SCHEDULED) SERVICE COMPANY LIMITED (僑運專線小巴有限公司)	Transportation	22 December 2017

Mr. Ma Ah Muk confirmed that the above dissolved companies were solvent immediately prior to their dissolutions. He further confirmed that there was no wrongful act on his part leading to their dissolutions and that the above dissolved companies were not subject to any civil, criminal litigation and arbitration proceedings at the time of their dissolutions.

For litigations relating to the Ma Family and Mr. Ma Ah Muk, please refer to the sub-section headed “Litigations involving our Executive Directors” in this section of the prospectus.

Mr. MA Kiu Sang (馬僑生), aged 63, is an executive Director and is primarily responsible for the overall corporate and business strategic formulation of our Group. He is a son of Mr. Ma Ah Muk, the brother of Mr. KM Ma and Mr. Vince Ma, and the father of Mr. Leo Ma.

Mr. KS Ma has been a director of Yan Yan Motors since 1984. He has over 30 years of experience in the public light bus industry. He also engages in businesses covering various industries including real estate, finance, food and beverage, security services and hotel management. Along with Mr. Ma Ah Muk, who is a strategic investor, and other members of the Ma Family, Mr. KS Ma ventured into the security services sector in 2008 when they acquired IWS Security and subsequently tapped into the provision of facility management services in 2016 with an aim to satisfy our clients’ different needs through providing a spectrum of facility services which involve property management services, car parking rental and management services, cleaning services and hotel management services. Mr. KS Ma has been the director of IWS Security since its acquisition as well as the director of each of IWS PM, IWS Cleaning and IWS Carpark since their respective date of incorporation. Since the founding of our Group, with the assistance of our senior management who possess in-depth industry knowledge expertise in various areas including security services and facility management services, Mr. KS Ma along with our other executive Directors oversees the overall corporate and business strategic formulation of our Group.

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Since 2005, Mr. KS Ma serves as the chairman of Public Light Bus General Association. He has been the division leader and managing director of Hong Kong Chiu Chow Chamber of Commerce since September 2008 and September 2012, respectively. Mr. KS Ma is the vice chairman of Hong Kong Land Transport Council from June 2017 to June 2020. He was also conferred the Medal of Honour by the Hong Kong Government in 2016. Mr. KS Ma attended secondary school education in Hong Kong.

Mr. KS Ma was a director of the following companies incorporated in Hong Kong during their respective dissolutions by deregistration or striking off pursuant to section 291AA or 291(b) of the former Companies Ordinance or section 751 of the Companies Ordinance (as the case may be) due to cessation of business or having no business operation since incorporation:

Name of company	Principal business activity prior to its dissolution	Date of dissolution	Means of dissolution
SOMAN INVESTMENT LIMITED (崇明投資有限公司)	Investment holding	19 October 2001	Striking off
LONG BENEFIT TRANSP. CO. LIMITED (朗華旅遊巴士服務有限公司)	Transportation	17 October 2008	Deregistration
LUCKY CRYSTAL LIMITED (福瑩有限公司)	Investment holding	28 October 2011	Deregistration
PERPETUAL PROSPERITY PROPERTY AGENCY LIMITED (永勝物業代理有限公司)	Property agency	13 April 2012	Deregistration
MOST SUNNY LIMITED (采盛有限公司)	Investment holding	17 November 2017	Deregistration
KIU WAN PUBLIC LIGHT BUS (SCHEDULED) SERVICE COMPANY LIMITED (僑運專線小巴有限公司)	Transportation	22 December 2017	Deregistration
TOTAL RICH DEVELOPMENT LIMITED (廣富發展有限公司)	Investment holding	19 January 2018	Deregistration

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Mr. KS Ma confirmed that (i) the above dissolved companies were not subject to any civil, criminal litigation and arbitration proceedings at the time of dissolutions, (ii) the above dissolved companies were solvent immediately prior to their dissolutions, and (iii) there was no wrongful act on his part leading to their dissolutions.

Mr. KS Ma was also a director of the following wound-up company, with details as follows:

Name of company	Principal business activity prior to its winding up	Date of winding up	Means of winding up
FU LAM CATERING HOLDINGS LIMITED (富林飲食集團有限公司) (“ Fu Lam ”)	Catering	12 December 2008	Compulsory winding up

In addition, Mr. KS Ma confirmed that (i) he was only a passive director and had never been involved in the management of Fu Lam’s business; (ii) there was no wrongful act on his part leading to Fu Lam’s dissolution or the commencement of the winding up process; and (iii) no actual claim or disqualification order had been made against him as a result of Fu Lam’s dissolution.

Mr. KS Ma, to the best of his knowledge, information and belief, confirmed that, as at the Latest Practicable Date, no claims had been made against him and he was not aware of any threatened and potential claims made against him as a result of the dissolutions of the above companies.

For litigations relating to the Ma Family and Mr. KS Ma, please refer to the sub-section headed “Litigations involving our Executive Directors” in this section of the prospectus.

Mr. MA Kiu Mo (馬僑武), aged 61, is an executive Director and is primarily responsible for the overall corporate and business strategic formulation of our Group. He is a son of Mr. Ma Ah Muk, the brother of Mr. KS Ma and Mr. Vince Ma, and the uncle of Mr. Leo Ma.

Mr. KM Ma has been a director of Yan Yan Motors since 1996. He has over 20 years of experience in the public light bus industry. He also engages in businesses covering various industries including real estate, finance, food and beverage, security services and hotel management. Along with Mr. Ma Ah Muk, who is a strategic investor, and other members of the Ma Family, Mr. KM Ma ventured into the security services sector in 2008 when they acquired IWS Security and subsequently tapped into the provision of facility management services in 2016 with an aim to satisfy our clients’ different needs through providing a spectrum of facility services which involve property management services, car parking rental

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and management services, cleaning services and hotel management services. Mr. KM Ma has been the director of IWS Security since its acquisition as well as the director of each of IWS PM, IWS Cleaning and IWS Carpark since their respective date of incorporation. Since the founding of our Group, with the assistance of our senior management who possess in-depth industry knowledge expertise in various areas including security services and facility management services, Mr. KM Ma along with our other executive Directors oversees the overall corporate and business strategic formulation of our Group. Mr. KM Ma attended secondary school education in Hong Kong in 1975.

Mr. KM Ma was a director of the companies listed below, which were incorporated in Hong Kong and were dissolved by deregistration by Registrar of Companies in Hong Kong pursuant to section 291AA of the former Companies Ordinance or section 751 of the Companies Ordinance (as the case may be) due to cessation of business:

Name of company	Principal business activity prior to its dissolution	Date of dissolution
LONG BENEFIT TRANSP. CO. LIMITED (朗華旅遊巴士服務有限公司)	Transportation	17 October 2008
KIU WAN PUBLIC LIGHT BUS (SCHEDULED) SERVICE COMPANY LIMITED (僑運專線小巴有限公司)	Transportation	22 December 2017

Mr. KM Ma confirmed that the above dissolved companies were solvent immediately prior to their dissolutions. He further confirmed that there was no wrongful act on his part leading to their dissolutions and that the above dissolved companies were not subject to any civil, criminal litigation and arbitration proceedings at the time of their dissolutions.

For litigations relating to the Ma Family, please refer to the sub-section headed “Litigations involving our Executive Directors” in this section of the prospectus.

Mr. Ma Kiu Man, Vince (馬僑文), aged 57, is an executive Director and is primarily responsible for the overall corporate and business strategic formulation of our Group. He is a son of Mr. Ma Ah Muk, the brother of Mr. KS Ma and Mr. KM Ma, and the uncle of Mr. Leo Ma.

Mr. Vince Ma has been a director of Yan Yan Motors since 1995. He has over 20 years of experience in the public light bus industry. He also engages in businesses covering various industries including real estate, finance, food and beverage, security services and hotel management. Along with Mr. Ma Ah Muk, who is a strategic investor, and other members of the Ma Family, Mr. Vince Ma ventured into the security services sector in 2008 when they acquired IWS Security and subsequently tapped into the provision of facility management

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services in 2016 with an aim to satisfy our clients' different needs through providing a spectrum of facility services which involve property management services, car parking rental and management services, cleaning services and hotel management services. Mr. Vince Ma has been the director of IWS Security since its acquisition as well as the director of each of IWS PM, IWS Cleaning and IWS Carpark since their respective date of incorporation. Since the founding of our Group, with the assistance of our senior management who possess in-depth industry knowledge expertise in various areas including security services and facility management services, Mr. Vince Ma along with our other executive Directors oversees the overall corporate and business strategic formulation of our Group.

Mr. Vince Ma obtained a bachelor of science from the University of Guelph in Canada in June 1985 and graduated from the University of Toledo in the United States with a master of science in physics in December 1991.

Mr. Vince Ma was a director of the companies listed below, which were incorporated in Hong Kong and were dissolved by deregistration by Registrar of Companies in Hong Kong pursuant to section 291AA of the former Companies Ordinance or section 751 of the Companies Ordinance (as the case may be) due to cessation of business or having no business operation since incorporation:

Name of company	Principal business activity prior to its dissolution	Date of dissolution
RICH TYPE INVESTMENT LIMITED (富式投資有限公司)	Catering	15 June 2001
LONG BENEFIT TRANSP. CO. LIMITED (朗華旅遊巴士服務有限公司)	Transportation	17 October 2008
MOST SUNNY LIMITED (采盛有限公司)	Investment holding	17 November 2017
KIU WAN PUBLIC LIGHT BUS (SCHEDULED) SERVICE COMPANY LIMITED (僑運專線小巴有限公司)	Transportation	22 December 2017
TOTAL RICH DEVELOPMENT LIMITED (廣富發展有限公司)	Investment holding	19 January 2018

Mr. Vince Ma confirmed that the above dissolved companies were solvent immediately prior to their dissolutions. He further confirmed that there was no wrongful act on his part leading to their dissolutions and that the above dissolved companies were not subject to any civil, criminal litigation and arbitration proceedings at the time of their dissolutions.

For litigations relating to the Ma Family, please refer to the sub-section headed "Litigations involving our Executive Directors" in this section of the prospectus.

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Mr. MA Yung King Leo (馬雍景), aged 31, is an executive Director and is primarily responsible for the overall corporate strategic formulation, business management, execution and operation of our Group. He is a member of the Ma Family and the son of Mr. KS Ma.

Mr. Leo Ma first joined Koon Wing Motors Limited, the largest operator of green minibuses in Hong Kong, in January 2011, where he was responsible for the public light bus fleet management. He left Koon Wing Motors Limited in March 2012 and re-joined the company in October 2016 and is currently serving as its director. He co-founded Trinity Insurance (International) Agency Limited, a company incorporated in Hong Kong which principally engages in the provision of insurance agency services in Hong Kong, in December 2011. He has also been a director of Corporate Icon Limited, a company incorporated in Hong Kong which principally engages in property holding, since October 2011. Between May 2013 and May 2014, Mr. Leo Ma worked as a product development engineer in Niche-Tech (Hong Kong) Limited (“**Niche-Tech (HK)**”), a company principally engaged in trading of semiconductor packaging materials. Mr. Leo Ma is a non-executive director of Niche-Tech Group Limited (“**Niche-Tech**”), a company listed on GEM of the Stock Exchange (stock code: 8490) and is the holding company of Niche-Tech (HK), since September 2017. He is responsible for the overall strategic planning of Niche-Tech.

Mr. Leo Ma obtained a Bachelor of Science in Mechanical Engineering in May 2010 and a Master of Science in Mechanical Engineering in December 2010 from Carnegie Mellon University in the United States.

For litigations relating to the Ma Family, please refer to the sub-section headed “Litigations involving our Executive Directors” in this section of the prospectus.

Litigations involving our Executive Directors

(a) Litigations relating to certain Ma Companies

Our executive Directors are members of the Ma Family who have invested in, directly and/or indirectly, a group of the Ma Companies engaged in a wide spectrum of businesses, including but not limited to, public light bus operations, property investment, finance and lending, property and casualty insurance and food and beverage. See “Relationship with our Controlling Shareholders” in this prospectus for further details.

Due to their business nature, certain Ma Companies, which include Yan Yan Motors, Crown Score Industries Limited, Fu Lam Investment Company Limited, Express Top Industries Limited, Koon Wing Motors Limited, Rich Type Investment Limited, Fu Kiu Catering Holdings Limited, Chu Kong Vehicle Works Factory Limited, Argos Bus Services Company Limited, Hung Hom Sam York Chiu Kiu Yue Lan Friendly Society Limited, Sino Market Enterprises Limited and Trinity General Insurance Limited, were involved as defendants in over 270 litigation cases or legal proceedings (the “**Cases**”) which comprise mainly (i) the Cases primarily with respect to claims for property damage or personal injury in traffic accidents, breaches of building and fire safety orders and labour disputes arising primarily

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from the usual and ordinary course of business of such Ma Companies concerned which are principally engaged in the operation of public light buses and are investment property holding companies (“**Business-related Cases**”); and (ii) the Cases with respect to claims arising from land dispute or sales and purchase of business interest, claim for service fees and commercial disputes (“**Commercial Cases**”). Our executive Directors served or are serving as also directors of these Ma Companies, either jointly or separately.

(1) Criminal cases

To the best knowledge and belief of our Directors having made all reasonable enquiries, based on the relevant documents discovered up to Latest Practicable Date, certain Ma Companies were/are involved in over 30 criminal litigations. All of them were Business-related cases and had ended. The fines/penalties of these criminal Cases as meted out are modest ranging from approximately HK\$250.0 to approximately HK\$0.01 million in an aggregate amount of approximately HK\$0.2 million. Our executive Directors confirmed that no directors of the Ma Companies concerned had been charged. Set out below is a summary of the key information of the criminal Cases.

Nature of the Cases	Number of the Cases ⁽¹⁾ (Approximately)	Range of/ Aggregate amount of fine/penalty ⁽¹⁾ (Approximately)	Status as at Latest Practicable Date
(i) Breach of building orders and fire safety orders for certain Ma Companies holding properties	<ul style="list-style-type: none"> • 22 cases in total, comprising:– – 20 cases commenced prior to the Track Record Period with the earliest court action commencement date in 2005; and – two cases commenced during the Track Record Period and up to Latest Practicable Date (the “Relevant Period”) 	<ul style="list-style-type: none"> • Each: HK\$2,000 – HK\$10,600 • Aggregate: less than HK\$0.2 million 	All cases had ended.

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Nature of the Cases	Number of the Cases ⁽¹⁾ (Approximately)	Range of/ Aggregate amount of fine/penalty ⁽¹⁾ (Approximately)	Status as at Latest Practicable Date
(ii) Breach of traffic regulations relating to vehicle systems and parts (e.g. tyres, fittings, components and emissions, etc) of public light buses business operated by certain Ma Companies	<ul style="list-style-type: none"> • Eight cases in total, all of which were commenced prior to the Relevant Period with the earliest court action commencement date in 2003 and the latest in 2015 	<ul style="list-style-type: none"> • Each: HK\$500 – HK\$3,000 • Aggregate: less than HK\$0.02 million 	All cases had ended.
(iii) Minor offence prosecuted under summonses of not keeping the braking system in good and efficient order and traffic offence of having tyres with wrong tread pattern	<ul style="list-style-type: none"> • Two cases in total, each of which commenced in 1989 and 1998, respectively 	<ul style="list-style-type: none"> • Each: HK\$250 and HK\$1,000 • Aggregate: HK\$1,250 	All cases had ended.

Notes:

1. The number of criminal cases are counted based on each court case number and are based on the relevant documents discovered up to Latest Practicable Date.

(2) *Civil cases*

To the best knowledge and belief of our Directors having made all reasonable enquiries, based on the relevant documents discovered up to Latest Practicable Date, certain Ma Companies were/are involved as defendants in over 250 civil litigations with an aggregate settlement, adjudged and claim amount of approximately HK\$39.3 million. Set out below is a summary of the key information of the civil Cases.

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Nature of the Cases	Number of the Cases ⁽¹⁾ (Approximately)	Range of/Aggregate amount of settlement and adjudged or claim amount ^(2 and 3) (Approximately)	Status as at Latest Practicable Date ⁽³⁾
(i) Claims for property damage or personal injury and other related claims arising out of traffic accidents of certain Ma Companies mainly involving in public light bus business	<ul style="list-style-type: none"> • 112 cases in total, comprising:- – 68 cases commenced prior to the Relevant Period with the earliest court action commencement date in 1991; and – 44 cases commenced during the Relevant Period 	<ul style="list-style-type: none"> • Each: HK\$2,700.0 – HK\$3.0 million • Aggregate: HK\$26.9 million 	<ul style="list-style-type: none"> • 75 cases had ended • 37 cases were still pending
(ii) Claims for management fees, renovation and repair costs contribution or property damage relating to investment properties owned by certain Ma Companies	<ul style="list-style-type: none"> • 32 cases in total, comprising:- – 22 cases commenced prior to the Relevant Period with the earliest court action commencement date in 2004; and – ten cases commenced during the Relevant Period 	<ul style="list-style-type: none"> • Each: HK\$50.0 – HK\$1.7 million • Aggregate: HK\$4.3 million 	<ul style="list-style-type: none"> • 24 cases had ended • Eight cases were still pending

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Nature of the Cases	Number of the Cases ⁽¹⁾ (Approximately)	Range of/Aggregate amount of settlement and adjudged or claim amount ^(2 and 3) (Approximately)	Status as at Latest Practicable Date ⁽³⁾
(iii) Claims for employee compensation and employee-related matters arising out of business operated by certain Ma Companies	<ul style="list-style-type: none"> • 51 cases in total, comprising:- <ul style="list-style-type: none"> – 45 cases commenced prior to the Relevant Period with the earliest court action commencement date in 2003; and – six cases commenced during the Relevant Period 	<ul style="list-style-type: none"> • Each: HK\$2,000.0 – HK\$0.5 million • Aggregate: HK\$2.9 million 	<ul style="list-style-type: none"> • 21 cases had ended • 30 cases were still pending
(iv) Claims for service fees and damages	<ul style="list-style-type: none"> • Three cases in total, all of which commenced prior to the Relevant Period with the earliest court action commencement date in 2002 	<ul style="list-style-type: none"> • Each: HK\$1.1 million – HK\$2.5 million • Aggregate: HK\$3.6 million 	<ul style="list-style-type: none"> • All cases had ended.
(v) Claims arising from discreet disputes on land and related sale and purchase of business interest contracts	<ul style="list-style-type: none"> • Nine cases in total, comprising:- <ul style="list-style-type: none"> – six cases commenced prior to the Relevant Period with the earliest court action commencement date in 1994; and – three case commenced during the Relevant Period 	<ul style="list-style-type: none"> • Amount not predetermined in judgment or claim 	<ul style="list-style-type: none"> • Two cases had ended • Seven cases were still pending

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Notes:

1. The number of civil Cases are counted based on each court case number and are based on the relevant documents discovered up to Latest Practicable Date. This excluded civil Cases for which the nature cannot be ascertained because either (i) the relevant documents discovered do not indicate the nature (approximately 30 civil Cases) or (ii) court documents of these Cases have been destroyed as informed by the court (approximately 15 civil Cases).
2. The settlement and adjudged amount for settled cases, the claim amount for unsettled cases, the interests and/or costs thereon are excluded if the exact amount of the same are not stated in the relevant documents available.
3. A case is considered to be pending if, as shown in the relevant documents discovered: (a) order for full and final settlement was not handed down; (b) a judgment was not made; (c) the claim was not dismissed, withdrawn or discontinued; (d) a charging order (an order imposed on land/real estate in court) has not been discharged; (e) the case was not transferred or appealed to another court; or (f) no notice of acceptance of money paid into court/sanctioned payment. A case is considered to have ended if the relevant documents discovered show otherwise.

The settlement and adjudged amount for settled cases does not include those cases which (i) had been discontinued, dismissed, or withdrawn without any relevant documents discovered showing the settlement amount (if any); (ii) relevant settlement amount/settlement agreement is not available from the relevant documents available; or (iii) judgment was in favour of the plaintiff in the relevant case but the adjudged amount could not be ascertained from the relevant documents available.

In terms of the nature as shown in the table above, items (i), (ii) and (iii) above were Business-related Cases while items (iv) and (v) above were Commercial Cases. Among all the Civil Cases (i) approximately 140 Cases had ended with settlement and adjudged amounts for each case ranging from approximately HK\$50.0 to approximately HK\$2.5 million in an aggregate amount of approximately HK\$18.9 million and (ii) approximately 100 Cases are pending with claim amounts for each case ranging from approximately HK\$2,700.0 to approximately HK\$3.0 million in an aggregate amount of approximately HK\$20.3 million.

(b) Litigations as shown in the table above relating to Mr. Ma Ah Muk and Mr. KS Ma only

Mr. Ma Ah Muk and Mr. KS Ma were parties to a civil litigation involving commercial dispute on a personal business agreement to acquire shares of a private company in which Mr. Ma Ah Muk and Mr. KS Ma invested. This case commenced in 2013 and was dismissed in 2017.

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(c) *Legal advice of the Senior Counsel*

Mr. C.Y. Li, S.C. (the “**Senior Counsel**”) is of the view that, on the suitability issue of our executive Directors, the most relevant question is whether the Cases have any bearing on the quality of a director of a listed Company. This can be gathered from the nature of the actions and the claims made therein. The Senior Counsel is also of the view that, based on the nature of the Cases and the claims made therein, despite a large number of the Cases involved certain Ma Companies, our executive Directors are suitable to act as directors of our Company under Rules 5.01 and 5.02 of the GEM Listing Rules on the basis of the following facts and considerations:

- (1) it has been consistently emphasised by courts on numerous occasions that the question of whether a director has in fact acted in breach of his duty of care can only be determined upon consideration of the facts and circumstances of the particular case. The incidents involved in each of the Cases are discrete and separate and there is nothing to suggest any breach of duty on the part of our executive Directors in relation to the incidents or any system failure in the management by our executive Directors;
- (2) save for the civil litigations in which Mr. Ma Ah Muk and/or Mr. KS Ma were parties, none of our executive Directors is party to any of the Cases;
- (3) the Business-related Cases are expected occurrences as being part of usual business hazards in the ordinary course of business by reason of the nature of the business of the Ma Companies concerned which were/are not uncommon. It is, therefore, well nigh impossible to suggest that the Cases happened because of any breach of fiduciary duty on the part of our executive Directors or mismanagement on their part;
- (4) Ma Companies have engaged in public light bus operations for more than 25 years and operate a fleet of approximately 600 public light buses covering approximately 60 lines as at 31 March 2019. According to Frost & Sullivan, the industry consultant of the Company, and the road traffic accidents statistics published by the Transport Department of the Government of the Hong Kong Special Administration Region (“Transport Department”), approximately 28,000 road traffic accidents involving public light buses occurred during the period from 1991 to 2018. In light of the above statistics, bearing in mind the size of the public light buses operation of Ma Companies, the fact is that Ma Companies were involved in only approximately 107 cases in total since 1991 (when the earliest case was commenced) up to 31 December 2018 (of which approximately 68 cases commenced between 1991 and 31 March 2016 and approximately 39 cases commenced between 1 April 2016 and 31 December 2018), it is considered that the nature and number of litigations are usual business hazards arising in the ordinary course of public light bus businesses. Such number of incidents encountered by Ma Companies are in line with the industry norm if not relatively lower;

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- (5) as confirmed by the executive Directors, Ma Companies have implemented certain internal control measures to ensure accident rate is kept at the lowest possible. Such internal control measures include passing the requisite road test prior to employment with Ma Companies as a public light bus driver, shorter working hours for public light bus drivers who are over the age of 65, and imposition of accident penalty on the drivers should accidents arise due to negligence and/or carelessness of the relevant driver(s).
- (6) none of the Commercial Cases contains any materials or findings to suggest they had anything to do with the integrity or competence of our executive Directors as directors of companies or the failure, if at all, on their parts to discharge their duties as directors;
- (7) many of the Cases have been concluded or settled, or are old stale actions spanning over a number of years as from 1989 up to now which would either should have been concluded and even if not, they could not be proceeded with because of want of prosecution as in the least there is nothing to suggest the parties concerned have any intention to proceed with them. None of the Cases involve claim of significant amount;
- (8) none of the Cases involves any disqualification order against our executive Directors to act as directors or being litigations directly or indirectly implying any breach of fiduciary duties owed by them to the Ma Companies concerned with the Cases as there is nothing to suggest that that our executive Directors (i) did not act in good faith in the interests of the Ma Companies concerned, (ii) exercised powers for improper purpose, (iii) did not avoid conflicts between personal interests and those of the Ma Companies concerned, or (iv) made secret profits, in the Cases;
- (9) there is nothing to suggest that those actions have any bearing on the performance of our executive Directors as directors of the Ma Companies or entailed a mismanagement of the relevant directors because (a) the Business-related Cases arose out of accidents or incidents which are not uncommon in the usual and ordinary course of businesses of the Ma Companies and when the daily operations and execution of businesses of the Ma Companies were delegated to other staff of the relevant companies at the material time or (b) the Commercial cases are merely one-off incidents not relating to the management of the Ma Companies by our executive Directors. As such, nothing is to do with the integrity or competence of our executive Directors as directors of the Ma Companies or any failure, if at all, on their parts to discharge their duties as directors;
- (10) while the number of Cases is large, besides the fact that they all have nothing to do with the honesty and integrity of our executive Directors, the sheer number does not in one way or another show or prove that our executive Directors are not competent to manage a company in a law-compliant manner nor reflect negatively on their competence and suitability to act as directors of a listed company under the GEM Listing Rules;

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- (11) none of the Cases entailed any allegations or suggestion of dishonesty, fraud, incompetence or mismanagement of the relevant Ma Companies on the part of our executive Directors as their directors, and such observation is underpinned by the fact that no disqualification order against our executive Directors was involved in the Cases;
- (12) there is no case in the Cases on any alleged non-compliance of company law or regulatory control on the part of our executive Directors or the Ma Companies of which they are directors; and
- (13) the criminal Cases relating to certain Ma Companies and Mr. Ma Ah Muk and Mr. KS Ma were/are indeed concerned minor offence which were plainly not serious.

In summary, as advised by the Senior Counsel, although some of the Cases are still on-going, none of them has any bearing or implication on the suitability of our executive Directors to act as Directors under Rules 5.01 and 5.02 of the GEM Listing Rules as they are not litigations concerning or arising out of their management of the Ma Companies concerned or having any reflection on their personal integrity or competence to act as directors.

(d) Views of our Directors and the Sole Sponsor

Our Directors are of the view that that our executive Directors have due regard to relevant laws and regulations, and are competent in operating our businesses in a law-compliant manner and the Cases would not reflect negatively on the competence of our executive Directors and our executive Directors are hence suitable to act as a director under Rules 5.01 and 5.02 of the GEM Listing Rules. In arriving at their view, our Directors have taken into consideration the following factors:–

- (1) all the Business-related Cases are expected occurrences as being part of usual business hazards arising out of the usual and ordinary course of business of such Ma Companies by reason of the nature of their businesses. Our executive Directors have confirmed that all the Business-related Cases were unintentional and inadvertent. Among the Business-related Cases, majority of the cases were related to claims for property damage or personal injury and other related claims arising out of traffic accidents of certain Ma Companies mainly involving public light bus business. From 1991 (when the earliest case was commenced) and up to 31 December 2018, there were a total of approximately 107 cases which represent approximately 0.4% of over 28,000 road accidents involving public light buses in the same period according to the statistics published by the Transport Department. Furthermore, our executive Directors consider that the successful renewal of the passenger service licence of public light bus business operated by the Ma Companies indicates that their internal control measures, such as provision of safety features, have been put in place. In addition, Ma Companies have implemented certain internal control measures to ensure accident rate is kept at the lowest possible, such as passing the requisite road test prior to employment with Ma Companies as a public light bus driver, shorter

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working hours for public light bus drivers who are over the age of 65, and imposition of accident penalty on the drivers should accidents arise due to negligence and/or carelessness of the relevant driver(s). Our executive Directors confirmed that while they were responsible for the overall management and corporate governance of the Ma Companies, the Business-related Cases mostly occurred in the course of the daily operation and execution of businesses of the Ma Companies which were delegated to other staff of the relevant companies at the material time;

- (2) the overall annual road accident rate of public light bus industry in Hong Kong would be approximately 23.9%, 22.5% and 21.2%, respectively, for the period from 2016 to 2018 which is calculated based on the total number of road accidents relating to public light buses in Hong Kong (“Number of Road Accident”) from 2016 to 2018 divided by the respective number of public light buses registered in the same period according to the data published by the Transport Department. For the same periods, the annual road accident rate for the public light buses operated by Ma Companies would be approximately 2.2%, 1.8% and 3.2%, respectively, which are calculated based on the number of cases relating to public light bus operation of Ma Companies from 2016 to 2018 divided by 600 public light buses operated by Ma Companies. Notwithstanding that the number of Business – Related Cases relating to public light buses operated by Ma Companies during 2016 to 2018 was higher than earlier years, they represented approximately 1.2%, 1.1% and 2.1%, respectively, of the Number of Road Accident for each of the year of 2016 to 2018. In view of the above, our executive Directors consider that Business – Related Cases relating to public light bus operation encountered by Ma Companies are in line with the industry norm if not relatively lower.
- (3) the Commercial Cases are one-off incidents caused by commercial disputes between the Ma Companies and the parties involved and are not expected recurrences repeated by the Ma Companies and our executive Directors confirmed the Commercial Cases did not result in any disruption in the operation of the Ma Companies;
- (4) all the Cases did not involve any allegations or suggestion of dishonesty or fraudulent act on the part of our executive Directors as directors of the Ma Companies. None of the Cases involves any disqualification order against our executive Directors to act as directors or being litigations directly or indirectly implying any breach of fiduciary duties owed by them to the Ma Companies, or did not raise any question as to the integrity of our executive Directors;
- (5) none of the Cases involves any alleged non-compliance of company law or regulatory control on the part of our executive Director, or incompetence or mismanagement of the Ma Companies on their part concerned with the Cases;

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- (6) many of the Cases have been concluded or settled, or are old stale actions spanning over a number of years as from 1989 up to now which would either had been concluded and even if not they could not be proceeded with because of want of prosecution as in the least there is nothing to suggest the parties concerned have any intention to proceed with them;
- (7) the criminal Cases relating to certain Ma Companies were/are indeed concerned minor offence and the other Cases did not involve claim of significant amount, all of which, our executive Directors confirmed, did not and will not have any significant financial and operational impact to the relevant Ma Companies;
- (8) our Group has complied in all material respects with all applicable laws, rules and regulations in Hong Kong during the Track Record Period and up to the Latest Practicable Date, which demonstrated that our executive Directors possess the relevant competence and experience in managing the overall business operations of our Group in a law-compliant manner;
- (9) as stated in “(c) Legal advice of the Senior Counsel” in this section above, the Senior Counsel was engaged to provide legal advice on the suitability of our executive Directors to act as directors of a listed company under Rules 5.01 and 5.02 of the GEM Listing Rules. As confirmed by the Senior Counsel, none of the Cases has any bearing or implication on the suitability of our executive Directors to act as directors of a listed company under Rules 5.01 and 5.02 of the GEM Listing Rules as they are not litigations concerning or arising out of their management of the Ma Companies concerned, having any reflection on their personal integrity or competence to act as directors, thus showing or proving their competence to manage a company in a law-compliant manner, even though there was a large number of Cases involved;
- (10) training has been provided to all our Directors by our legal advisers as to Hong Kong law on, among other matters, corporate governance, Companies Ordinance, SFO, directors’ responsibilities and compliance with the GEM Listing Rules;
- (11) our Directors have reviewed the memorandum prepared and distributed by our legal advisers as to Hong Kong law which sets out the requisite on-going regulatory requirements in Hong Kong and obligations of our Directors after Listing;
- (12) each of our executive Directors has confirmed that, after attending the directors’ training mentioned in item (9) above, he had an understanding of the laws and regulations applicable to companies listed in Hong Kong and their directors and he will exercise the skill, care and diligence as reasonably expected from a competent director of a listed company and will give proper attention to the daily operations of our Group to ensure due compliance with the GEM Listing Rules upon Listing;
- (13) our Group has put in place internal control measures to ensure full compliance with applicable laws and regulations going forward, including but not limited, appointment of Red Solar Capital Limited as our compliance adviser; and

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- (14) each of our executive Directors confirms that he will ensure compliance of our Group with all applicable laws and regulations, including but not limited to the GEM Listing Rules, by timely consulting with our compliance adviser and where necessary, seeking independent legal advice from time to time.

Having considered (i) the facts relating to the nature and the circumstances giving rise to the Cases together with insignificant financial and operational impact of such Cases to certain Ma Companies, despite the sheer number of the Cases; (ii) none of the Cases were caused by the intentional act nor the dishonesty, fraudulent act or lack of integrity on the part of any of our executive Directors; (iii) the Business – Related Cases relating to public light bus operation encountered by Ma Companies were in line with the industry norm if not relatively lower; because (a) from 1991 when the earliest case was commenced and up to 31 December 2018, there were a total of approximately 107 cases which represent approximately 0.4% of the total road accidents involving public light buses in the same period; (b) the annual road accident rate for each of public light buses operated by Ma Companies would be approximately 2.2%, 1.8% and 3.2%, respectively, for the period from 2016 to 2018 which were lower than the overall annual road accident rate of public light bus industry in Hong Kong would be approximately 23.9%, 22.5% and 21.2% for the same periods; and (c) the Business – Related Cases relating to public light bus operation of Ma Companies represented approximately 1.2%, 1.1% and 2.1%, respectively, of the Number of Road Accident rate for each of 2016 to 2018; (iv) the other information, representations and confirmations provided by the Directors; (v) the legal opinion prepared by the Senior Counsel with respect to the suitability of our executive Directors under Rules 5.01 and 5.02 of the GEM Listing Rules and their competency in operating our business in a law-compliant manner as stated in “(c) Legal advice of the Senior Counsel” in this section above; (vi) other legal opinions prepared by the legal counsel and our legal adviser as to Hong Kong law; (vii) the internal control measures adopted by our Group and the findings of our Group’s internal control consultant; and (viii) the independent due diligence inquiries made by the Sole Sponsor as required under Rule 6A.05(2) of and the Practice Note 2 to the GEM Listing Rules, nothing has come to the Sole Sponsor’s attention which would cause it to cast any doubt that our executive Directors do not have due regard to relevant Hong Kong laws and regulations and are not competent in operating our business in a law-compliant manner; and the Cases would undermine the integrity of our executive Directors as well as their suitability to act as directors of a listed company under Rules 5.01 and 5.02 of the GEM Listing Rules.

Independent non-executive Directors

Dr. NG Ka Sing David (吳家聲), aged 62, is an independent non-executive Director. He is primarily responsible for supervising and providing independent advice on the operation and management of our Group.

Dr. Ng was formerly an Assistant Commissioner of Police in the Hong Kong Police Force where he had served for more than 30 years. Dr. Ng is an adjunct assistant professor at the sociology department of The Chinese University of Hong Kong for the period from January 2018 to May 2018. He was the Police Public Relations Branch Chief Superintendent when he

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acted as the Force's spokesman and was responsible for handling media, public relations and crisis communications. Dr. Ng has been an Advisory Board Member at Lingnan University of Hong Kong from September 2012 to August 2018. In October 2016, Dr. Ng has been appointed as an adjunct associate professor of Hong Kong Shue Yan University for a period of four years. He is currently a panel member of the Research Ethics Committee of the Hong Kong Hospital Authority. In February 2018, he was appointed as Member of the Hospital Governing Committee of Queen Elizabeth Hospital for the period from April 2018 to March 2020.

Dr. Ng was awarded the Hong Kong Police Medal for Meritorious Service in 2004 and the Hong Kong Police Medal for Distinguished Service in 2011.

Dr. Ng obtained a doctoral degree in philosophy in December 2012 from The Chinese University of Hong Kong. He graduated from the University of Hong Kong with a master of social sciences in December 1990.

In addition, Dr. Ng was a director of the following company incorporated in Hong Kong during its dissolution:

Name of company	Principal business activity prior to its dissolution	Date of dissolution	Means of dissolution	Reasons for dissolution
STAR BEST LIMITED	Music related	15 March 2002	Striking off	Cessation of business

Dr. Ng confirmed that (i) the abovementioned dissolved company was not subject to any civil, criminal litigation and arbitration proceedings at the time of dissolution, (ii) it was solvent immediately prior to its dissolution, and (iii) there was no wrongful act on his part leading to the dissolution.

Ms. CHANG Wai Ha (鄭惠霞), aged 51, is an independent non-executive Director. She is primarily responsible for supervising and providing independent advice on the operation and management of our Group.

Ms. Chang has over 20 years of experience in financial reporting, auditing and accounting. She is the founder, and is currently practising as a certified public accountant, of W H Chang Certified Public Accountant (Practising) which was established in October 2015. She joined Katax C.P.A. Limited, which has been engaged in the provision of accounting, auditing, consultancy and taxation services, as audit senior in May 2008 and was then promoted to be the audit manager in January 2013 when she was mainly responsible for performing auditing works and preparing tax computations. From January 2000 to April 2007, Ms. Chang was employed as accountant and administration manager of a group of companies of Wing Tat Engineering (Holdings) Limited, businesses of which range from provision of civil

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and engineering works, to rental of plant, to investment property. From March 1993 to November 1999, she worked as an accountant at Designworks & Associates Limited. On 1 February 2019, Ms. Chang has been appointed as an independent non-executive director of Trinity General Insurance Company Limited, a company which is wholly-owned by Mr. Ma Ah Muk.

Ms. Chang obtained a diploma in accounting (currently re-titled as advanced diploma of accounting) from The University of Hong Kong School of Professional and Continuing Education in December 2002. She graduated with a bachelor of commerce in accounting and finance in September 2005 from Curtin University of Technology in Australia. She has been a member of the Hong Kong Institute of Certified Public Accountants since 2013.

Mr. YAU Siu Yeung (游紹揚), aged 33, is an independent non-executive Director. He is primarily responsible for supervising and providing independent advice on the operation and management of our Group.

Mr. Yau has over four years of experience in the legal industry. He currently works as an assistant solicitor in K.B. Chau & Co.. He was the company secretary of OOH Holdings Limited (stock code: 8091), a company listed on the GEM board of the Stock Exchange, from August 2016 to July 2017. Prior to joining K.B. Chau & Co., Mr. Yau was the operation director of Media Savvy Marketing Limited, a wholly-owned subsidiary of OOH Holdings Limited since 2006 and principally engaged in provision of advertising display services, from June 2006 to June 2013.

Mr. Yau was admitted as a solicitor of the High Court of Hong Kong in November 2015. Mr. Yau graduated with a bachelor's degree of social sciences in public policy and administration in July 2009 from the City University of Hong Kong. He obtained a master degree of arts in social policy in December 2010, a juris doctor degree in November 2012 and postgraduate certificate in laws in July 2013 from The Chinese University of Hong Kong, respectively.

Save as disclosed in this prospectus, as at the Latest Practicable Date, each of our Directors (i) did not hold other positions in our Company or other members of our Group; (ii) had no other relationship with any Directors, senior management or substantial or Controlling Shareholders of our Company; and (iii) did not hold any other directorships in any public company the securities of which are listed on any securities market in Hong Kong or overseas in the three years prior to the Latest Practicable Date. As at the Latest Practicable Date, save for Mr. Ma Kiu Sang's, Mr. Ma Kiu Mo's and Mr. Vince Ma's (including their respective deemed interests) interests in the Shares which are disclosed in the sections headed "Share Capital" and "Statutory and General Information – C. Further Information about Directors, Substantial Shareholders and Experts – 1. Disclosure of Interests – (a) Interests of Directors and chief executive in shares, underlying shares and debentures of our Company and its associated corporations" in Appendix IV to this prospectus, each of our Directors did not have any interest in the Shares within the meaning of Part XV of the SFO.

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Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there are no other matters relating to the appointment of our Directors that need to be brought to the attention of our Shareholders, nor is there any information relating to our Directors that is required to be disclosed pursuant to paragraphs (h) to (v) of Rule 17.50(2) of the GEM Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The table below shows certain information in respect of the senior management of our Company.

Name	Age	Date of joining our Group	Date of appointment to present position	Position	Roles and Responsibilities	Relationship with Directors and other senior management
Choi Ming Fai, Andy (蔡明輝)	51	1 June 2008	15 May 2018	Chief executive officer	Supervising and managing the overall business operations of our Group	Nil
Kwong Tat Man (鄺達文)	59	5 October 2016	5 October 2016	General Manager	Overall management of our Group	Nil
Lee Lai Sheung (李麗嫦)	49	1 April 2008	1 April 2008	Administrative Manager	Management of human resources and administration of our Group	Nil
Wong Chi Kong (王志剛)	36	3 April 2018	3 April 2018	Financial Controller	Overseeing the overall financial operation and company secretarial matters of our Group	Nil

Mr. CHOI Ming Fai Andy (蔡明輝) (“Mr. Andy Choi”), aged 51, joined our Group as operations director on 1 June 2008 and was promoted to be the chief executive officer on 15 May 2018. He is primarily responsible for supervising and managing the overall business operations of our Group.

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Mr. Andy Choi has more than 18 years of experience in the security services industry. Prior to joining our Group, he worked at various security companies during the period from December 1997 to January 2007 where he was responsible for providing bank supporting services and guarding services. In particular, Mr. Andy Choi worked at Vigers Security Limited from May 2005 to December 2006 and worked at Securicor Hong Kong Limited (currently known as G4S subsequent to the merger with Group 4 Falck in 2004) from December 1997 to February 1998. He was a member of the Hong Kong Auxiliary Police, with roles ranging from internal security, to assistance in natural disasters or civil emergencies, to support during crowd management from September 1988 to August 2014. He was awarded the Hong Kong Auxiliary Police Long Service Medal in 2003.

Mr. Andy Choi was appointed as OSH Ambassador recognised by Occupational Safety and Health Council from October 2009 to October 2012. He completed his secondary education at Mei Foo Sun Chuen St. Teresa College in Hong Kong in June 1985.

During the three years immediately preceding the Latest Practicable Date, Mr. Andy Choi has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. KWONG Tat Man (鄺達文) (“Mr. James Kwong”), aged 59, joined our Group as the general manager in October 2016. He is primarily responsible for the overall management of our Group.

Mr. James Kwong has over 30 years of experience in the property management industry and manned security services industry. Prior to joining our Group, he joined The Link Management Limited as a portfolio manager from October 2006 to March 2015, and was promoted to senior portfolio manager of the property management department from April 2015 to October 2016. During the period from December 1980 to October 2006, Mr. James Kwong worked at various property management companies and management security companies where he was responsible for training and supervising staff, attending owners and/or residents meetings, handling complaints, budgeting and cost control, business development, and general management.

He has been an associate member and professional member of the Royal Institution of Chartered Surveyors since November 1998 and September 2016 respectively. He was registered as a professional housing manager on the Housing Managers Registration Board in January 2004. He was elected a member of the Hong Kong Institute of Housing in October 2003, and a member of the Chartered Institute of Housing in November 2003.

Mr. James Kwong was awarded the Certificate in Building Studies and the Higher Certificate in Building Studies from the then Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in November 1983 and November 1985 respectively. He graduated from City University of Hong Kong with a bachelor of arts (Honours) in housing studies in November 2003.

During the three years immediately preceding the Latest Practicable Date, Mr. James Kwong has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

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Ms. LEE Lai Sheung (李麗嫦) (“Ms. Fenny Lee”), aged 49, joined our Group as the administrative manager in April 2008. She is primarily responsible for the management of human resources and administration of our Group. Prior to joining our Group, Ms. Fenny Lee worked at various companies where she was responsible for recruitment and training of staff, reporting of employees’ performances, and handling of administrative tasks. Ms. Fenny Lee completed secondary school education in Hong Kong in 1988.

During the three years immediately preceding the Latest Practicable Date, Ms. Fenny Lee has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. WONG Chi Kong (王志剛), aged 36, joined our Group as the financial controller in April 2018. He is primarily responsible for overseeing the overall financial operation and company secretarial matters of our Group.

Mr. Wong has over ten years of experience in auditing and accounting. Prior to joining our Group in April 2018, Mr. Wong worked at Margaret Wong & Co., a certified public accounting firm in Hong Kong, since April 2007 where he was responsible for performing auditing and tax works. During the period from October 2005 to April 2007, Mr. Wong has worked at Y’s Consulting Limited, a company principally engaged in provision of accounting, auditing and taxation services.

Mr. Wong obtained a bachelor of arts degree in accounting from the Napier University in Edinburgh in January 2009. He has been a member of the Hong Kong Institute of Certified Public Accountants since 2012.

During the three years immediately preceding the Latest Practicable Date, Mr. Wong has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors, having made all reasonable enquiries, none of the above members of senior management has been a director in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the date of this prospectus.

COMPANY SECRETARY

Mr. Wong Chi Kong (王志剛), aged 36, was appointed as our company secretary on 24 May 2018. He is responsible for corporate secretarial duties and corporate governance matters in relation to the Company. Please refer to the paragraph headed “Senior Management” in this section for details of his qualifications and experience.

COMPLIANCE OFFICER

Mr. Leo Ma has been appointed as the compliance officer of our Company. His biography is set out in “Board of Directors – Executive Directors” in this section.

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BOARD COMMITTEES

Audit Committee

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and paragraphs C.3.3 and C.3.7 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules (“**Corporate Governance Code**”). The audit committee consists of three independent non-executive Directors, being Ms. Chang Wai Ha, Dr. Ng Ka Sing David and Mr. Yau Siu Yeung. Ms. Chang Wai Ha holds the appropriate professional qualifications as required under Rules 5.05(2) and 5.28 of the GEM Listing Rules, serves as the chairlady of the audit committee.

The primary duties of the audit committee are to assist the Board in providing an independent view of the effectiveness of our Group’s financial reporting process, internal control and risk management systems, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

Remuneration Committee

The Company established a remuneration committee with written terms of reference in compliance with paragraph B.1.2 of the Corporate Governance Code. The remuneration committee consists of one executive Director and three independent non-executive Directors, being Mr. Ma Ah Muk, Dr. Ng Ka Sing David, Ms. Chang Wai Ha and Mr. Yau Siu Yeung. Mr. Ma Ah Muk, the Chairman of our Company and an executive Director, serves as the chairman of the remuneration committee.

The primary duties of the remuneration committee include but without limitation, the following (i) making recommendations to our Directors on the policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration; (ii) making recommendations to the Board on the terms of the individual remuneration package of executive Directors and senior management; (iii) making recommendations to the Board on the remuneration of independent non-executive Directors; and (iv) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

Nomination Committee

The Company also established a nomination committee with written terms of reference in compliance with paragraph A.5.2 of the Corporate Governance Code. The nomination committee consists of two executive Directors and three independent non-executive Directors, being Mr. Ma Ah Muk, Mr. KS Ma, Ms. Chang Wai Ha, Dr. Ng Ka Sing David and Mr. Yau Siu Yeung. Mr. Yau Siu Yeung, an independent non-executive Director, serves as the chairman of the nomination committee.

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The primary function of the nomination committee include, without limitation, reviewing the structure, size and composition of the Board, assessing the independence of independent non-executive Directors and making recommendations to the Board on matters relating to the appointment of Directors.

Risk Management Committee

Our Company has established a risk management committee with written terms of reference in accordance with provision D.2 of the Corporate Governance Code. The risk management committee consists of two executive Directors and three independent non-executive Directors, being Dr. Ng Ka Sing David, Ms. Chang Wai Ha, Mr. Yau Siu Yeung, Mr. KS Ma and Mr. Leo Ma. Dr. Ng Ka Sing David, an independent non-executive Director, serves as the chairman of the risk management committee. The primary duties of our risk management committee are to (i) advise our Board on risk-related issues; (ii) oversee the risk management framework to identify and deal with the risks faced by our Group such as business and financial risk; (iii) review reports on risks and breaches of risk policies; and (iv) review the effectiveness of our Company's risk control and/or mitigation plans.

Corporate governance functions

For the purpose of performing the corporate governance functions in accordance with provision D.3 of the Corporate Governance Code, our Board has adopted written terms of reference in accordance with provision D.2 of the Corporate Governance Code which provide for, among others, (i) developing and reviewing our Group's policies and practices on corporate governance; (ii) reviewing and monitoring the training and continuous professional development of our Directors and senior management; (iii) reviewing and monitoring our Group's policies and practices on compliance with legal and regulatory requirements; (iv) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and our Directors; and (v) reviewing our Company's compliance with the Corporate Governance Code and disclosure in the annual reports of our Company.

BOARD DIVERSITY POLICY

Our Board members have a balanced mix of experience and backgrounds, including but not limited to experience in the security services, facility management services, accounting, and legal industries. Our Board members obtained degrees in various majors including mechanical engineering, social sciences, accounting and finance, and law. We have three independent non-executive Directors with different industry backgrounds, and they together represent a third of the members of our Board. Moreover, our Board members are comprised of a wide range of ages, ranging from 30 years old to 88 years old.

Upon Listing, our Group will adopt a board diversity policy which sets out the approach to achieve and maintain an appropriate balance of diversity perspectives of our Board that are relevant to our Group's development and performance quality. Pursuant to our board diversity policy, selection of Board candidates will be based on a range of diversity perspectives,

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including but not limited to gender, age, cultural and educational background, ethnicity, professional qualifications, skills, knowledge and industry experience. The ultimate decision will be based on merit and the contribution that selected candidates will bring to our Board.

While we recognize that the gender diversity at the Board level can be improved given its current composition of seven male Directors, with the ultimate goal of bringing our Board to gender parity, we will continue to increase the proportion of female members over time when selecting and making recommendations on suitable candidates for Board appointments. Nevertheless, the Company will continue to apply the principle of appointments based on merits with reference to the board diversity policy as a whole.

The nomination committee is delegated by our Board to be responsible for compliance with relevant codes governing board diversity under the Corporate Governance Code. Upon Listing, the nomination committee will review our board diversity policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report a summary of our board diversity policy and its implementation on an annual basis.

COMPLIANCE ADVISER

We have agreed to appoint Red Solar Capital Limited as our compliance adviser (the “**Compliance Adviser**”) upon Listing pursuant to Rule 6A.19 of the GEM Listing Rules. The Compliance Adviser will provide us with guidance and advice as to compliance with the requirements under the GEM Listing Rules and applicable Hong Kong laws. Pursuant to Rule 6A.23 of the GEM Listing Rules, the Compliance Adviser will advise our Company, among others, in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (c) where our Company proposes to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where our Group’s business activities, developments or results of our Company deviate from any forecast, estimate or other information in this prospectus; and
- (d) where the Stock Exchange makes an inquiry to the Company regarding unusual movements in the price or trading volume of the Shares, the possible development of a false market in the Shares or any other matters in accordance with Rule 17.11 of the GEM Listing Rules.

The term of the appointment of the Compliance Adviser will commence on the Listing Date and is expected to end on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date.

DIRECTORS AND SENIOR MANAGEMENT

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

For the Track Record Period, the aggregate remuneration (including fees, salaries, contribution to defined contribution benefit plans and performance bonuses) paid to our Directors were nil, nil and nil respectively.

Details of our Directors' remuneration are set out in Note 12 to the Accountants' Report as set out in Appendix I to this prospectus.

For the Track Record Period, the aggregate remuneration (including fees, salaries, contribution to defined contribution benefit plans and performance bonuses) paid to the five highest paid individuals, excluding our Directors were in aggregate approximately HK\$1.8 million, HK\$3.0 million and HK\$3.8 million respectively.

Details of our five highest paid individuals are set out in Note 12 to the Accountants' Report as set out in Appendix I to this prospectus.

Our Group did not pay any remuneration to our Directors or the five highest paid individuals as an inducement to join or upon joining our Company or as a compensation for loss of office during the Track Record Period. No Directors waived or agreed to waive his/her remuneration during the Track Record Period. Save as disclosed in this paragraph headed "Remuneration of directors and senior management", no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors, senior management and the five highest paid individuals during the Track Record Period.

Under the arrangement currently in force, the aggregate emoluments (excluding performance bonuses and share-based payments) payable by our Group to our Directors for FY2020 are expected to be approximately HK\$840,000.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme and assuming the Offer Size Adjustment Option is not exercised), IWS BVI will own approximately 75% of the issued share capital voting rights in our Company. Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma through their respective wholly-owned subsidiaries, namely Morewood, Mandarin, Cambridge, own the entire 100% issued share capital of IWS BVI. Each of Mr. Ma Ah Muk, Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma, has been a director of our Group and been acting in concert with each other to exercise control in implementing the management and operations of our Group since 2008. As Mr. Ma Ah Muk, Mr. KS Ma, Mr. KM Ma, Mr. Vince Ma, Morewood, Mandarin and Cambridge, together through IWS BVI, will be entitled to control approximately 75% of the issued share capital of our Company immediately upon Listing, Mr. Ma Ah Muk, Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma and their respective close associates other than our Group are regarded as a group of Controlling Shareholders. See “Relationship with our Controlling Shareholders” in this prospectus for further details.

Acting in concert arrangements

Each of Mr. Ma Ah Muk, Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma, our Controlling Shareholders, has been acting in concert with each other in all material aspects in the management and/or exercise of voting rights in our Group. Because we were a group of private entities in the past, these arrangements were not formalised into writing and each of Mr. Ma Ah Muk, Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma agreed on these arrangements based on their personal and/or family relationships. On 28 May 2018, in preparation for the Listing, Mr. Ma Ah Muk, Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma executed the Deed of AIC Confirmation, whereby they have confirmed their acting in concert arrangements since the acquisition or incorporation of the relevant member of our Group, as well as their intention to continue to act in the above manner upon the Listing to consolidate their control over our Group until and unless the Deed of AIC Confirmation is terminated in writing. The Deed of AIC Confirmation covers members of our Group and contains the salient terms as set out below.

Mr. Ma Ah Muk, Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma have pursuant to the Deed of AIC Confirmation, undertaken that, unless Mr. Ma Ah Muk, Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma unanimously agree in writing to amend or terminate the Deed of AIC Confirmation:

- (a) for as long as they hold any direct or indirect interest in our Group, they shall continue to act in concert in the daily operations of our Group, and when exercising voting rights and making major decisions relating to our Group;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (b) they shall continue to act in concert and exercise the right to propose, nominate, vote and decide in a unitary manner with respect to any important decisions relating to the business, operations, financial matters and development that require approval in shareholders' meetings and board meetings of our Group under the applicable articles of association or equivalent constitutional document and the GEM Listing Rules;
- (c) they shall reach a consensus prior to discussing and approving any matters in the shareholders' meetings or board meetings of our Group and exercise our voting rights according to such consensus;
- (d) they shall not entrust any of their equity interests in our Group directly or indirectly in any manner (including by way of trust) to any party; and
- (e) without the prior consent of each other, they shall not transfer or assign their rights and obligations under the Deed of AIC Confirmation.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Save for the continuing connected transactions as disclosed in section headed "Connected Transactions" in this prospectus, our Directors do not expect that there will be any other significant transactions between our Group and the Ma Family, being our Controlling Shareholders after Listing. The Ma Family owns, controls and invests in, directly and indirectly, a number of companies engaged in a wide spectrum of businesses, including but not limited to, public light bus, property investment, finance and lending, property and casualty insurance and food and beverage, etc. which do not compete, or are not likely to compete, either directly or indirectly, with our business. Our Directors consider that our Group is capable of carrying on its business independently from the Controlling Shareholders and their associates after Listing for the following reasons:

No Competition and Clear Delineation of Business

Our Directors, including our independent non-executive Directors, are of the view that to the best of their knowledge and belief after making reasonable enquiries, none of our Controlling Shareholders, our Directors or their respective close associates have interests in businesses which compete, or are likely to compete, either directly or indirectly, with our business under Rule 11.04 of the GEM Listing Rules.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Management independence

Our Board comprises five executive Directors and three independent non-executive Directors. Our senior management team consists of four members. Our Directors consider that our Board and our senior management team are able to function independently from our Controlling Shareholders and their respective close associates after Listing because:

- (a) each Director is aware of his fiduciary duties as a Director which require, amongst others, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest;
- (b) in the event that any Director or any of his close associates has a material interest in any transaction or arrangement or there is an actual or potential conflict of interest arising out of any transaction or arrangement to be entered into between our Group and any of our Directors or their respective associates, Director(s) shall fully disclose such matters to the Board and abstain from voting at the relevant meeting of the Board in respect of such transactions and shall not be counted in the quorum. Our Group has also adopted certain corporate governance measures for conflict situation, details of which are set out in “Corporate Governance Measures” in this section;
- (c) with three independent non-executive Directors out of a total of eight Directors in our Board, there will be independent voice within our Board to counter-balance any situation involving a conflict of interest and to protect the interests of our independent Shareholders;
- (d) connected transactions between our Group and companies controlled by our Controlling Shareholders are subject to the rules and regulations under the GEM Listing Rules including the rules relating to annual reporting, review, announcement, circular and independent shareholders’ approval (where applicable);
- (e) our Group has an independent senior management team to carry out day to day operations and execute the business decisions of our Group, which is independent of our Controlling Shareholders. They have substantial experience in the industry we engaged in and have served our Group for a period of time during which they have demonstrated their capability of discharging their duties independently from our Controlling Shareholders. Our Directors do not foresee any issue or obstacles which may affect management independence. Our Directors are satisfied that the senior management team will be able to perform their roles in our Company independently; and
- (f) our Board’s main functions include the approval of our Group’s overall business plans and strategies, monitoring the implementation of such business plans, strategies and policies, and the management of our Company. Our Board acts collectively by majority decisions in accordance with the Articles and the applicable laws, and no single Director is supposed to have any decision-making power unless otherwise authorised by our Board.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Operational independence

We have established our own organisational structure comprising individual departments, each with specific areas and responsibilities. We have also established a set of internal control mechanism to facilitate the effect operations of our business.

We have sufficient capital, equipment and employees to operate our business independently. We have our own operational and administrative resources and we do not share such resources with our Controlling Shareholders or other companies controlled by our Controlling Shareholders.

Save for (i) the leases of carparks and a motor vehicle and the purchases of vehicle insurances which constitutes exempt continuing connected transactions by us from certain Ma Companies; and (ii) the provision of security and facility management services by us to certain Ma Companies which constitute non-exempt continuing connected transactions as disclosed in the section headed “Connected Transactions”, we have not entered into other continuing connected transactions with our Controlling Shareholders or their respective close associates.

Financial independence

Our Directors are of the view that our Group will be financially independent of our Controlling Shareholders and any of their respective close associates upon Listing. We have an independent financial system and make financial decisions according to our own business needs. Our Directors confirmed that all loans, advances and balances due to and from our Controlling Shareholders and their respective close associates will be fully settled and any guarantee, pledge or security provided by our Controlling Shareholders and their respective close associates in favour of our Group will be fully released upon Listing.

CORPORATE GOVERNANCE MEASURES

Each of our Controlling Shareholders has confirmed that he/it fully comprehends his/its obligations to act in the best interests of our Company and our Shareholders as a whole.

To strengthen its corporate governance practice and to safeguard the interests of our Shareholders, our Company will implement the following measures:

- (a) the Articles provide that a Director shall declare the nature of his/her interest in any contract or proposed contract and shall not vote nor be counted in the quorum with respect to any resolution of our Board approving any such contract or arrangement or other proposal in which he/she or any of his/her close associates is materially interested unless expressly permitted by the Articles; and
- (b) our Company has appointed compliance adviser, who will provide advice and guidance to our Company in respect of compliance with the applicable laws and the GEM Listing Rules including various requirements relating to directors’ duties and internal controls.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Further, any transaction that is proposed between our Group and our Controlling Shareholders and their respective close associates will be required to comply with the requirements of the GEM Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent shareholders' approval requirements.

None of the members of our Group has experienced any dispute with its Shareholders or among its Shareholders themselves and our Directors believe that each member of our Group has maintained positive relationship with its Shareholders.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and their respective close associates and our Group and to safeguard the interests of our Shareholders.

CONNECTED TRANSACTIONS

OVERVIEW

Prior to the Listing, we entered into certain transactions with parties who will, upon Listing, become our connected persons within the meaning given in Chapter 20 of the GEM Listing Rules. After the Listing, we will continue to carry out the following transactions with these parties and such transactions will constitute continuing connected transactions of our Company under Chapter 20 of the GEM Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Master Services Agreement

Background of and reason for the transactions

Certain Ma Companies have been engaging our Group for the provision of security services, namely Yan Yan Motors, Yan Yan Ho Motors Limited, Better Coin Industrial Limited, Deluxe Tower Limited, Express Top Industries Limited, Golden Way Public Light Bus (Scheduled) Service Company Limited, Koon Wing Motors Limited, Sheung Shui Public Light Bus (Scheduled) Service Company Limited, Success Transportation Limited and Tung Wan Public Light Bus (Scheduled) Service Company Limited, and facility management services for their own real estates and public light bus facilities in Hong Kong during the Track Record Period and up to the date hereof. Before the entering of the Master Services Agreement, such Ma Companies and us either entered into service agreements usually for a period of one to two years, or we issued invoices, as the case may be, for our provision of security and facility management services to the Ma Companies when needed. The Ma Companies shall continue to engage our Group for the provision of the security and facility management services.

For the purpose of the Listing, we entered into the Master Services Agreement with the Ma Family (for itself and on behalf of its affiliates) pursuant to which we agreed to provide security and facility management services to the Ma Companies. The Master Services Agreement is effective from the date of the Master Services Agreement to 31 March 2022 and is renewable upon expiry subject to the applicable requirements under the GEM Listing Rules unless otherwise terminated by the parties.

Each of such Ma Companies is ultimately owned and controlled by the Ma Family, certain members of whom are executive Directors and/or Controlling Shareholders. Accordingly, each member of the Ma Family is a connected person of our Group under Rule 20.07 of the GEM Listing Rules. Hence, the transactions under the Master Services Agreement which are expected to continue under Chapter 20 of the GEM Listing Rules after the Listing will constitute continuing connected transactions of our Company.

CONNECTED TRANSACTIONS

Historical transaction amounts

The table below sets out the historical aggregate annual transaction amounts of the Services with the Ma Companies for the Track Record Period:

	Historical transaction amounts		
	FY2017	FY2018	FY2019
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	<i>(approx.)</i>	<i>(approx.)</i>	<i>(approx.)</i>
Transaction amount of provision of			
– security services	5,569	7,053	7,845
– facility management services	1,265	6,109	9,816
Aggregate transaction amounts	<u>6,834</u>	<u>13,162</u>	<u>17,661</u>

Proposed annual caps

The maximum aggregated annual caps for the transactions contemplated with the Ma Companies in respect of the provision of security and facility management services receivable from our Group for each of the years ending 31 March 2020, 2021 and 2022 should not exceed the following caps:

	Proposed annual caps for		
	FY2020	FY2021	FY2022
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	<i>(approx.)</i>	<i>(approx.)</i>	<i>(approx.)</i>
Transaction amount of provision of			
– security services	8,500	10,000	11,000
– facility management services	13,500	15,000	17,000
Maximum aggregate transaction amounts	<u>22,000</u>	<u>25,000</u>	<u>28,000</u>

Pricing policy

The service fees receivable by our Group from the Ma Companies under the Master Services Agreement was determined after arm's length negotiations between the parties and on a cost-plus basis with no material difference as compared to our Group's other Independent Third Party customers, and with reference to a number of factors, including the then prevailing market price for similar services offered in the market, the then terms shall in any event be no more favourable to the Ma Companies than that offered by our Group to any of our other Independent Third Party customers, the number of workers expected to be deployed for each project, the potential impact of change in statutory minimum wage pursuant to the Minimum Wage Ordinance from time to time, management fees, expected repair and maintenance costs to be incurred and inflation.

CONNECTED TRANSACTIONS

Basis of annual caps

The basis of the annual caps in respect of provision of security services was calculated based on (i) the historical total transaction amounts for FY2019; and (ii) the estimated growth rates for FY2020, FY2021 and FY2022 of approximately 11.0%, 11.0% and 11.0%, respectively, based on (a) the historical growth rate of approximately 10.6% in FY2019 due to increase in transaction amount of approximately HK\$0.7 million from FY2018 to FY2019; and (b) our Directors' estimate in light of the current market conditions after taking into account (ba) the existing projects we were awarded with as at 31 March 2019 pursuant to the terms of the respective contracts with the aggregated contract sum of approximately HK\$18.4 million, of which approximately HK\$7.4 million is expected to be recognised as revenue in FY2020, and (bb) the newly awarded and potential contracts with the expected revenue of approximately HK\$0.8 million, HK\$1.6 million and HK\$1.7 million to be recognised in each of the three years ending FY2022.

The basis of the annual caps in respect of provision of facility management services was calculated based on (i) the historical total transaction amounts for FY2019; and (ii) the estimated growth rates for FY2020, FY2021 and FY2022 of approximately 30.0%, 10.0% and 10.0%, respectively, based on (a) the historical growth rate of approximately 60.4% in FY2019 due to increase in transaction amount of approximately HK\$3.7 million from FY2018 to FY2019; and (b) our Directors' estimate in light of the current market conditions after taking into account (ba) the existing projects we were awarded with as at 31 March 2019 pursuant to the terms of the respective contracts with the aggregated contract sum of approximately HK\$25.4 million, of which approximately HK\$12.8 million is expected to be recognised as revenue in FY2020, and (bb) the newly awarded and potential contracts with the expected revenue of approximately HK\$0.5 million, HK\$0.9 million and HK\$1.0 million to be recognised in each of the three years ending FY2022. The Directors have taken a relatively prudent approach in estimating the respective growth rates for FY2020, FY2021 and FY2022 by taking the historical growth rate in FY2019 at a discount.

GEM Listing Rules implications

Given that the applicable percentage ratios for the Non-exempt Continuing Connected Transactions calculated with reference to Rule 19.07 of the GEM Listing Rules are expected to exceed 25% and the aggregate consideration is expected to exceed HK\$10.0 million, the Non-exempt Continuing Connected Transactions will be subject to the reporting, announcement, circular, annual review and independent shareholders' approval requirements under the GEM Listing Rules.

WAIVER FROM THE STOCK EXCHANGE

Under the GEM Listing Rules, the Non-exempt Continuing Connected Transactions under the Master Service Agreement will be subject to the reporting, announcement, circular, annual review and independent shareholders' approval requirements. Pursuant to Rule 20.103 of the GEM Listing Rules, we have applied to the Stock Exchange for and the Stock Exchange has

CONNECTED TRANSACTIONS

granted a waiver to us from strict compliance with the announcement, circular and independent shareholders' approval requirements relating to the Non-exempt Continuing Connected Transactions, subject to (i) each of the annual caps stated above is not exceeded; and (ii) apart from the abovementioned announcement, circular and independent shareholders' approval requirements of which a waiver is sought, our Company will comply with the relevant requirements under Chapter 20 of the GEM Listing Rules upon Listing.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including our independent non-executive Directors) are of the view that all the Non-exempt Continuing Connected Transactions have been entered into in the ordinary and usual course of business of our Group, are on normal commercial terms, fair and reasonable and in the interests of the Shareholders as a whole. The proposed aggregate annual caps for the Non-exempt Continuing Connected Transactions are fair and reasonable and are in the interests of the Shareholders as a whole.

CONFIRMATION FROM OUR SOLE SPONSOR

The Sole Sponsor has reviewed the relevant documents, information and historical figures provided by our Company and has participated in due diligence and discussion with our Company. Based on the above, the Sole Sponsor is of the view that the Non-Exempt Continuing Connected Transactions (i) have been entered into in the ordinary and usual course of business of our Company, (ii) are based on normal commercial terms (as defined under Chapter 20 of the GEM Listing Rules), fair and reasonable and in the interests of our Company and our Shareholders as a whole; and (iii) the proposed aggregate annual caps for the Non-exempt Continuing Connected Transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme and assuming the Offer Size Adjustment Option is not exercised), the following persons/entities will have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name	Capacity/Nature of Interest	Shares held immediately prior to the completion of the Share Offer and Capitalisation Issue		Shares held immediately following the completion of the Share Offer and Capitalisation Issue	
		Number of Shares ⁽¹¹⁾	Approximate percentage of interest of our Company	Number of Shares ⁽¹¹⁾	Approximate percentage of interest of our Company
Mr. Ma Ah Muk	Interests under section 317 ^(1 and 3)	1(L)	100.0%	600,000,000(L)	75.0%
Ms. Cheng Pak Ching	Interest of spouse ⁽²⁾	1(L)	100.0%	600,000,000(L)	75.0%
Mr. KS Ma	Interest in controlled corporations ⁽⁵⁾ ; interest under section 317 ⁽⁴⁾	1(L)	100.0%	600,000,000(L)	75.0%
Ms. Chow Yick Tung	Interest of spouse ⁽⁶⁾	1(L)	100.0%	600,000,000(L)	75.0%
Morewood	Interest in a controlled corporation ⁽¹⁾	1(L)	100.0%	600,000,000(L)	75.0%
Mr. KM Ma	Interest in controlled corporations ⁽⁷⁾ ; interests under section 317 ⁽⁴⁾	1(L)	100.0%	600,000,000(L)	75.0%
Ms. Choi Lai Form	Interest of spouse ⁽⁸⁾	1(L)	100.0%	600,000,000(L)	75.0%
Mandarin	Interest of a controlled corporation ⁽¹⁾	1(L)	100.0%	600,000,000(L)	75.0%

SUBSTANTIAL SHAREHOLDERS

Name	Capacity/Nature of Interest	Shares held immediately prior to the completion of the Share Offer and Capitalisation Issue		Shares held immediately following the completion of the Share Offer and Capitalisation Issue	
		Number of Shares ⁽¹¹⁾	Approximate percentage of interest of our Company	Number of Shares ⁽¹¹⁾	Approximate percentage of interest of our Company
Mr. Vince Ma	Interest of a controlled corporation ⁽⁹⁾ ; interests under section 317 ⁽⁴⁾	1(L)	100.0%	600,000,000(L)	75.0%
Ms. Ho Yin Nei	Interest of spouse ⁽¹⁰⁾	1(L)	100.0%	600,000,000(L)	75.0%
Cambridge	Interest in a controlled corporation ⁽¹⁾	1(L)	100.0%	600,000,000(L)	75.0%
IWS BVI	Beneficial owner	1(L)	100.0%	600,000,000(L)	75.0%

Notes:

- Pursuant to the Deed of AIC Confirmation, Mr. Ma Ah Muk is deemed to be interested in all the Shares held by Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma through Morewood, Mandarin and Cambridge, respectively, by virtue of section 317 of the SFO.
- Ms. Cheng Pak Ching is the spouse of Mr. Ma Ah Muk. Therefore, Ms. Cheng Pak Ching is deemed to be interested in all the Shares in which Mr. Ma Ah Muk is interested for the purpose of the SFO.
- Immediately after completion of the Capitalisation Issue and the Share Offer, our Company will be owned as to 75.0% by IWS BVI, which is owned as to 33.3%, 33.3% and 33.3% by Morewood, Mandarin and Cambridge, respectively.
- Mr. Ma Ah Muk, Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma are persons acting in concert pursuant to the Deed of AIC Confirmation and accordingly each of them is deemed to be interested in all the Shares held by the others through their respective shareholding interests in Morewood, Mandarin, Cambridge and in turn holding IWS BVI by virtue of section 317 of the SFO. See “Relationship with our Controlling Shareholders – Our Controlling Shareholders” in this prospectus for details of the relationships among Mr. Ma Ah Muk, Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma.
- IWS BVI is owned as to 33.3% by Morewood, which is wholly-owned by Mr. KS Ma. Therefore, each of Mr. KS Ma and Morewood is deemed to be interested in the Shares held by IWS BVI pursuant to the SFO.
- Ms. Chow Yick Tung is the spouse of Mr. KS Ma. Therefore, Ms. Chow Yick Tung is deemed to be interested in all the Shares in which Mr. KS Ma is interested for the purpose of the SFO.
- IWS BVI is owned as to 33.3% by Mandarin, which is wholly-owned by Mr. KM Ma. Therefore, each of Mr. KM Ma and Mandarin is deemed to be interested in the Shares held by IWS BVI pursuant to the SFO.
- Ms. Choi Lai Form is the spouse of Mr. KM Ma. Therefore, Ms. Choi Lai Form is deemed to be interested in all the Shares in which Mr. KM Ma is interested for the purpose of the SFO.
- IWS BVI is owned as to 33.3% by Cambridge, which is wholly-owned by Mr. Vince Ma. Therefore, each of Mr. Vince Ma and Cambridge is deemed to be interested in the Shares held by IWS BVI pursuant to the SFO.
- Ms. Ho Yin Nei is the spouse of Mr. Vince Ma. Therefore, Ms. Ho Yin Nei is deemed to be interested in all the Shares in which Mr. Vince Ma is interested for the purpose of the SFO.
- The letter “L” denotes the entity/person’s long position in the Shares.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme and assuming the Offer Size Adjustment Option is not exercised), have interests or short positions in the Shares or underlying Shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

SHARE CAPITAL

SHARE CAPITAL

Without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased pursuant to the Issue Mandate and Repurchase Mandate, the share capital of our Company immediately following the Capitalisation Issue and the Share Offer will be as follows:

Authorised share capital

2,000,000,000 Shares of HK\$0.01 each HK\$20,000,000

Shares in issue or to be issued, fully paid or credited as fully paid:

1	Shares in issue	HK\$0.01
599,999,999	Shares to be issued under the Capitalisation Issue	HK\$5,999,999.99
<u>200,000,000</u>	Shares to be issued under the Share Offer	<u>HK\$2,000,000</u>

Total

<u>800,000,000</u>	Shares	<u>HK\$8,000,000</u>
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Assuming that the Offer Size Adjustment Option is exercised in full, and without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options to be granted under the Share Option Scheme, the share capital of our Company immediately upon completion of the Share Offer and the Capitalisation Issue will be as follows:

Authorised share capital

2,000,000,000 Shares of HK\$0.01 each HK\$20,000,000

Shares in issue or to be issued, fully paid or credited as fully paid:

1	Shares in issue	HK\$0.01
599,999,999	Shares to be issued under the Capitalisation Issue	HK\$5,999,999.99
200,000,000	Shares to be issued under the Share Offer	HK\$2,000,000
<u>30,000,000</u>	Shares to be issued pursuant to the exercise of the Offer Size Adjustment Option	<u>HK\$300,000</u>

Total

<u>830,000,000</u>	Shares	<u>HK\$8,300,000</u>
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SHARE CAPITAL

MINIMUM PUBLIC FLOAT

The minimum level of public float to be maintained by our Company at all times after Listing under the GEM Listing Rules is 25% of its share capital in issue from time to time.

RANKING

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

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. See “Statutory and General Information – D. Share Option Scheme” in Appendix IV to this prospectus for details of the principal terms of the Share Option Scheme.

GENERAL MANDATE TO ISSUE SHARES

The Directors have been granted a general unconditional mandate to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue or an issue of Shares upon exercise of any subscription rights attached to any warrants or convertible securities or pursuant to the exercise of any options which might be granted under the Share Option Scheme or any other option scheme(s) or other similar arrangements or under the Share Offer or any scrip dividends in accordance with the Articles or a specific authority granted by the Shareholders, Shares or securities or options convertible into Shares and to make or grant offers and agreements which or might require Shares to be allotted with an aggregate nominal value not exceeding the sum of:

- (a) 20% of the aggregate number of Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account Shares which may be issued upon exercise of the Offer Size Adjustment Option or any Shares issued upon exercise of any options which may be granted under the Share Option Scheme); and
- (b) the aggregate number of Shares repurchased by the Company (if any) pursuant to the Repurchase Mandate referred to in the paragraph headed “General Mandate to Repurchase Shares” below.

This Issue Mandate will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting.

SHARE CAPITAL

See “Statutory and General Information – A. Further Information about our Company and our Subsidiaries – 5. Written resolutions of our Shareholders passed on 20 September 2019” in Appendix IV to this prospectus for further details of this Issue Mandate.

GENERAL MANDATE TO REPURCHASE SHARES

The Directors have been granted a general unconditional mandate to exercise all the powers of the Company to repurchase Shares of not more than 10% of the aggregate number of Shares in issue following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme or pursuant to the exercise of the Offer Size Adjustment Option). This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, and such repurchases are made in accordance with all applicable laws and the requirements of the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in “Statutory and General Information – A. Further Information about our Company and our Subsidiaries – 6. Repurchase of our Shares” in Appendix IV to this Prospectus.

This Repurchase Mandate will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the Memorandum and the Articles or the relevant Cayman Companies Law or any other applicable law of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting.

For further details of this Repurchase Mandate, see “Statutory and General Information – A. Further Information about our Company and our Subsidiaries – 6. Repurchase of our Shares” in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of the Cayman 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 Articles, a summary of which is set out in “Summary of the Constitution of our Company and Cayman Islands Company Law” set out in Appendix III to this prospectus.

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You should read this section in conjunction with our audited consolidated financial statements, including the notes thereto, as set out in the Accountants' Report in Appendix I to this prospectus. Our Group's consolidated financial statements have been prepared in accordance with the HKFRS. You should read the entire Accountants' Report and not merely rely on the information contained in this section.

The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and projections depends on a number of risks and uncertainties over which we do not have control. See "Risk Factors" and "Forward-looking Statements" in this prospectus for further details.

OVERVIEW

We are an established facility services provider specialised in providing security services and with a growing focus on facility management services across public and private sectors in Hong Kong. We have over 10 years' experience in providing security services at railway stations and facilities, sea, land and railway immigration control points and public amenities as well as crowd coordination and management services at various large-scale events and emergency and critical incidents in Hong Kong. According to the Frost & Sullivan Report, our Group was the largest security services providers in the Hong Kong public sector, representing approximately 18.5% of the market share in terms of revenue in 2018.

We have two principal business segments, namely security services and facility management services. Due to the nature of our services, the contracts we entered into with our clients for our security services and facility management services can be categorised into (i) Fixed-term Contracts with a fixed contract term typically ranging from six months to three years, (ii) Ad-hoc Contracts including contracts and invoices provided on an ad hoc or urgent basis with a term from one day to 30 days and (iii) Event Contracts for a single-purpose event.

Our revenue increased by approximately 26.5% from approximately HK\$103.4 million for FY2017 to approximately HK\$130.8 million for FY2018 and was further increased by approximately 125.7% to HK\$295.2 million for FY2019. Our profit and total comprehensive income for the year increased by approximately 4.2% from approximately HK\$10.3 million for FY2017 to approximately HK\$10.7 million for FY2018 and was further increased by approximately 65.8% to HK\$17.7 million for FY2019. Excluding non-recurring Listing expenses incurred in FY2018 and FY2019, our profit and total comprehensive income would have increased by approximately 61.3% from approximately HK\$10.3 million for FY2017 to approximately HK\$16.6 million for FY2018 and would have further increased by approximately 58.4% to HK\$26.3 million for FY2019.

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BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on 23 March 2018 as an exempted company with limited liability under the Companies Law. In preparation for the Listing, our Group underwent a group reorganisation as more fully explained in the section headed “History, Corporate Structure and Reorganisation” to this Prospectus (the “Reorganisation”). Our Group comprising our Company and our subsidiaries resulting from the Reorganisation is regarded as a continuing entity, accordingly, the financial information has been prepared as if the Company had always been the holding company of our Group.

The consolidated statements of profit or loss and total comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the Track Record Period included the results, changes in equity and cash flows of the companies now comprising our Group as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation, where there is a short period. The consolidated statements of financial position of our Group as at 31 March 2017, 2018 and 2019 have been prepared to present the assets and liabilities of the companies now comprising our Group, as if the current group structure has been in existence at those dates taking into account the respective dates of incorporation where applicable.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Demand of facility services in the Hong Kong market

Our business and results of operations are affected by the demand of facility services in Hong Kong. Our revenue generated from providing security services was mainly contributed by customers from the public sector. Changes in economic activities in Hong Kong, including expansion and development of public infrastructure, especially cross-border infrastructure, increasing number of events and exhibitions or ad hoc or emergency situations in Hong Kong and growing tourism industry, would affect business of our public sector customers, which in turn may affect demand of our security services, business and results of operations.

On the other hand, our revenue generated from providing facility management services was mainly contributed by customers from the private sector; in particular, customers from commercial, residential and other properties. Growing numbers of shopping malls, commercial buildings and hotels in Hong Kong implies not only an expanding customer base of commercial properties for our facility management services, but also more cross-selling opportunities for us to serve them with our security services. Moreover, rising land and housing supply and accelerated urban renewals of aged buildings in Hong Kong might affect the number of private residential properties which in turn may affect demand of our facility management services.

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According to the Frost & Sullivan Report, the security services market in Hong Kong is forecast to reach HK\$38.3 billion in 2023, at a CAGR of approximately 7.2% from 2019 to 2023. In particular, the market size of security services in the Hong Kong public sector would grow from approximately HK\$1,231.6 million in 2019 to HK\$1,601.9 million in 2023 with a CAGR of approximately 4.9%. According to the Frost & Sullivan Report we have identified several mega-scale railway and transportation infrastructure projects, including the Guangshen'gang XRL, the Northern Link and Kwu Tung Station, Hung Shui Kiu Station and Tung Chung West Extension, which we expect to present us with further business opportunities. On the other hand, the facility management services market in Hong Kong is forecast to maintain a growing trend and reach approximately HK\$71.3 billion by 2023, representing a CAGR of approximately 4.7% from 2019 to 2023. According to the Frost & Sullivan Report, several mega-scale railway and transportation infrastructure projects and public sector and/or large scale contracts such as railway extensions including Shatin to Central Link, the Northern Link and Kwu Tung Station, Hung Shui Kiu Station, Tung Chung West Extension, the Kowloon East Line, Tuen Mun South Extension and North Island Line, have been identified. However, there is no assurance that the market size and demand of facility services including number of customers of public sector and private sector, will continue to grow or maintain at the current level in the future. In the event that such demand decreases, our business and results of operations will probably be adversely affected.

Tendering and renewal of contracts

We obtain new contracts through competitive tendering or tender invitation. For details regarding our tendering process, please refer to the section “Business – Our Workflow” in this prospectus. For the Track Record Period, revenue through tendering accounted for approximately 70.4%, 60.7% and 81.4% of our total revenue, respectively, with our tender success rate of 66.7%, 73.7% and 34.6%, respectively.

Extension or renewal of contracts upon expiry depends on various considerations of our customers especially quality and price of our services. During the Track Record Period, our recurring clients (i.e. clients who during the Track Record Period engaged us for more than one contract when FY2016 is set as the base year for determination) contributed approximately 94.7%, 90.1%, and 99.1% of our total revenue, respectively. Our contract extension or renewal rate of our expired Fixed-term Contracts for the Track Record Period also reached approximately 38.5%, 76.9% and 60.0%, respectively. The renewal or extension rate is calculated by the number of renewal contracts divided by the number of completed or terminated contracts. Contracts are considered renewed when we are required to prepare and submit a tender submission or quotation in order to secure a new contract containing substantially the same terms and conditions and work scope as the original contract which has expired. During the Track Record Period, such contracts were mainly contracts from the HK Government Departments. Contracts are considered extended when the original contract contains terms which allow the parties to extend the original term of the contract without our Group preparing and submitting a tender submission or quotation. We take into account various factors when considering whether to renew or extend any expired contracts including but not limited to the scale or contract sum of the contracts, profitability, the availability of our resources at the time of renewal extension, clients' profile and credibility, etc. Though we devote our best effort to monitor and maintain quality services throughout each of our engagement starting from the recruitment and screening process; however, we cannot assure

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you that we will meet the tendering requirements or that our overall score under the customers' evaluation system can be maintained for contract extension or renewal. Moreover, for extension or renewal of contracts, we may be required to lower our services fees or offer better terms to existing customers, and any failure to reduce our costs accordingly may reduce our profit margins. As such, our profitability and results of operation would be adversely affected depending on our continued ability to achieve successful tenders or renew or extend existing contracts.

For certain contracts including public sector contracts, our financial capability would be assessed by our clients. Depending on individual clients, an amount equivalent to 2% or 5% or 6% (as the case may be) of the contract sum may be payable directly or if so required by the clients as contract security in the form of, among other things, contract deposit, for each contract at start of our engagement in accordance with the relevant contracts. As we aim to secure more public sector and/or large scale contracts, we expect there will be an increase in request for contract securities. Should we fail in our liquidity management, these requirements on contract securities may put a strain on our cash resources and liquidity.

Employee benefit expenses

Our business operation is relatively labour intensive. As at the Latest Practicable Date, we had a workforce of 2,133 employees, including the five executive Directors, 1,414 full-time and 714 casual employees, respectively. For the Track Record Period, our employee benefit expenses were approximately HK\$85.1 million, HK\$102.8 million and HK\$252.1 million, respectively, representing more than 95% of our total operating expenses for the respective periods. For our security services segment, the employee benefit expenses were approximately HK\$79.3 million, HK\$88.2 million and HK\$226.1 million, respectively, for the Track Record Period, of which approximately 80.4%, 78.2% and 90.5% were attributable to public sector and the remaining of approximately 19.6%, 21.8% and 9.5% were attributable to private sector for the corresponding period. For our facility management services segment, the employee benefit expenses were approximately HK\$2.2 million, HK\$9.7 million and HK\$17.0 million, respectively, for the Track Record Period, of which approximately 100.0%, 100.0% and 68.9% were attributable to private sector for the corresponding period and approximately nil, nil and 31.1% were attributable to public sector. During March 2019, we terminated the employment with approximately 280 employees due to redundancy, which led to demonstrations of certain laid-off employees at the High Speed Rail Hong Kong West Kowloon Station to protest against such terminations. We have provided provision of lay-off payment of approximately HK\$1.3 million as resulted from termination of employment contract for these employees as pension. For details, please see "Risk Factors – Security and facility management services are highly labour intensive and we rely on a stable supply of labour to provide our services; however, overestimation of the necessary manpower for new contracts may also adversely affect our business, results of operations and financial condition". Hence, any increase in our employee benefit expenses will adversely affect our profitability and results of operations, and such impact might be further intensified by any adjustment of statutory minimum wage.

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Hong Kong introduced the minimum wage legislation under the Minimum Wage Ordinance which dictated a statutory minimum wage of HK\$28.0 per hour with effect from 1 May 2011. Starting from May 2019, the statutory minimum wage was revised to HK\$37.5 per hour. Higher statutory minimum wage rate may increase competition for qualified employees, which may indirectly result in higher wages for our employees, resulting in extra costs. Even though some of our contracts contain mechanism to adjust our service fee according to the change in statutory minimum wage as notified by our clients or as initiated by us, we, endeavoured to control operating expenses, may not be able to transfer partly/completely such increment to our customers in a timely manner, which might eventually adversely affect our profitability and results of operations.

For illustrative purposes only, the following table sets out a sensitivity analysis of the effect of fluctuations of our employee benefit expenses on our profit before taxation for the Track Record Period. Fluctuations are assumed to be 5% and 10% for the corresponding periods, respectively.

Hypothetical fluctuations	Impact on profit before taxation		
	for the year		
	FY2017	FY2018	FY2019
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Employee benefit expenses			
+/-5%	-/+4,255	-/+5,140	-/+12,606
+/-10%	-/+8,510	-/+10,279	-/+25,213

Service mix

We have over ten years' experience in providing security services at railway stations and facilities, sea, land and railway immigration control points and public amenities as well as crowd coordination and management services at various large-scale events and emergency and critical incidents in Hong Kong. In order to enhance the diversity of our services to our clients, having considered the market demand for integrated facility services, the opening up of cross-selling opportunities and the benefits of business diversification, we started offering some of our facility management services, including property management services, car parking rental and management services, cleaning services and hotel management services, in 2016.

For Track Record Period, our business and results of operations were affected by our service mix and our segment margins vary across our two segments. For FY2017, segment margin for security services and facility management services were approximately 20.3% and 43.9%, respectively, whereas for FY2018, segment margin for security services and facility management services were approximately 21.6% and 47.2%, respectively. For FY2019, segment margin for security services and facility management services were approximately 15.4% and 38.7%, respectively. Any change in the structure of revenue contribution from our two business lines or change in segment margin of any business line may have a corresponding impact on our overall profit margin.

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SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our Group's financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgements relating to accounting items. In each case, the determination of these items requires management judgements based on information and financial data that may change in future periods. When reviewing our financial statements, you should consider: (i) our selection of critical accounting policies; (ii) the judgements and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. For our accounting estimates on (i) useful lives and impairment of property, plant and equipment; (ii) estimated impairment of trade receivables, we had not noted material difference of our estimates from the actual results during the Track Record Period. Also, we had not experienced any change in estimates nor its underlying assumptions in the past. The method and assumptions on such estimates will unlikely be changed in the future. Our significant accounting policies, estimates and judgements, which are important for an understanding of our financial condition and results of operations, are set out below. See Notes 4 and 5 of the Accountants' Report set out in Appendix I to this Prospectus for details.

Significant accounting policies

Revenue recognition

Our Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers. A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation. Otherwise, revenue is recognised at a point in time when our customer obtains control of the distinct good or service.

Revenue relating to provision of general manned guarding services, event and crisis services, manpower support services, property management services, carpark management services, cleaning services and hotel management services is recognised over time on a straight line basis over the period of service as the customer simultaneously receives and consumes the benefits provided by our Group's performance as our Group performs.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Revenue from operating leases of carpark is recognised on a straight-line basis over the period of the relevant lease.

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Uncertified revenue represents our Group's right to receive consideration in exchange for goods or services that our Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents our Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

HKFRS 15 “Revenue from Contracts with Customers”

HKFRS 15 “Revenue from Contracts with Customers” replaces HKAS 18 “Revenue” and HKAS 11 “Construction Contracts” and related interpretations. This standard was effective for annual periods beginning on or after 1 January 2018, and had been early adopted by our Group and was consistently applied throughout the Track Record Period. Our Directors consider that the effect of the application of HKFRS 15 “Revenue from Contracts with Customers” did not have a significant impact on our financial position and performance during the Track Record Period as compared to the requirements of HKAS 18 “Revenue” and HKAS 11 “Construction Contracts”.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from related companies/immediate holding company and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

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Estimated impairment of trade receivables and uncertified revenue

For trade receivables as at 31 March 2017 and 2018 under HKAS 39:

When there is objective evidence of impairment loss, our Group takes into consideration the estimated future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

For trade receivables and uncertified revenue as at 31 March 2019 under HKFRS 9:

The management of our Group estimates the amount of loss allowance for trade receivables and uncertified revenue based on the credit risk of trade receivables and uncertified revenue. The loss allowance amount is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses. The assessment of the credit risk of trade receivables and uncertified revenue involves high degree of estimation and uncertainty as the management of our Group estimates the loss rates for debtors by using forward-looking information. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise accordingly.

HKFRS 9 “Financial Instruments”

In FY2019, our Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities; (ii) expected credit losses (“ECL”) for financial assets; and (iii) general hedge accounting.

Our Group has adopted HKFRS 9 “Financial Instruments” on 1 April 2018 in accordance with the transition provisions set out in HKFRS 9. Upon the adoption of HKFRS 9, the additional credit loss allowance is charged against trade receivables from third parties of approximately HK\$0.3 million and the impact on deferred tax of approximately HK\$44,000 have been recognised against retained earnings of approximately HK\$0.2 million as at 31 March 2018. As such, the financial information for FY2019 under HKFRS 9 may not be comparable to those financial information for the previous years prepared and HKAS 39. Our Directors consider that the effect of the application of HKFRS 9 did not have significant impact on our financial position and performance during the Track Record Period as compared to the requirements of HKAS 39 “Financial instruments: recognition and measurement”. For detail information related to the impairment assessment on trade receivables from third parties, please refer to notes 3 and 16 to the Accountants' Report in Appendix I to this prospectus.

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Adoption of HKFRS 16 Leases

During the Track Record Period, our Group was lessee under lease arrangement related to our business operation. Our current accounting policy for such leases is set out in note 4 of the Accountants' report in Appendix I to this prospectus. As at 31 March 2019, our total non-cancellable operating leases commitments amounted to approximately HK\$2.3 million.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, our Group currently presents operating lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by our Group.

A preliminary assessment indicates that these arrangements will meet the definition of lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases. The combination of 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 the profit or loss in the initial year of the lease, and decreasing expenses during the latter part of the lease term, but there is no impact on the total expenses recognised over the lease term. Based on the facts and circumstances as at 31 March 2019, our Directors do not expect the application of HKFRS 16 will have material impact on our financial performance. For details of application of HKFRS 16, please see note 3 of the Accountants' Report in Appendix I to this Prospectus.

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RESULTS OF OPERATIONS

The following table summarises the consolidated statements of profit or loss and other comprehensive income for the Track Record Period, details of which are set out in the Accountants' Report in Appendix I to this Prospectus:

	FY2017 <i>(HK\$'000)</i>	FY2018 <i>(HK\$'000)</i>	FY2019 <i>(HK\$'000)</i>
Revenue	103,419	130,792	295,171
Other income ⁽¹⁾	71	1	347
Other loss ⁽²⁾	–	(95)	(2)
Impairment losses on trade receivables and uncertified revenue	–	–	(250)
Employee benefit expenses ⁽³⁾	(85,103)	(102,792)	(252,127)
Selling and marketing expenses ⁽³⁾	(2,695)	(2,778)	(2,507)
Administrative expenses ⁽³⁾	(3,463)	(5,484)	(8,418)
Listing expenses	–	(5,868)	(8,515)
Finance costs	–	–	(822)
	<u>12,229</u>	<u>13,776</u>	<u>22,877</u>
Profit before taxation			
Income tax expense	(1,955)	(3,068)	(5,128)
	<u>10,274</u>	<u>10,708</u>	<u>17,749</u>
Profit and total comprehensive income for the year			
	<u>10,274</u>	<u>10,708</u>	<u>17,749</u>
<i>For illustrative purpose:</i>			
Adjusted net profit ⁽⁴⁾	<u>10,274</u>	<u>16,576</u>	<u>26,264</u>

Notes:

- (1) Other income mainly includes compensation received from insurance company and bank interest income.
- (2) Other loss mainly represents written off/disposal of property, plant and equipment.
- (3) Operating expenses includes employee benefit expenses, selling and marketing expenses and administrative expenses that amounted to approximately HK\$91.3 million, HK\$111.1 million and HK\$263.1 million for the Track Record Period, respectively.
- (4) Adjusted net profit was calculated based on the profit and total comprehensive income for the year excluding non-recurring Listing expenses. This is a non-HKFRS measure.

In addition to the HKFRS measures in our consolidated financial statements, we also use the non-HKFRS financial measure of adjusted net profit to evaluate our operating performance. Our Directors believe that this non-HKFRS measure provides useful information to investors 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.

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DESCRIPTION OF SELECTED ITEMS IN CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

We generate our revenue from providing security services and facility management services across public and private sectors in Hong Kong. Our service fee are determined either on a lump-sum basis or actual usage basis and such service fee are payable on a monthly basis or upon completion of services.

Our facility services comprised (i) security services which involves general manned guarding services, manpower support services and event and crisis security services; while (ii) facility management services involves property management services, car parking rental and management services, cleaning services and hotel management services. The following table sets out our revenue by types of services for the periods indicated:

	FY2017		FY2018		FY2019	
	<i>(HK\$'000)</i>	%	<i>(HK\$'000)</i>	%	<i>(HK\$'000)</i>	%
Security services						
– General manned guarding services	98,836	95.6	103,872	79.4	161,855	54.8
– Manpower support services	–	–	7,604	5.8	105,216	35.7
– Event and crisis security services	655	0.6	1,005	0.8	385	0.1
	<u>99,491</u>	<u>96.2</u>	<u>112,481</u>	<u>86.0</u>	<u>267,456</u>	<u>90.6</u>
Facility management services						
– Property management services	2,491	2.4	13,103	10.0	12,958	4.4
– Car parking rental and management services	677	0.7	1,537	1.2	10,840	3.7
– Cleaning services	220	0.2	1,511	1.2	1,757	0.6
– Hotel management services	540	0.5	2,160	1.6	2,160	0.7
	<u>3,928</u>	<u>3.8</u>	<u>18,311</u>	<u>14.0</u>	<u>27,715</u>	<u>9.4</u>
Total	<u><u>103,419</u></u>	<u><u>100.0</u></u>	<u><u>130,792</u></u>	<u><u>100.0</u></u>	<u><u>295,171</u></u>	<u><u>100.0</u></u>

Our revenue generated from general manned guarding services accounted for approximately 95.6%, 79.4% and 54.8% of our total revenue for the Track Record Period, respectively. Please refer to “Business – Our Services” of this prospectus for further details of our security services.

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The contracts we entered into with our clients can be categorised into (i) Fixed-term Contracts with a fixed contract term typically ranging from six months to three years; (ii) Ad-hoc Contracts including and contracts and invoices provided on an ad hoc or urgent basis with a term ranging from one day to 30 days; and (iii) Event Contracts for a single-purpose event. Due to the nature of these contracts, the fluctuations in our facility service revenue between one financial year and the financial year immediately preceding it is largely combined the effects of the mixture of contracts. For more details, please refer to the paragraph headed “Review of Historical Results of Operation” in this section.

Employee benefit expenses

Our employee benefit expenses mainly comprised (i) directors’ and chief executives’ emoluments; (ii) other salaries, wages and other allowances; and (iii) retirement benefit scheme contributions. Our employee benefit expenses amounted to approximately HK\$85.1 million, HK\$102.8 million and HK\$252.1 million for the Track Record Period, respectively, which accounted for approximately 93.3%, 92.6% and 95.8% of our total operating expenses, respectively. The following table sets out the breakdown of our employee benefit expenses by service segment for the periods indicated:

	FY2017			FY2018			FY2019		
	No. of headcount	(HK\$'000)	%	No. of headcount	(HK\$'000)	%	No. of headcount	(HK\$'000)	%
Security services									
Full time	511			587			1,614		
Casual	172			265			431		
	683	79,322	93.2	852	88,190	85.8	2,045	226,146	89.7
Facilities management services									
Full time	47			48			80		
Casual	-			21			9		
	47	2,202	2.6	69	9,661	9.4	89	16,998	6.7
Others ^(Note)	30	3,579	4.2	30	4,941	4.8	44	8,983	3.6
	760	85,103	100.0	951	102,792	100.0	2,178	252,127	100.0

Note: Others mainly included employee benefit expenses paid/payable to our management and senior management and other back-office support staff, who are not directly related to provision of security services and facility management services.

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Selling and marketing expenses

Our selling and marketing expenses comprised (i) commission expenses paid for sales agents; and (ii) advertising and promotion expenses. For the Track Record Period, our selling and marketing expenses amounted to approximately HK\$2.7 million, HK\$2.8 million and HK\$2.5 million, which accounted for approximately 3.0%, 2.5% and 1.0% of our total operating expenses, respectively.

Administrative expenses

Our administrative expenses amounted to approximately HK\$3.5 million, HK\$5.5 million and HK\$8.4 million for the Track Record Period, respectively, and accounted for approximately 3.8%, 4.9% and 3.2% of our total operating expenses for the respective periods. The following table sets out the breakdown of our administrative expenses for the periods indicated:

	FY2017		FY2018		FY2019	
	(HK\$'000)	%	(HK\$'000)	%	(HK\$'000)	%
Rent, rates and building management fee	1,680	48.5	1,958	35.7	2,201	26.1
Motor vehicles expenses and rentals	911	26.3	2,000	36.5	2,178	25.9
Uniform	163	4.7	353	6.4	1,543	18.3
Depreciation	148	4.3	410	7.5	689	8.2
Bank charges	7	0.2	44	0.8	365	4.3
Legal and professional fee	66	1.9	89	1.6	248	2.9
Auditors' remuneration	59	1.7	200	3.6	200	2.4
Insurance	43	1.2	56	1.0	40	0.5
Others ^(Note)	386	11.1	373	6.8	954	11.4
	<u>3,463</u>	<u>100.0</u>	<u>5,484</u>	<u>100.0</u>	<u>8,418</u>	<u>100.0</u>

Note: Others mainly included repair and maintenance, printing, stationary and telecommunication utilities and other operating expenses.

Listing expenses

Our Listing expenses comprised of professional and other expenses in relation to our Listing, which amounted to approximately HK\$5.9 million and HK\$8.5 million for FY2018 and FY2019, respectively.

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Income tax expense

Hong Kong profits tax has been provided at a rate of 16.5% on the estimated assessable profits for the respective periods during the Track Record Period. On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2.0 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2.0 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Our income tax expense for the Track Record Period were approximately HK\$2.0 million, HK\$3.1 million and HK\$5.1 million, respectively, whereas the effective tax rate for the same period was approximately 16.0%, 22.3% and 22.4%, respectively. Our effective tax rate for FY2017 approximated our prevailing tax rate. Excluding the Listing expenses of approximately HK\$5.9 million and HK\$8.5 million incurred for FY2018 and FY2019, respectively, which were non-deductible for tax purpose, our effective tax rate would be approximately 15.6% and 16.3%, respectively. Save for the abovementioned, we were not subject to any income tax obligation from other jurisdictions.

Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, save as disclosed above, we had fulfilled all our income tax obligations and have not had any unresolved income tax issues or disputes with the relevant tax authorities.

REVIEW OF HISTORICAL RESULTS OF OPERATION

FY2019 compared to FY2018

Revenue

Our revenue increased by approximately HK\$164.4 million, or 125.7% from approximately HK\$130.8 million for FY2018 to approximately HK\$295.2 million for FY2019, such increase was mainly due to the combined effects of our two business segments as follows:

Security services

Our revenue generated from security services segment increased by approximately HK\$155.0 million or 137.8% from approximately HK\$112.5 million for FY2018 to approximately HK\$267.5 million for FY2019. Such increase was primarily due to:

- (a) for FY2019, we generate revenue in aggregate amounted to approximately HK\$105.2 million from manpower support services primarily contributed by (i) revenue of approximately HK\$76.1 million derived from newly commenced XRL Contracts from a Railway Corporation during FY2019; and (ii) revenue of approximately HK\$25.9 million derived from continuance of services for Contract E which was awarded in December 2017.

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- (b) our revenue from general manned guarding services increased by approximately HK\$58.0 million or 55.8% from approximately HK\$103.9 million for FY2018 to approximately HK\$161.9 million for FY2019. The increase was primarily due to revenue of approximately HK\$46.0 million derived from ongoing XRL Contracts from a Railway Corporation during FY2019.

Facility management services

Our revenue generated from facility management services increased by approximately HK\$9.4 million, or 51.4% from approximately HK\$18.3 million for FY2018 to approximately HK\$27.7 million for FY2019. Such increase was primarily due to (i) revenue of approximately HK\$6.5 million derived from XRL Contracts related to car parking rental and management services from a Railway Corporation in FY2019; and (ii) the increase in revenue of approximately HK\$2.8 million arising from new and existing contracts in relation to car parking rental and management service.

The total estimated revenue to be recognised from ongoing, newly awarded contracts and tender submitted amounted to approximately HK\$493.5 million subsequent to FY2019, respectively.

Please refer to section headed “Business – Sales and Marketing – Our major contracts” of this prospectus for further details related to our completed, ongoing, newly awarded contracts and tender submitted.

Employee benefit expenses

Our employee benefit expenses increased by approximately HK\$149.3 million, or 145.3% from approximately HK\$102.8 million for FY2018 to approximately HK\$252.1 million for FY2019. Such increase was mainly due to (i) increase of total headcount from approximately 921 as at 31 March 2018 to approximately 2,134 as at 31 March 2019 mainly for the XRL Contracts; and (ii) provision for lay-off payment of approximately HK\$1.3 million as resulted from termination of employment contract during FY2019.

Selling and marketing expenses

Our selling and marketing expenses maintained at a relatively steady level of approximately HK\$2.8 million for FY2018 and approximately HK\$2.5 million for FY2019.

Administrative expenses

Our administrative expenses increased by approximately HK\$2.9 million, or 53.5% from approximately HK\$5.5 million for FY2018 to approximately HK\$8.4 million for FY2019. Such increase was mainly due to (i) increase in uniform expenses of approximately HK\$1.2 million as a result of increase of total headcount; (ii) increase in bank charges of approximately HK\$0.3 million as resulted from increase in banking facilities arrangements.

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Income tax expense

Our income tax expenses increased by approximately HK\$2.1 million, or 67.1% from approximately HK\$3.1 million for FY2018 to approximately HK\$5.1 million for FY2019, the increase was primarily due to combined effects of increase in profit before taxation and Listing expenses incurred during FY2019, which was not deductible for tax purpose. Our effective tax rate was approximately 22.3% and 22.4% for FY2018 and FY2019, respectively. Excluding the non-recurring Listing expenses of approximately HK\$5.9 million and HK\$8.5 million incurred for FY2018 and FY2019 respectively, which was non-deductible for tax purpose, our tax effective tax rate would be approximately 15.6% and 16.3%, respectively, approximated to our prevailing tax rates.

Profit and total comprehensive income for the year

As a result of the foregoing, profit and total comprehensive income for the year increased by approximately HK\$7.0 million or 65.8% from approximately HK\$10.7 million for FY2018 to approximately HK\$17.7 million for FY2019. Our net profit margin decreased from approximately 8.2% for FY2018 to approximately 6.0% for FY2019. Excluding non-recurring of Listing expenses of approximately HK\$5.9 million and HK\$8.5 million incurred in FY2018 and FY2019, respectively, our profit and total comprehensive income for the year amounted to approximately HK\$26.3 million for FY2019 whereas our net profit margin decreased to approximately 8.9% for FY2019 compared to approximately 12.7% for FY2018.

FY2018 compared to FY2017

Revenue

Our revenue increased by approximately HK\$27.4 million, or 26.5% from HK\$103.4 million for FY2017 to approximately HK\$130.8 million for FY2018, such increase was mainly due to the combined effects of our two business segment as follows:

Security services

Our revenue generated from security services segment increased by approximately HK\$13.0 million, or 13.1% from approximately HK\$99.5 million for FY2017 to approximately HK\$112.5 million for FY2018. The increase was primarily due to:

- (a) our revenue generated from general manned guarding services increased by approximately HK\$5.0 million, or 5.1% from approximately HK\$98.8 million for FY2017 to approximately HK\$103.9 million for FY2018. The increase was primarily due to (i) our services performed for Contract G was based on a full financial calendar year of FY2018 in comparison to one month in 2017 as the contract was awarded in the month of March 2017; (ii) an additional of 2 newly awarded contracts with each contract sum over HK\$10.0 million were entered in FY2018, resulting in an aggregate amount of additional HK\$2.4 million of revenue

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was recognised in FY2018; (iii) an increase of general manned guarding services provided to private sectors clients in Hong Kong and was partially offset by the completion of certain railway stations and facilities during FY2017, in which no further general manned guarding services in the construction premises were required in FY2018.

- (b) In FY2018, we also began providing manpower support services for Health Authority (namely Contract E) in which the awarded contract sum amount is approximately HK\$89.0 million.

Facility management services

Our revenue generated from facility management services segment increased by approximately HK\$14.4 million, or 366.2% from approximately HK\$3.9 million for FY2017 to approximately HK\$18.3 million for FY2018. The increase was primarily due to the combined effects of (i) the majority of our contracts for facility management services were awarded near the end of FY2017, as a result, services were rendered for a full financial calendar year in FY2018 in comparison to FY2017; and (ii) an additional of 21 new contracts related to property management services were awarded in FY2018 with an aggregate contract sum amount of approximately HK\$9.4 million.

Employee benefit expenses

Our employee benefit expenses increased by approximately HK\$17.7 million, or 20.8% from approximately HK\$85.1 million for FY2017 to approximately HK\$102.8 million for FY2018. Such increase was mainly due to the increase of total headcount related to our operating segment from 730 as at 31 March 2017 to 921 as at 31 March 2018.

Selling and marketing expenses

Our selling and marketing expenses maintained at a relatively steady level of approximately HK\$2.7 million for FY2017 and approximately HK\$2.8 million for FY2018.

Administrative expenses

Our administrative expenses increased by approximately HK\$2.0 million, or 58.4% from approximately HK\$3.5 million for FY2017 to approximately HK\$5.5 million for FY2018. Such increase was mainly due to (i) increase in motor vehicle expenses, and rentals of approximately HK\$1.0 million; and (ii) increase in rent and rates and depreciation in aggregate of approximately HK\$1.0 million primarily due to relocation of office.

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Income tax expense

Our income tax expense increased by approximately HK\$1.1 million, or 56.9% from approximately HK\$2.0 million for FY2017 to approximately HK\$3.1 million for FY2018, the increase was in line with our increase in revenue during the relevant period. Our effective tax rate increased from approximately 16.0% for FY2017 to approximately 22.3% for FY2018 mainly as a result of our Listing expenses incurred during FY2018, which was not deductible for tax purpose and partially offset by the increase of tax concession received of approximately HK\$0.5 million. Excluding the non-recurring Listing expenses of approximately HK\$5.9 million incurred for FY2018 which was non-deductible for tax purpose, our effective tax rate would be approximately 15.6%, approximated to our prevailing tax rates.

Profit and total comprehensive income for the year

As a result of the foregoing, profit and total comprehensive income for the year increased by approximately HK\$0.4 million, or 4.2% from approximately HK\$10.3 million for FY2017 to approximately HK\$10.7 million for FY2018. Our net profit margin decreased from approximately 9.9% for FY2017 to approximately 8.2% for FY2018. Excluding the non-recurring of Listing expenses of approximately HK\$5.9 million incurred in FY2018, our profit and total comprehensive income for the year amounted to approximately HK\$16.6 million for FY2018 whereas our net profit margin increased from approximately 9.9% for FY2017 to approximately 12.7% for FY2018.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

Our primary uses of cash are for operating needs and working capital. For the Track Record Period, we were funded through cash generated from our operations. Upon completion of the Share Offer, we currently expect that there will not be any material change in the sources and uses of cash of our Group in the future, 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 Objective and Use of Proceeds” in this prospectus.

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The following table summarises, for the periods indicated, our consolidated statements of cash flows:

	FY2017 <i>(HK\$'000)</i>	FY2018 <i>(HK\$'000)</i>	FY2019 <i>(HK\$'000)</i>
Net cash generated from (used in) operating activities	5,566	17,009	(37,073)
– <i>Operating cash flows before movements in working capital</i>	12,376	14,280	24,633
Net cash used in investing activities	(1,210)	(2,707)	(1,574)
Net cash (used in) from financing activities	<u>(3,887)</u>	<u>(9,172)</u>	<u>46,650</u>
 Net increase in cash and cash equivalents	 469	 5,130	 8,003
Cash and cash equivalents at beginning of year	<u>13,494</u>	<u>13,963</u>	<u>19,093</u>
 Cash and cash equivalents at end of year	 <u><u>13,963</u></u>	 <u><u>19,093</u></u>	 <u><u>27,096</u></u>

Operating activities

Net cash generated from or used in operating activities comprises profit before taxation adjusted for non-cash items, such as depreciation and adjusted for the change in working capital. For the Track Record Period, our operating cash inflows were primarily derived from receipt of proceeds from our customers and our operating cash outflows mainly include payment for employee benefit expenses, operating expenses as well as other working capital needs and tax payments.

For FY2019, our net cash used in operating activities of approximately HK\$37.1 million was a combined result of operating cash flow before changes in working capital of approximately HK\$24.6 million, income tax paid of approximately HK\$1.1 million and net change in working capital of approximately HK\$60.6 million. Change in working capital primarily reflected by increase in trade and other receivables of approximately HK\$81.5 million which was mainly resulted from (i) increase in uncertified revenue in relation to the XRL Contracts; and (ii) increase in trade receivables of approximately HK\$21.8 million, as a result of revenue derived from the XRL Contracts which were billed upon certification of service performed, which was partially offset by increase in accrued staff costs of approximately HK\$17.9 million as resulted from the increase in headcount mainly for the XRL Contracts. For details regarding the settlement of the XRL Contracts, please refer to paragraphs headed “Trade and other receivables” in this section.

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Our unaudited net cash from operating activities was approximately HK\$8.1 million for 5M2020, and such improvement was primarily due to the decrease in our trade and other receivables as resulted from settlements from our customers. In particular, the settlement period in respect of the draft monthly invoices issued in July 2019 and August 2019 to the Railway Corporation, our largest customer during the Track Record Period, has improved. See “Business – Sales and marketing – Payment and credit policy” for details.

For FY2018, our net cash generated from operating activities of approximately HK\$17.0 million was a combined result of operating cash flow before changes in working capital of approximately HK\$14.3 million, income tax paid of approximately HK\$2.6 million and net change in working capital of approximately HK\$5.3 million. Change in working capital primarily reflected (i) increase in other payables and accrued expenses of approximately HK\$4.5 million, mainly resulting from increase in accrued staff costs and accrued Listing expenses and issue costs; and (ii) decrease in trade and other receivables of approximately HK\$0.8 million as resulted from settlement of our aged trade receivables during FY2018.

For FY2017, our net cash generated from operating activities of approximately HK\$5.6 million was a combined result of operating cash flow before changes in working capital of approximately HK\$12.4 million, income tax paid of approximately HK\$0.8 million and net change in working capital of approximately HK\$6.1 million. Change in working capital primarily reflected the increase in trade and other receivables of approximately HK\$6.6 million, mainly resulting from an increase in revenue from our security services, which was partially offset by the increase in other payables and accrued expenses of approximately HK\$0.5 million.

Investing activities

For FY2019, our Group had net cash used in investing activities of approximately HK\$1.6 million primarily reflected by (i) purchase of property, plant and equipment of approximately HK\$0.8 million; and (ii) net advance to related companies of approximately HK\$0.7 million.

For FY2018, our Group had net cash used in investing activities of approximately HK\$2.7 million primarily reflected purchase of property, plant and equipment of approximately HK\$2.0 million and net advance to related companies of approximately HK\$0.7 million.

For FY2017, our Group had net cash used in investing activities of approximately HK\$1.2 million primarily reflected net advance to related companies of approximately HK\$1.0 million and purchase of property, plant and equipment of approximately HK\$0.2 million.

Financing activities

For FY2019, our Group had net cash from financing activities of approximately HK\$46.7 million primarily reflected by proceeds from new bank loans raised of approximately HK\$67.0 million, which was partially offset by (i) repayment of bank loans of approximately HK\$10.0 million; (ii) dividend paid of approximately HK\$6.4 million; (iii) issue cost paid of approximately HK\$1.6 million; and (iv) net repayment to related parties of approximately HK\$1.6 million.

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For FY2018, our Group had net cash used in financing activities of approximately HK\$9.2 million primarily reflected (i) payment of dividend of approximately HK\$8.4 million; (ii) issue cost paid of approximately HK\$1.0 million which was partially offset by net advance from related parties of approximately HK\$0.2 million.

For FY2017, our Group had net cash used in financing activities of approximately HK\$3.9 million, primarily reflected payment of dividend of approximately HK\$5.0 million, which was partially offset by net advance from related parties of approximately HK\$1.1 million and proceeds from incorporation of subsidiaries of approximately HK\$30,000. For details of our subsidiaries, see note 30 to the Accountants' Report in Appendix I to this prospectus.

Net Current Assets

The table below sets forth a summary of our consolidated statements of financial position as at the dates indicated:

	As at 31 March			31 July
	2017 (HK\$'000)	2018 (HK\$'000)	2019 (HK\$'000)	2019 (HK\$'000) (unaudited)
Current assets				
Trade and other receivables	33,310	31,307	123,923	106,921
Amounts due from related companies	1,154	1,839	960	282
Tax recoverables	–	480	–	–
Bank balances and cash	13,963	19,093	27,096	24,093
	<u>48,427</u>	<u>52,719</u>	<u>151,979</u>	<u>131,296</u>
Current liabilities				
Other payables and accrued expenses	8,587	13,657	35,327	30,319
Amount due to a non-controlling shareholder of a subsidiary	–	–	7,198	–
Amounts due to related parties	1,494	1,733	106	306
Bank borrowings	–	–	57,000	49,000
Lease liabilities	–	–	–	1,664
Tax payables	646	1,634	5,215	3,172
	<u>10,727</u>	<u>17,024</u>	<u>104,846</u>	<u>84,461</u>
Net current assets	<u>37,700</u>	<u>35,695</u>	<u>47,133</u>	<u>46,835</u>

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Our Group's net current assets decreased slightly from approximately HK\$37.7 million as at 31 March 2017 to approximately HK\$35.7 million as at 31 March 2018, which was mainly due to (i) the decrease in trade and other receivables of approximately HK\$2.0 million and (ii) the increase in other payables and accrued expenses of approximately HK\$5.1 million which was partially offset by the increase of bank balances and cash of approximately HK\$5.1 million.

Our Group's net current assets increased from approximately HK\$35.7 million as at 31 March 2018 to approximately HK\$47.1 million as at 31 March 2019, which was mainly due to increase in trade and other receivables of approximately HK\$92.6 million mainly resulted from (i) increase of uncertified revenue of approximately HK\$57.6 million upon service performed for XRL Contracts which were uncertified for billing as at 31 March 2019; and (ii) increase in trade and other receivables of HK\$35.0 million, which was partially offset by (i) increase in bank borrowings of approximately HK\$57.0 million; (ii) increase in other payable and accrued expenses of approximately HK\$21.7 million as a result of increase of accrued staff cost; and (iii) increase in amount due to a non-controlling shareholder of a subsidiary of HK\$7.2 million.

Our Group's net current assets remained relatively stable at approximately HK\$47.1 million and HK\$46.8 million as at 31 March 2019 and 31 July 2019, respectively.

Our Group has adopted HKFRS 16 for the accounting period beginning on 1 April 2019 as stated in note 3 of the Accountants' Report in Appendix I to this Prospectus. As such, leases have been recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation) in our Group's consolidated statements of financial position for the accounting period beginning on 1 April 2019. As at 31 July 2019, our Group's total lease liabilities amounted to approximately HK\$1.7 million.

Liquidity management

The following procedures assist management to monitor liquidity position in view of working capital requirement for business operation and the possible cash flow mismatch associated with the receipt of settlements from customers and payments to suppliers:

- Annual budget including gross cash receipts and payments from operating activities, business expansion plan, capital expenditure, tax payments, dividends or investments is prepared by Financial Controller and approved by Director of Operations.
- Financial Controller is responsible for comparing actual cash flow statement with annual approved budget on a monthly basis and investigating and explaining significant or unusual differences, if any;
- Financial Controller have established policies and objectives for accounts receivables and other current assets as well as accounts payables and disbursements on an annual basis;

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- The measurement of liquidity risk is regularly reported to the Directors, so that the Directors could monitor the liquidity and ensure adherence to the annual business plan.
- Financial Controller is responsible for the overall monitoring of current and expected liquidity requirements on a monthly basis to ensure that sufficient financial resources is maintained to meet liquidity requirements;
- Based on the regular monitoring by Financial Controller, if there is any expected shortage of internal financial resources, Financial Controller will consider different financing alternatives, including obtaining adequate committed lines of funding from banks.
- Financial Controller monitors the ageing analysis of both accounts receivables and payables at the end of each month. The ageing analysis of both accounts receivables and payables will be submitted to Director of Operations and General Manager for review and approval regularly;
- For the accounts receivables past due, material overdue payments are monitored continuously and evaluated on a case-by-case basis with appropriate follow-up actions based on the customer's normal payment processing procedures, relationship with customer, their history of making payments, financial position as well as the general economic environment.
- Follow-up actions to recover overdue accounts receivables include:
 - active communications with our customers' appropriate personnel for processing payments;
 - review the recoverable amount of each individual accounts receivable balance at the end of each reporting period to ensure adequate provision for impairment losses are provided for irrecoverable amounts; and
 - seek legal advice when necessary;
- For our accounts payables management, Financial Controller is responsible for monitoring timely payment to vendors/service providers, including:
 - preparation and approval of the payment requisition form for payment once the invoice is received;
 - monthly review of accounts payable aging analysis; and
 - for any outstanding payables, investigation and settlement should be performed unless being informed by suppliers or there are special circumstances;

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- If any receivables past due cannot be recouped and if the Group did not possess sufficient working capital to pay the vendors on a timely basis, the Group will need to make use of the unutilised banking facilities to pay vendors.

Bank borrowing

For all borrowing matters, only the executive management and financial controller, having taken into consideration the Group's financial needs, have the authority to decide and enter into any borrowing arrangement, for example banking facilities. Financial Controller should be copied on all correspondences with banks and/or lending parties.

Any change in existing borrowing arrangement should be recorded in writing and approved by General Manager or Director of Operations or Financial Controller. The relevant application form to bank will be prepared by the staff in charge. At least two directors approval and signature on the application form must be obtained.

To mitigate liquidity risk, Financial Controller should closely monitor the financial position of the Group, schedule of repayment and the fluctuations of interest rates. The Group, subject to reasonable terms and circumstances at the prevailing time, should fix interest rates in order to better project interest payments on an ongoing basis. Regular reporting and analysis should be performed in a timely manner.

Deposit for tendering

The application for contract securities should be recorded in writing and approved by general manager or director of operations or financial controller. The relevant application form to bank will be prepared by the staff in charge. At least two Directors approval and signature on the application form must be obtained.

Financial controller should pay regular monitoring on the deposit for tendering. Having taken into consideration our financial position, financial controller should assess the liquidity risk before arranging the contract securities for tendering.

Working Capital

Our Directors confirm that, taking into consideration the financial resources presently available to us, including anticipated cash flow from our operating activities, existing cash and cash equivalents, available facilities and the estimated net proceeds from the Share Offer, we have sufficient working capital for our present requirements and for at least the next 12 months commencing from the date of this prospectus.

Save as disclosed in this document, our Directors are not aware of any other factors that would have a material impact on our Group's liquidity. Details of the funds necessary to meet our existing operations and to fund our future plans are set out in the section headed "Statement of Business Objectives and Use of Proceeds" to this prospectus.

FINANCIAL INFORMATION

DESCRIPTION OF CERTAIN ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Trade and other receivables

The following table sets out the breakdown of trade and other receivables as at the dates indicated:

	As at 31 March			As at
	2017	2018	2019	31 July
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
				<i>(unaudited)</i>
Trade receivables	28,934	27,575	49,421	83,025
Uncertified revenue	–	–	57,621	12,804
Deposits ^(note)	2,907	1,318	10,691	3,213
Other receivables and prepayments	1,469	821	1,902	3,591
Prepayments for Listing expenses and issue cost	–	–	360	360
Deferred issue costs	–	1,593	3,928	3,928
	<hr/>	<hr/>	<hr/>	<hr/>
Total trade and other receivables	<u>33,310</u>	<u>31,307</u>	<u>123,923</u>	<u>106,921</u>

Note: Including current portion of the contract deposit of approximately HK\$2.7 million, HK\$0.9 million, HK\$10.3 million and HK\$3.1 million as at 31 March 2017, 2018, 2019 and 31 July 2019, respectively. On the other hand, we also had non-current portion of contract deposit of approximately HK\$0.7 million, HK\$3.5 million, HK\$1.1 million and HK\$1.1 million as at 31 March 2017, 2018, 2019 and 31 July 2019, respectively.

Trade receivables

Our trade receivables were mainly payment receivables from security services and facility management services provided to our customers. Our trade receivables remained relatively stable of approximately HK\$28.9 million and approximately HK\$27.6 million as at 31 March 2017 and 2018, respectively. Our trade receivables increased from approximately HK\$27.6 million as at 31 March 2018 to approximately HK\$49.4 million as at 31 March 2019, primarily due to our business growth, including balances with the Railway Corporation with respect to XRL Contracts, as evidenced by the increase in revenue compared with FY2018.

Before accepting any new customer, our Group assesses the potential customer's credit quality and defines credit limits by customer. The credit term is generally for a period of 30 to 120 days for customers. Credit limits attributed to customers and credit term granted to customers are reviewed regularly. The majority of the trade receivables that are neither past due nor impaired have no history of defaulting on repayments.

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The following table sets out the ageing analysis of trade receivables, net of loss allowance, based on invoice date as at the dates indicated:

	As at 31 March		
	2017	2018	2019
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
0 – 30 days	17,539	19,977	40,698
31 – 60 days	2,845	817	1,586
61 – 90 days	66	1,268	1,089
91 – 120 days	2,570	740	1,471
Over 120 days	5,914	4,773	4,577
	<u>28,934</u>	<u>27,575</u>	<u>49,421</u>
Total	<u>28,934</u>	<u>27,575</u>	<u>49,421</u>

As at 31 March 2019, approximately HK\$17.1 million of our trade receivable balance was attributable to XRL Contracts with a Railway Corporation, which represents revenue of approximately HK\$128.6 million, being recognised for FY2019. Our Directors were of the view that no impairment allowance for such balance was necessary after considering various factors of our customer, including the fact that the Railway Corporation is a company listed on the Stock Exchange along with its solid background, financial conditions, good reputation, credibility and payment records. Having made reasonable due diligence enquiries, our Directors expect that the outstanding trade receivables would be settled by instalments. For details, please refer to paragraphs headed “Business – Sales and marketing – Payment and credit policy”.

Our policy for impairment on trade receivables is based on an evaluation of collectability and ageing analysis of the receivables that requires the use of judgement 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.

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The following table sets out the ageing analysis of our trade receivables, based on invoice date which are past due but not impaired, as at the dates indicated:

	As at 31 March		
	2017	2018	2019
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Past due:			
1 – 30 days	2,845	817	1,586
31 – 60 days	66	1,268	1,089
Over 60 days	8,484	5,513	6,048
Total	11,395	7,598	8,723

As at 31 March 2017 and 2018, trade receivables of approximately HK\$11.4 million and HK\$7.6 million, respectively, were past due but not impaired. These related to customers for whom there is no significant financial difficulty and based on our experience, our Directors were of the view that no impairment allowance was necessary in respect of these overdue balances as there had not been significant change in credit quality of our customers and the balances were considered fully recoverable. We do not hold any collateral over these balances. As at 31 August 2019, trade receivables that were past due but not impaired as at 31 March 2017 and 2018 were settled.

Our Group has initially applied the HKFRS 9 simplified approach to measure the expected credit losses (the “ECL”) which uses a lifetime ECL for all trade receivables. To measure the ECL, trade receivables are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings. Upon initial application of HKFRS 9, we estimate the amount of loss allowance for trade receivables based on the credit risk of trade receivables. The loss allowance amount is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses. As such, an opening adjustment as at 1 April 2018 was made to recognise a credit loss allowance of approximately HK\$0.3 million. As at 31 March 2019, trade receivables of approximately HK\$8.7 million were past due which included balances of approximately HK\$6.0 million past due 60 days or more, among which (i) approximately HK\$1.9 million, in aggregate, was attributable to Railway Corporation, Immigration Authority and Client A, being three of our five largest clients; (ii) approximately HK\$3.1 million was attributable to two clients to whom we provided hotel management services and other facility management services; all of which had been fully settled as at 15 August 2019. The remaining balance of approximately HK\$1.0 million was attributable to more than 20 clients and as at 15 August 2019, approximately HK\$0.6 million of which had been settled.

Out of the total balances past due 60 days or more, approximately HK\$4.6 million has been past due 90 days or more which was in line with our business growth with more revenue being recognised since April 2018 as compared to that of earlier periods. Such balances with

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the customers is not considered default as our Directors consider such that the presumption of default has occurred when the instrument is more than 90 days past due would be rebutted by considering the current credit worthiness and historical payments from these trade debtors. For details on adoption of HKFRS 9, please see notes 3 and 16 of the Accountants' Report in Appendix I to this prospectus.

The table below sets out a summary of average trade receivables turnover days as at the dates indicated:

	FY2017	FY2018	FY2019
Average trade receivables turnover days ^(Note)	<u>89</u>	<u>79</u>	<u>83</u>

Note: Trade receivables turnover days is calculated using the average balances of trade receivables and uncertified revenue divided by revenue for the relevant period and multiplied by number of days in the relevant period. Average balance of trade receivables is calculated as the sum of the beginning and the ending balance for the relevant period divided by two.

Our average trade receivables turnover days remained relatively stable for FY2017 and FY2018 of 89 days and 79 days, respectively. The increase of our average turnover days from 79 days for FY2018 to 83 days for FY2019 was mainly due to the longer Settlement Period of the XRL Contracts of the Railway Corporation in FY2019. As our business operates on a non-recurring and by contract basis, revenue recognition, trade receivables and settlement practices by each customer at a given time would affect our trade receivable balances as at the respective year end dates and thus the average trade receivables during the Track Record Period. For details of the above, please refer to the section headed "Business – Payment and Credit Policy" in this prospectus.

As at the Latest Practicable Date, approximately HK\$43.4 million or 87.8% of our trade receivables as at 31 March 2019, were settled.

Uncertified revenue

The tables below set forth our uncertified revenue as at the dates indicated:

	As at 31 March 2019 HK\$'000
Uncertified revenue	57,680
Less: Loss allowance	<u>(59)</u>
	<u>57,621</u>

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Our uncertified revenue represents our Group's right to receive consideration for services rendered pending verification of attendance records by customers as at the end of the reporting period. Uncertified revenue is transferred to trade receivables when our Group obtains the certification issued by the customers and is to be settled within 30 days from the date of certification. Our uncertified revenue was approximately HK\$57.6 million as at 31 March 2019, which was mainly attributable to uncertified revenue from the XRL Contracts. For FY2017 and FY2018, our Directors considered the amount of uncertified revenue for other contracts with the Railway Corporation were immaterial in comparison to the XRL Contracts (which commenced service in FY2019), and therefore it is not necessary to reclassify such amount to uncertified revenue from trade receivables. We assess our uncertified revenue on an individual basis. Based on the assessment by our Directors, impairment loss of approximately HK\$0.06 million has been recognised during FY2019.

As at 31 August 2019, all of the uncertified revenue as of 31 March 2019 have been subsequently billed and fully settled by our customers.

Our Directors confirmed that there were no reversal of our uncertified revenue or any dispute with the relevant customers on the amounts of uncertified revenue for the Track Record Period.

Deposits, other receivables and prepayments

Our deposits, other receivables and prepayments mainly comprised (i) contract securities; (ii) prepayment and deferred listing expenses and issue cost; and (iii) rental and utilities deposit. Our deposits, other receivables and prepayments decreased by approximately HK\$0.6 million from approximately HK\$4.4 million as at 31 March 2017 to approximately HK\$3.7 million as at 31 March 2018, primarily attributable to contract sum were refunded upon completion of contract period prior to 31 March 2018, which was partially offset by the increase of deferred Listing expenses.

Our deposits, other receivables and prepayments increased by approximately HK\$13.1 million from approximately HK\$3.7 million as at 31 March 2018 to approximately HK\$16.9 million as at 31 March 2019, primarily attributable to (i) increase of deposits of approximately HK\$9.4 million, mainly comprising the contract deposit of HK\$7.2 million paid for a tender; and (ii) increase of prepayments for Listing expenses and issue cost in aggregate of approximately HK\$2.7 million.

As at the Latest Practicable Date, the contract deposit mentioned above was fully refunded since the tender was unsuccessful.

Other payables and accrued expenses

Other payables and accrued expenses principally comprised (i) other payables and accruals related to various operating expenses incurred; (ii) accrued listing expenses and issue costs; and (iii) accrued staff cost.

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The following table sets forth the breakdown of our other payables and accrued expenses as at the dates indicated:

	As at 31 March		
	2017 <i>(HK\$'000)</i>	2018 <i>(HK\$'000)</i>	2019 <i>(HK\$'000)</i>
Other payables and accrued expenses	1,117	1,868	2,514
Accrued Listing expenses and issue costs	–	2,335	5,452
Accrued staff costs	<u>7,470</u>	<u>9,454</u>	<u>27,361</u>
 Total other payables and accrued expenses	 <u>8,587</u>	 <u>13,657</u>	 <u>35,327</u>

Our other payables and accrued expenses increased by approximately HK\$5.1 million from approximately HK\$8.6 million as at 31 March 2017 to approximately HK\$13.7 million as at 31 March 2018. Such increase was mainly due to (i) the increase of accrued staff costs of approximately HK\$2.0 million resulting from increase of headcount to facilitate our additional services in our security services segment; and (ii) the increase of accrued listing costs of approximately HK\$2.3 million. Our other payables and accrued expenses increased by approximately HK\$21.7 million from approximately HK\$13.7 million as at 31 March 2018 to approximately HK\$35.3 million as at 31 March 2019. Such increase was mainly due to (i) increase of accrued staff cost of approximately HK\$17.9 million which was in line with the increase of headcount to facilitate our operations; and (ii) increase in accrued Listing expenses and issue costs of approximately HK\$3.1 million.

Amounts due from related companies

Our amounts due from related companies amounted to approximately HK\$1.2 million, HK\$1.8 million and HK\$1.0 million as at 31 March 2017, 2018 and 2019, respectively. Such amounts were non-trade nature, unsecured, interest-free and repayable on demand and will be settled before Listing.

Amounts due to related parties

Our amounts due to related parties include (i) amounts payable to Mr. Ma Ah Muk amounted to approximately HK\$1.5 million, HK\$1.3 million and nil; (ii) amounts payable to Yan Yan Motors amounted to approximately HK\$2,000, HK\$0.5 million and nil; and (iii) amounts payable to Deluxe Tower Limited amounted to approximately nil, nil and HK\$0.1 million as at 31 March 2017, 2018 and 2019, respectively. Such amounts were non-trade nature, unsecured, interest-free and repayable on demand. All the amounts due to related parties will be settled upon Listing.

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Amount due to a non-controlling shareholder of a subsidiary

On 8 March 2019, IWS Carpark (JV) was incorporated and was jointly held by IWS Carpark and Oblivian Limited (the “JV Partner”), an independent third party, with the intention to jointly provide carpark management services for certain contract. On 15 March 2019, a carpark tender was submitted with a contract deposit of approximately HK\$7.2 million, paid on-behalf by our JV Partner. As the submitted tender was pending for confirmation as at 31 March 2019, consequently, we recognised amount due to a non-controlling shareholder of a subsidiary of approximately HK\$7.2 million as at 31 March 2019. Such amount was non-trade nature, unsecured, interest-free and repayable on demand. During April 2019, a notice of unsuccessful tender was received, as such the related contract deposit was fully refunded to our JV Partner as of 30 April 2019.

CAPITAL EXPENDITURES

Our Group’s projected capital expenditures are subject to revision based upon any future changes in our business plan, market conditions, and economic and regulatory environment. Please refer to the section headed “Statement of Business Objectives and Use of Proceeds” in this document for further information.

We expect to fund our contractual commitments and capital expenditures principally through the net proceeds we receive from the Share Offer, existing cash and cash equivalents, available banking facilities and cash generated from our operating activities. We believe that these sources of funding will be sufficient to finance our contractual commitments and capital expenditure needs for the next 12 months.

CONTRACTUAL AND CAPITAL COMMITMENTS

Operating lease commitments

(a) *Our Group as lessor*

As at 31 March 2017, 2018 and 2019, our Group had contracted with tenants in respect of carparks for the following future minimum lease payments under a non-cancellable operating lease, which fall due as follows:

	As at 31 March		
	2017	2018	2019
	(HK\$'000)	(HK\$'000)	(HK\$'000)
Within one year	739	739	677
In the second to fifth year inclusive	1,417	678	–
Total	<u>2,156</u>	<u>1,417</u>	<u>677</u>

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The operating lease held has committed tenant for the next one to three years.

(b) Our Group as lessee

	FY2017 <i>(HK\$'000)</i>	FY2018 <i>(HK\$'000)</i>	FY2019 <i>(HK\$'000)</i>
Operating lease rentals in respect of office premises and carparks	1,481	1,700	1,764

As at 31 March 2017, 2018 and 2019, our Group had commitments for future minimum lease payments in respect of offices premises and carparks under non-cancellable operating lease arrangements, which fall due as follows:

	As at 31 March		
	2017 <i>(HK\$'000)</i>	2018 <i>(HK\$'000)</i>	2019 <i>(HK\$'000)</i>
Within one year	1,227	969	1,767
In the second to fifth year inclusive	196	1,084	505
Total	1,423	2,053	2,272

Operating lease payments represent rentals payable by our Group for its offices and carparks. Leases are negotiated for an average term of one to three years and rentals are fixed over the lease terms.

INDEBTEDNESS

The following table sets forth the breakdown of our indebtedness as at the dates indicated:

	As at 31 March			As at
	2017 <i>(HK\$'000)</i>	2018 <i>(HK\$'000)</i>	2019 <i>(HK\$'000)</i>	31 July 2019 <i>(HK\$'000)</i> <i>(unaudited)</i>
Amount due to a non-controlling shareholder of a subsidiary	–	–	7,198	–
Amounts due to related parties	1,494	1,733	106	306
Bank borrowings	–	–	57,000	49,000
Lease liabilities	–	–	–	1,664
	1,494	1,733	64,304	50,970

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Amounts due to related parties

Our amounts due to related parties include (i) amount payable to Mr. Ma Ah Muk amounted to approximately HK\$1.5 million, HK\$1.3 million, nil and nil; (ii) amount payable to Yan Yan Motors amounted to approximately HK\$2,000, HK\$0.5 million, nil and HK\$0.2 million; and (iii) amount payable to Deluxe Tower Limited amounted to approximately nil, nil, HK\$0.1 million and HK\$0.1 million as at 31 March 2017, 2018 and 2019 and 31 July 2019, respectively. Such amounts were non-trade nature, unsecured, interest-free, unguarantee and repayable on demand. All the amounts due to related parties will be settled upon Listing.

Amount due to a non-controlling shareholder of a subsidiary

Our amount due to a non-controlling shareholder of a subsidiary represents contract deposit paid by our JV Partner on-behalf for our Group which amounted to approximately HK\$7.2 million as at 31 March 2019. Such amount were non-trade nature, unsecured, interest-free, unguarantee, repayable on demand and was refunded during April 2019 upon unsuccessful tender as aforesaid mentioned.

Bank facilities and bank borrowings

The following table sets forth our bank borrowings as at the dates indicated:

	As at 31 March			As at 31 July
	2017	2018	2019	2019
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
				<i>(unaudited)</i>
Variable rate bank borrowings				
Unsecured and guaranteed	–	–	57,000	49,000
Effective interest rate ^(Note)	–	–	2.63%-3.94%	3.39%-4.74%

Note: Effective interest rates were carried for FY2019 and up to 31 July 2019.

As at 31 March 2019, the carrying amounts of our Group's bank borrowings are denominated in HK Dollar and are subject to annual review for the respective periods.

During the Track Record Period, our Group had obtained bank facilities of approximately HK\$40.0 million in August 2018, which were subsequently increased to HK\$90.0 million in November 2018 with a temporary increment to finance, among other things, our expenses paid to our employees and the contract deposits required pursuant to the XRL Contracts. Upon the expiry of the temporary increment in March 2019, the bank had extended the repayment terms of our bank facilities to 4 June 2019, but the credit limit was reduced by stages commencing from 3 April 2019 back to HK\$40.0 million after 4 June 2019. In June 2019, we had obtained a new temporary facility increment of HK\$40.0 million available until September 2019 to support our Company's operation, which was further extended to November 2019.

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Our bank borrowings as at 31 March 2019 and 31 July 2019 were guaranteed by personal guarantees from Mr. Ma Ah Muk and Mr. KS Ma, and all guarantees will be released upon Listing. Such bank borrowings are repayable within one year and contain a repayable on demand clause.

All of our Group's banking facilities are subject to the fulfilment of covenants based on the financial information of our Group or certain subsidiaries, as are commonly found in lending arrangements with financial institutions. If our Group were to breach the covenants, the drawn down facilities would become payable on demand. Our Group regular monitors its compliance with these covenants.

Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, we had not defaulted or delayed in any payments or breached any of the material covenants pertaining our bank borrowings.

As at 31 July 2019, being the latest practicable date for the purpose of the indebtedness statement, we had existing banking facilities with a limit of HK\$80.0 million (including a temporary increase of facility limit of HK\$40.0 million) of which HK\$69.7 million had been utilised.

Performance bond

As at 31 July 2019, being the latest practicable date for the purpose of the indebtedness statement, our Group had an outstanding performance bond of approximately HK\$20.7 million issued by the Group's bank which are guaranteed by personal guarantees from Mr. Ma Ah Muk and Mr. KS Ma to fulfill the obligations of providing contract securities for recently awarded XRL Contracts in our normal course of business, which was utilised from our existing banking facilities. For details, see "Bank facilities and bank borrowings" above.

Lease liabilities

Upon application of HKFRS 16 since 1 April 2019, our Group recognised right-of-use of assets and corresponding lease liabilities in respect of all leases unless they qualify for low value or short-term leases. The lease liabilities represent payment for right of using underlying assets. Our lease liabilities amounted to approximately nil, nil, nil and HK\$1.7 million as at 31 March 2017, 2018, 2019 and 31 July 2019 which was secured by rental deposits and unguaranteed.

Contingent liabilities

As at 31 July 2019, being the latest practicable date for the purpose of the indebtedness statement, our Group did not have any other significant contingent liabilities or guarantees.

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As at 31 July 2019, being the latest practicable date for the purpose of the indebtedness statement, save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, our Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, hire purchase commitments, guarantees, material covenants, or other material contingent liabilities.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENT

Save as disclosed in the sub-section headed “Performance bond” under this section of this prospectus, as at the Latest Practicable Date, we had not entered into any material off-balance sheet commitments and arrangements.

RELATED PARTIES TRANSACTIONS

With respect to the related party transactions set forth in the Accountants’ Report in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms or such terms that were no less favourable to our Group than those available to independent third parties and were fair and reasonable and in the interest of our Shareholders as a whole.

KEY FINANCIAL RATIOS

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

	FY2017	FY2018	FY2019
Net profit margin (%) ⁽¹⁾	9.9	8.2	6.0
Return on equity (%) ⁽²⁾	26.3	25.9	34.9
Return on total assets (%) ⁽³⁾	20.7	18.4	11.4
Interest coverage (times) ⁽⁴⁾	N/A	N/A	39.2
	As at 31 March		
	2017	2018	2019
Current ratio (times) ⁽⁵⁾	4.5	3.1	1.4
Quick ratio (times) ⁽⁶⁾	4.5	3.1	1.4
Gearing ratio (%) ⁽⁷⁾	N/A	N/A	112.1
Net debt to equity ratio (%) ⁽⁸⁾	N/A	N/A	58.8

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Non-HKFRS measures for illustrative purpose:

	FY2017	FY2018	FY2019
Segment margin (%) ⁽⁹⁾			
– Security services	20.3	21.6	15.4
– Facility management services	43.9	47.2	38.7
Adjusted net profit margin (%) ⁽¹⁰⁾	9.9	12.7	8.9
Adjusted return on equity (%) ⁽¹¹⁾	26.3	40.1	51.7
Adjusted return on total assets (%) ⁽¹²⁾	20.7	28.4	16.9

Notes:

- (1) Net profit margin for each of the year is calculated based on net profit divided by revenue for the respective year and multiplied by 100%. Please refer to the paragraphs headed “Review of Historical Results of Operations” in this section for more details on our net profit margins.
- (2) Return on equity equals profit for the year divided by total equity of the relevant year and multiplied by 100%.
- (3) Return on total assets equals profit for the year divided by total assets of the relevant year and multiplied by 100%.
- (4) Interest coverage equals profit before interest, tax and Listing expenses divided by net interest expenses for the relevant year.
- (5) Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of the respective year.
- (6) Quick ratio is calculated as total current assets divided by the total current liabilities as at the end of the respective year.
- (7) Gearing ratio is calculated based on the total interest-bearing bank borrowings divided by total equity as at the respective year and multiplied by 100%.
- (8) Net debt to equity ratio is calculated based on net debts as at the end of the respective year divided by total equity as at the end of the respective year and multiplied by 100%. Net debt includes all interest-bearing bank borrowings (if any), net of bank balances and cash.
- (9) Segment margin for each of the year is calculated based on segment revenue from external sales less employee benefit expenses (i.e. segment results) for the respective segments divided by the segment revenue from external sales for the respective year and multiplied by 100%.
- (10) Adjusted net profit margin for the year is calculated on adjusted net profit for the year divided by revenue for the respective year. Adjusted net profit was calculated based on net profit for the year excluding the non-recurring Listing expenses. See “Review of Historical Results of Operations” in this section for details.
- (11) Adjusted return on equity equals adjusted net profit for the year divided by total equity of the relevant year and multiplied by 100%. Adjusted net profit was calculated based on net profit for the year excluding the non-recurring Listing expenses. See “Review of Historical Results of Operations” in this section for details.
- (12) Adjusted return on total assets equals adjusted net profit for the year divided by of total assets of the relevant year and multiplied by 100%. Adjusted net profit was calculated based on net profit for the year excluding the non-recurring Listing expenses. See “Review of Historical Results of Operations” in this section for details.

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Segment results for security services

Our segment results for security services increased by approximately HK\$4.1 million, or 20.4% from approximately HK\$20.2 million for FY2017 to approximately HK\$24.3 million for FY2018. For FY2017 and FY2018, our segment margin for security services remained relatively stable at approximately 20.3% and 21.6%, respectively.

Our segment results for security services increased by approximately HK\$17.0 million, or 70.1% from approximately HK\$24.3 million for FY2018 to approximately HK\$41.3 million for FY2019. Our segment margin for security services decreased to approximately 15.4% for FY2019 compared to approximately 21.6% for FY2018, respectively, such decrease was primarily attributable to the large scale of (i) XRL Contracts; and (ii) Contract E in our service mix during FY2019, which contributed to approximately 53.3% of our segment results for our security services during FY2019 but had lower margins of approximately 15.6% and 11.2%, respectively. In particular, Contract E generated a lower margin primarily because our Directors believe that we had to offer a competitive price in order to win the tender and outcompete other industry players to take up this project for providing service at Shenzhen Bay Port and Man Kam To control points, which was our first project successfully expanding into the provision of manpower support services for health screening, a new business line under our security service segment; Our Directors considered this project as one of our testimonials which helped us successfully acquire new contracts in manpower support services for mega-scale railway and transportation infrastructure projects, namely Contract K and Contract L in respect of the operation of station customer service centre and provision of station assistants trolley and porter management, traffic control management and train attendants for Guangshen'gang XRL in FY2019. Following commencement of Contract E, our manpower support services were built up in FY2018, which recognized a revenue of approximately HK\$7.6 million in FY2018, and recorded a significant increase by approximately 1,283.7% to approximately HK\$105.2 million in FY2019. Also, according to Frost & Sullivan, due to the keen competition and the scale of the contract involved, public sector contracts in general offer a margin much lower than private sector contracts do. Furthermore, we incurred additional employee benefit expenses in relation to provision for lay-off payment for the XRL Contracts as mentioned previously.

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Segment results for facility management services

Our segment results for facility management services increased by approximately HK\$6.9 million or approximately 401.2% from approximately HK\$1.7 million for FY2017 to approximately HK\$8.7 million for FY2018. Our segment margin for facility management services increased from approximately 43.9% for FY2017 to approximately 47.2% for FY2018, respectively, such increase was mainly due to increase in segment revenue as discussed above for FY2018.

Our segment results for facility management services increased by approximately HK\$2.1 million or 23.9% from approximately HK\$8.6 million for FY2018 to approximately HK\$10.7 million for FY2019. Such increase was mainly due to increase in revenue generated from car parking rental and management service for FY2019. Our segment margin for facility management services decreased from approximately 47.2% for FY2018 to approximately 38.7% for FY2019, respectively. The decrease was primarily due to the commencement of an XRL Contract related to car parking rental and management services (i.e. part of Contract L) during FY2019, which was in a larger scale contributing approximately 11.4% of our segment results for our facility management services during FY2019 but had a lower margins of approximately 18.8%. According to Frost & Sullivan, due to the keen competition and the scale of the contract involved, public sector contracts in general offer a margin much lower than private sector contracts do. Also, our Directors consider that it was one of our business strategies to expand into the public sector in Hong Kong for our facility management services, and that we were willing to offer a competitive price to win Contract L, being our first project in the public sector in respect of facility management services in Hong Kong. Therefore, our Directors believe that it is reasonable for the margin derived from these car parking rental and management services under Contract L to be lower than that from the facility management services provided to other clients which all belong to the private sector. Excluding margins arising from Contract L related to car parking rental and management, our segment margin for facility management services would be approximately 44.8% for FY2019.

Return on equity

Our return on equity were approximately 26.3%, 25.9% and 34.9% for the Track Record Period. Excluding the non-recurring Listing expenses of approximately HK\$5.9 million and HK\$8.5 million incurred for FY2018 and FY2019, respectively, our adjusted return on equity would be 40.1% and 51.7% for the respective years. The decrease from FY2017 to FY2018 was mainly attributable to the decrease in total equity resulting from an increase of dividend paid from approximately HK\$5.0 million for FY2017 to approximately HK\$8.4 million for FY2018. For FY2019, our adjusted return on equity increased to approximately 51.7% mainly attributable to the increase in our adjusted net profit from approximately HK\$16.6 million for FY2018 to approximately HK\$26.3 million for FY2019.

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Return on total assets

Our return on total assets were approximately 20.7%, 18.4% and 11.4% for the Track Record Period, respectively. Excluding the non-recurring Listing expenses of approximately HK\$5.9 million and HK\$8.5 million incurred for FY2018 and FY2019, respectively, our adjusted return on total assets would be 28.4% and 16.9% for the respective years. The decrease from FY2017 to FY2018 was mainly attributable to relatively higher increasing rate in net profit from FY2017 to FY2018 as compared to the increasing rate in total assets from FY2017 to FY2018. For FY2019, our adjusted return on total assets decreased to approximately 16.9%, mainly attributable to relatively higher increasing rate in our total assets as compared to the increasing rate of our adjusted net profit for the year as discussed above whereas such increase in balances of our total assets was mainly driven by the increase in trade and other receivables in relation to trade receivables, and uncertified revenue for XRL Contracts which have a longer settlement period of up to 120 days.

Interest coverage

For FY2017 and FY2018, our Group did not incurred any interest expenses for each of the financial year ends, Thus, interest coverage was not applicable to our Group for FY2017 and FY2018.

Our interest coverage was approximately 39.2 times for FY2019, which was primarily due to increase in interest-bearing bank borrowings of approximately HK\$57.0 million as at 31 March 2019, which incurred finance cost of approximately HK\$0.8 million for FY2019.

Current ratio and Quick Ratio

As at 31 March 2017, 2018 and 2019, our Group did not have any inventories as at each reporting date. Thus, our current ratio and quick ratio decreased from 4.5 as at 31 March 2017 to 3.1 as at 31 March 2018, mainly due to the increase of accrued staff cost to support our expansion in facility management services segment. Our current ratio and quick ratio further decreased from 3.1 as at 31 March 2018 to 1.4 as at 31 March 2019, mainly due to increase of interest-bearing bank borrowings and accrued staff cost.

Gearing ratio and net debt to equity ratio

As at 31 March 2017 and 2018, our Group did not have any interest-bearing bank borrowings as at each reporting date. Thus, gearing ratio and net debt to equity ratio were both not applicable to our Group as at 31 March 2017 and 2018.

As at 31 March 2019, our Group had interest-bearing bank borrowings of approximately HK\$57.0 million, as such our gearing ratio was approximately 112.1%, while our net debt to equity ratio was approximately 58.8%.

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.

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Details of the risk to which we are exposed to are set out in note 28 to Accountants' Report, the text of which is set out in Appendix I to this document.

DIVIDENDS

During the Track Record Period, dividends of approximately HK\$5.0 million, HK\$8.4 million and HK\$8.0 million, respectively were declared. All dividends had been fully settled as at the Latest Practicable Date. As at the Latest Practicable Date, we did not have any dividend policy. 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 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 23 March 2018 and is an investment holding company. There were no reserves available for distribution to the Shareholders as at 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\$0.35 per Offer Share (being the mid-point of the indicative Offer Price range) and that the Offer Size Adjustment Option is not exercised, our total listing expenses is estimated to be approximately HK\$32.0 million, of which approximately HK\$8.2 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 approximately HK\$23.8 million has been or will be reflected in our consolidated statements of profit or loss and other comprehensive income. Out of this amount, approximately HK\$5.9 million and HK\$8.5 million had been charged to our profit and loss account for FY2018 and FY2019, respectively and the remaining amount of approximately HK\$9.4 million is expected to be recognised in our consolidated statements of profit or loss and other comprehensive income for FY2020. The actual amounts to be recognised to the profit and loss of our Group or to be capitalised are subject to adjustments based on audit and changes in variables and assumptions.

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Prospective investors should note that our financial results for FY2020 will be adversely affected by the non-recurring listing expenses described above and may not be comparable to the financial performance of our Group in the past.

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.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

Please see “Unaudited Pro Forma Financial Information” in Appendix II for our unaudited pro forma adjusted consolidated net tangible assets.

MATERIAL ADVERSE CHANGE

The impact of the listing expenses on our consolidated statements of profit or loss and other comprehensive income has posted no material adverse impact in the financial or trading position or prospect of our Group since 31 March 2019 (being the date of the latest audited consolidated financial statements were made up). Our Directors consider that our financial performance for FY2020 would not be significantly adversely affected by the recognition of listing expenses. The final amount of these amounts to be recognised to the profit or loss of our Group is subject to adjustment based on audit and the changes in variables and assumptions. As a result of these expenses, our net profit for FY2020 may decline as compared with the prior financial year. Prospective investors should be aware of the impact of the listing expenses on the financial performance of our Group for FY2020.

Save as disclosed above, our Directors confirm that, up to the date of this prospectus, there had been no material adverse change in our financial or trading positions of our Group since 31 March 2019, being the date to which the latest financial statements of our Group were made up, and there had been no event since 31 March 2019 which would materially affect the information shown in the Accountants’ Report, the text of which is set out in Appendix I to this prospectus.

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

BUSINESS OBJECTIVES AND STRATEGIES

Our goal is to become the leading integrated facility services provider in Hong Kong by pursuing the following strategies:

- expanding our business in security services business;
- enhancing our capability in providing facility management services;
- improving operational efficiency and scalability; and
- selectively pursuing strategic acquisition and investment opportunities.

For further details of our strategies, see “Business – Business Strategies” in this prospectus.

REASONS FOR LISTING

Our Directors submit that our Group has genuine funding needs to support our expansion plan for business growth taking into account the following consideration:-

Commercial rationale for our expansion to capture potential business opportunities

Security services market

One of our business strategies is to expand our business in security services by capturing the market opportunities from the growing security services market, including large-scale contracts in the public sector. By undertaking large-scale public sector projects, namely the XRL Contracts, we recorded a significant increase in our revenue by approximately HK\$164.4 million, or approximately 125.7%, from approximately HK\$130.8 million in FY2018 to approximately HK\$295.2 million in FY2019. Our profit and total comprehensive income (excluding Listing expenses) have also substantially increased by approximately HK\$9.7 million or 58.4% from approximately HK\$16.6 million for FY2018 to HK\$26.3 million for FY2019.

According to the Frost & Sullivan Report, the security services market in Hong Kong is forecast to reach HK\$38.3 billion in 2023, at a CAGR of approximately 7.2% from 2019 to 2023. In particular, the market size of security services in the Hong Kong public sector is expected to grow from approximately HK\$1,231.6 million in 2019 to HK\$1,601.9 million in 2023 with a CAGR of approximately 4.9%. The Frost & Sullivan Report has identified several mega-scale railway and transportation infrastructure projects, including the Shatin to Central Link, the Northern Link and Kwu Tung Station, Hung Shui Kiu Station, Tung Chung West Extension, the Kowloon East Line, Tuen Mun South Extension and North Island Line, which we expect to present us with further business opportunities.

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

To capture the growing business opportunities, we need to have sufficient financial resources, which is currently strained by our commitments under our current projects, in particular the XRL Contracts. The total initial contract sum of the XRL Contracts amounts to approximately HK\$364.1 million for a term of approximately three years from April 2018 to September 2021. In view of the contract size, our Group has devoted resources to perform our obligations under the XRL Contracts, but has in turn been restricted in our ability to take up potential sizable business opportunities going forward.

We have not been able to take up a number of business opportunities due to the constraints on our financial resources. First, our Group had obtained bank facilities to finance, among other things, the employee benefit expenses and the contract deposits required pursuant to the XRL Contracts. For details of our banking facilities, please refer to the section headed “Financial Information – Indebtedness – Bank facilities and bank borrowings” of this prospectus. As at 31 July 2019, HK\$69.7 million of our bank facilities (or 87.1% of our banking facilities) was already utilised. Secondly, due to administrative reasons raised by the Railway Corporation, a longer settlement period of up to 120 days has been granted to them in relation to the XRL Contracts. Accordingly, in addition to our business nature, the XRL Contracts have further lengthened the time lags between employee benefit expenses being incurred by us on a monthly basis and the settlement of our service fee income. During the Track Record Period, our average turnover days of trade receivables were approximately 89 days, 79 days and 83 days, respectively, and our uncertified revenue as at 31 March 2017, 2018 and 2019 were nil, nil and approximately HK\$57.6 million, respectively. Accordingly, our net cash inflow from operating activities in FY2018, being approximately HK\$17.0 million, turned into a net cash outflow from operating activities in FY2019, being approximately HK\$37.1 million.

Because of the financial constraints as demonstrated above, we have not submitted tenders for other sizable projects such that our business growth has to an extent been restricted. From the commencement of the XRL Contracts until the Latest Practicable Date, our Group identified six potential public and/or private tenders for security services. However, these tenders require certain upfront costs including (1) provision of contract security for undertaking a contract which generally takes up to 2%, 5% or 6% of the contract sum; (2) the availability of sufficient manpower to perform the security services contracts; and (3) sufficient financial resources to support timely settlement of employee expenses especially due to the cashflow mismatch, and therefore we did not submit a bid for them. In view of the profile and the reputation brought about by undertaking the XRL Contracts, our Directors believe that our Group would be at an advantageous position to be awarded with such tenders, and that it is crucial for our Group to have more financial resources in order to support our commitments under these new sizable projects. As such, our Directors believe that our Group will be able to capture such business opportunities and potential growth in the market with the net proceeds from the Share Offer to increase our service capacity by recruiting more security services personnel, provision of contract security and generally increase our financial resources.

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

Facility management services market

According to the Frost & Sullivan Report, the facility management services market in Hong Kong is forecast to maintain a growing trend and reach approximately HK\$71.3 billion by 2023, representing a CAGR of approximately 4.7% from 2019 to 2023. Our revenue also recorded an increment of approximately HK\$27.4 million, or approximately 26.5%, and of approximately HK\$164.4 million, or approximately 125.7%, from FY2017 to FY2018 and FY2018 to FY2019, respectively. As one of our business strategies, our Group also plans to enhance our capability in providing facility management services. More financial resources are required to take up additional projects. In particular, we are typically expected to possess the necessary equipment to carry out our services, including floor washing machine, escalator cleaning machine and surface polishing machine for marble and granite, which require substantial upfront cost to purchase.

As discussed above, due to our current financial constraints, we have not been able to capture such growth in the facility management services market and more business opportunities because our existing limited financial resources have delayed our investments in the requisite cleaning machines and equipment to capture these business opportunities. During FY2019, we submitted two tenders in relation to car parking rental and management services and four tenders in relation to cleaning services, but all of them were unsuccessful. Our Directors believe this was because our tenders submitted were not competitive in terms of pricing. To perform these contracts, we have to incur significant upfront or other costs, which we have to finance with borrowings due to limitation of our internal financial resource. After taking into the finance costs, we were unable to submit a bid that is as price competitive as those from other bidders. Upfront and other costs that we have to incur for contracts for car parking rental and management services include payment of deposits in the amount of up to six months of rent of the relevant car park, while upfront and other costs we have to incur for cleaning service contracts are for acquisition and maintenance of relevant machines and equipment. Moreover, from the commencement of the XRL Contracts until the Latest Practicable Date, our Group identified 22 potential public tenders for facility management services. Similarly, these tenders may require different upfront costs including (1) in relation to car parking rental and management services tender, a cheque or a cashier's order for an amount equivalent to six months of rent required to be tendered upon submitting the tender and to be treated as deposit if the tender is accepted; (2) availability of carpark automation systems; and (3) availability of cleaning equipment, including floor washing machine, escalator cleaning machine and surface polishing machine for marble and granite, as hire-purchase of such machines is not available. To our Directors' best knowledge and belief, we did not submit a bid for these potential public tenders mainly due to unavailability of the necessary machines and equipment as required by such tenders. Our Directors consider that if we solely rely on cash resources through working capital for financing our expansion plan in our facility management services market, including the direct procurement of cleaning machines and equipment, it will be difficult for us to formulate a comprehensive schedule for our expansion plan, since it will be subject to uncertainties in relation to the timing of generating sufficient cash from our operation. Further, we may be required to modify the implementation plan of this strategy from time to time depending on the amount of cash generated from our operation. As a result, we would have less control over the timing of our expansion plan, and may fail to fully capture the forecasted increase in demand for facility management services.

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

Our Directors consider that each of the business strategies in our expansion plan are complementary to each other and represent an integral initiative to strengthen our service capacity so as to capture the forecasted growth in demand for facility services. Our Directors consider that if we continue to rely on our current financial resources only, our ability to tender for sizeable projects will be limited and also our financial resources will be stretched to its limit, and we will lack adequate financial cushion to withstand any adverse impact from unforeseen circumstances in the future. In March 2019, because of our insufficiency of cash resources, we relied on the non-controlling shareholder of IWS Carpark (JV) to pay a sum of approximately HK\$7.2 million on our behalf as a contract deposit for participating in a tender for car parking rental and management services. Nevertheless, our tender was announced unsuccessful in April 2019, and all amount due was repaid to such non-controlling shareholder as at the Latest Practicable Date. As such, our Directors consider that the net proceeds from the Share Offer are necessary for the implementation of our business plans, and that it is necessary for our Group to raise external funding to ensure that the various objectives under our expansion plan can be carried out simultaneously.

Reducing debt financing of our Group

As at 31 July 2019, our Group utilised approximately HK\$69.7 million of our bank facilities, in which approximately HK\$20.7 million was used to provide performance bonds. As at 31 March 2019, our gearing ratio was approximately 112.1%. From April to July 2019, our Group's effective interest rate was approximately 3.39% to 4.74% per annum. Based on such interest rate, our interest cost for the existing bank borrowings, being HK\$69.7 million, would be up to HK\$3.3 million per annum. In addition, in the event that our expansion plans are to be financed by bank borrowings instead of proceeds from the Share Offer, it is estimated that our Group would have to incur additional finance costs of approximately HK\$1.2 million per annum. Hence, the use of bank borrowing for our business expansion plan will subject our Group to the inherent risks of increasing financial costs. There is no guarantee that the interest rates in Hong Kong will not rise in the future. Should the interest rates rise significantly, excessive bank borrowings would impose a serious financial burden on our Group and adversely affect our financial performance.

Furthermore, using bank borrowings to finance our business operation will jeopardise our business expansion. Our customers may consider the financial strengths and viability of our Group as reflected by our debts or leverage ratio to be one of key assessment criteria, especially when large-scale infrastructure and/or public sector contracts are involved. Accordingly, utilising banking facilities to finance operation will result in high gearing ratio that may impair our chance of being awarded with tenders. Therefore, having considered our high gearing ratio and the additional interest expense that would result in additional burden to our liquidity and potentially have an adverse impact on our profitability, our Directors consider that it is not appropriate for our Group to raise additional funds from bank borrowings to finance the implementation of our expansion plan.

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

We manage our capital to ensure that we will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. To optimise the proportion of equity and debt financing, our Directors regularly review our capital structure and make adjustments to reflect economic conditions, business strategies and future commitments after considering the cost of capital and the risk associated with each class of capital. We monitor our capital structure using a gearing ratio and aim to maintain a gearing ratio of below 100% after Listing, which is comparable to other industry players in order to maintain our market competitiveness. Taking into account the high debt leverage and given that we rely on our cash resources and cash flows from operating activities to satisfy working capital requirements of our daily operations, our Directors are of the view that the net proceeds from the Share Offer will provide funding for us to repay portions of our existing bank borrowings to improve our capital structure and reduce our finance costs.

Other benefits of the Share Offer

Other than the net proceeds from the Share Offer which will strengthen our capital base and provide funding to achieve our business growth and future plans, our Directors also believe that the Listing will allow us to:

- (a) *enlarge and diversify the Group's shareholder base* – the Directors believe that the Listing will allow the public and our Shareholders to better assess the value of our Company, which in turn is expected to enhance the liquidity of our Shares after they become freely tradeable on the Stock Exchange when compared to the limited liquidity of the shares that are privately held before the Listing. The real value of our Group could also be better reflected through a market-driven mechanism after the Listing. Moreover, the Directors are of the view that the Listing is a natural evolution of our business structure, which facilitates our Group to transit from family-owned to more widely-held and attracts more talents to join as management. Accordingly, the Directors consider that the Listing will enlarge and diversify its shareholder base and potentially lead to a more liquid market in the trading of our Shares. The listing platform on the Stock Exchange would enhance and provide transparency on our internal control, financial disclosure, corporate governance practices and regulatory supervision and enable us to expand with more focused development, sustainable and strategic planning without over reliance on our Controlling Shareholders. As such, our Directors believe that the Listing could enhance our long-term continuity and business succession;

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

- (b) *generate employee incentive and commitment* – employing, motivating and retaining qualified personnel has always been critical to our success as a facility services provider as we are engaged in a labour-intensive industry and require experienced and qualified personnel to provide quality services. Therefore, the Listing is considered to be one of the channels through which our Group will be easier to retain talent and to incentivize our employees, our employees would be able to share our success and achievement and be committed to the performance and continual success of our Group, in particular when we intend to adopt the Employee Preferential Offering. The Employee Preferential Offering provides an additional way for employees to share and commit to the success of our Group. We have also put in place the Share Option Scheme for our employees in order to attract and retain talents. This allows our employees to be rewarded in accordance with the performance of our Group, since the Shares will be traded in the public market where their prices are market-driven and shall hinge on our performance. Although a share option scheme may also be adopted without the Listing, such options are likely less attractive as a reward due to the lack of liquidity in private company shares. For further details of the Share Option Scheme, please refer to the section headed “Statutory and General Information – D. Share Option Scheme” in Appendix IV to this prospectus for a summary of principal terms of the scheme.; and
- (c) *gain higher profile and visibility and strengthen our competitiveness* – the Listing status would enhance our level of competitiveness among our competitors, which may in turn lead to the establishment and strengthening of our business relationships with new and existing clients and expansion of our market share. Our Listing status is expected to strengthen our corporate image, so that we may capture more new business opportunities from other industry players with less obstacles. Furthermore, with some of our major clients, in particular the Railway Corporation, being a listed company, we believe that the Listing status could better positioned us to negotiate and secure more favourable terms from our clients.
- (d) *offer our Group access to capital markets for future business development* – Through the Listing, our Group can gain a fund raising platform and direct access to the capital market for equity financing to fund our current business operations as well as our future expansion plans. We could have more fund raising options which might not otherwise be available to us as a private company, such as placements, rights issues and issues of convertible securities. Our Directors believe that this channel of financing is beneficial to the overall business development and financial performance of our Group, which in turn will maximise our Shareholders’ return, having considered the following:
- (i) we believe that becoming a publicly listed company would significantly enhance our ability to independently obtain loans from licensed banks and/or financial institutions and a listing status would greatly enhance our creditworthiness and enable us to obtain better terms with financial institutions;

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

- (ii) the availability of banking facilities are not guaranteed in the long run. They are subject to policies of the licensed banks and/or financial institutions, economic conditions of Hong Kong as a whole and our relationship with the licensed banks and/or financial institutions from time to time. If the overall monetary supply in Hong Kong is tightened, licensed banks and/or financial institutions might be more prudent and selective in extending loans and our banking facilities may be withdrawn or reduced by the licensed banks and/or financial institutions; and
- (iii) the debt financing market could also alter over the tenure of the borrowings, which may not be predictable and controllable when the bank borrowing is granted. This would impose unforeseen cashflow and financial burdens to us.

Therefore, in light of the abovementioned market prospects, our business nature, funding needs as illustrated by our business strategies and the commercial rationale for listing and taking into account (i) our experience and ability to capture market opportunities and expand our business as evidenced by our growth from FY2018 to FY2019 of approximately 125.7% and 58.4% in our revenue and net profit for the year (excluding listing expenses), respectively, and solid client base of reputable clients during the Track Record Period; and (ii) the cost of listing is reasonable and proportionate to the amount of funds to be raised through the Share Offer and is outweighed by the advantage of listing, our Directors are of the view that the Listing is in the best interest of our Group and is crucial and necessary to our overall expansion plan and sustainability of our business.

USE OF PROCEEDS

The net proceeds from the issue of the Offer Shares under the Share Offer based on the Offer Price of HK\$0.35 per Share, being the mid-point of the indicative Offer Price range, are estimated to be approximately HK\$38.0 million, after deducting the estimated underwriting commission and total expenses in the aggregate amount of approximately HK\$32.0 million, paid and payable by our Company from the gross proceeds of the Share Offer and assuming the Offer Size Adjustment Option is not exercised. We intend to apply the net proceeds of the issue of the Offer Shares under the Share Offer in the following manner:

- approximately 45.3% of the net proceeds or approximately HK\$17.2 million, will be used for expanding our business in security services by:
 - (i) recruiting security service personnel with approximately HK\$5.6 million to increase our manpower to undertake newly awarded contracts, submitted tenders and/or potential contracts. In particular, up to the Latest Practicable Date, we submitted four tenders. Based on our Directors' estimation after taking into account of the current market conditions and the headcount for (a) for the submitted tenders which is estimated pursuant to the terms of the respective tenders; and (b) the potential contracts we identified which is estimated with reference to the respective estimated contract sums, it is

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

expected approximately 70 additional employees would be required. The following table sets out the number, qualification and years of experience required for the positions we intend to recruit:

Position	No more than	Major qualification or other requirements	Approximate years of experience
Manpower support staff	38	Basic Putonghua, English and Cantonese communication skills, computer skills and/or holders of effective first aid certificate are preferred	One
Security guard	28	Security Personnel Permit holder, basic Putonghua, English and Cantonese communication skills and/or basic computer skills	One
<i>Security services</i> Supervisor	4	Security Personnel Permit holder disciplined, must be holders of driving licence (classification codes 1 and 2) but first aid certificates are also preferred	Three

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- (ii) providing contract securities with approximately HK\$9.6 million for undertaking newly awarded contracts, submitted tenders and/or potential contracts. Despite the insignificant amount of contract deposits during the Track Record Period, our Directors intend to allocate a material portion of the net proceeds from the Share Offer for contract deposits after considering the following factors:

- (a) *Provision of contract security is required for our business operation:* Historically, our Group provided contract deposits for newly awarded contracts by internal resources. During the Track Record Period, we provided contract deposit in cash in the amounts of HK\$0.6 million, HK\$3.0 million and HK\$0.1 million respectively. As at 31 March 2017, 31 March 2018 and 31 March 2019, our contract security in the form of contract deposit amounted to approximately HK\$3.4 million, HK\$4.4 million and HK\$11.4 million (including approximately HK\$7.2 million paid by the non-controlling shareholder of IWS Carpark (JV) on our behalf as a contract deposit for participating in a tender for car parking rental and management services, which was announced unsuccessful in

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

April 2019 and all amount due was repaid to such non-controlling shareholder as at the Latest Practicable Date.) respectively. A majority of such contract deposit was provided pursuant to the contracts entered into with the Hong Kong Governments, our largest clients during the Track Record Period, which has always required us to place contract deposit or performance bond during the Track Record Period, generally being 2% of the estimated contract value. Based on the historical cash payment of contract deposits, our Directors anticipate that the amount of contract deposit required will be approximately HK\$1.5 million for every six months. As such, the contract securities will, to a certain extent, take up our financial resources and flexibility throughout the engagement which typically has a term of approximately three years.

In FY2019, however, we utilised our banking facilities of approximately HK\$18.2 million to fulfil the obligations of providing contract securities pursuant to the XRL Contracts by way of performance bond. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, for the contracts entered into with the Railway Corporation for the provision of security services and facilities management services, all new tenders or renewal contracts after around early 2018 require a performance bond which has generally been 5% of the total contract sum. Going forward, we intend to continue to bid and secure potential contracts such as railway extensions including the Guangshen'gang XRL, the Northern Link and Kwu Tung Station, Hung Shui Kiu Station and Tung Chung West Extension as well as the Hong Kong-Zhuhai-Macao Bridge. In order to capture these mega-scale railway and transportation infrastructure projects, our Directors expect that we will have to be able to provide contract security in the form of cash deposit or performance bond upfront. In view of the above, our Directors consider we cannot rely on internal resources to fund contract security for the upcoming contracts to grow and expand our business, and therefore we need to seek other sources of funding.

- (b) *No waiver of the contract security requirement following the Listing:* While, depending on individual clients, our financial capability may be a factor affecting the sum of contract security required, none of the contracts expressly provide any discretion or alternative for contract security should we be or become a listed company. Our Directors confirm, to their best knowledge and belief, there is no understanding that such contract security requirement may be waived in cases of listed companies. According to the Frost & Sullivan Report, it is also not uncommon for companies, including listed companies, to be requested to provide contract security such as performance bond or contract deposit as part of the conditions in securing a tender.

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

- (iii) acquiring patrol vehicles to undertake new contracts with approximately HK\$2.0 million.
- approximately 13.4% of the net proceeds or approximately HK\$5.1 million, will be used for enhancing our capability in providing facility management services by:
 - (i) acquiring machines and equipment with approximately HK\$4.1 million; and
 - (ii) expanding our operation team and sales and marketing team with approximately HK\$1.0 million. The following table sets out the number, qualification and years of experience required for the positions we intend to recruit:

Position	No more than	Major qualification or other requirements	Approximate years of experience
<i>Facility management services</i>			
Cleaner	10	Relevant cleaning service experience	One
Property officer	6	Diploma or above in property-related studies or facility management	Two
Carpark attendant	4	Security Personnel Permit, basic computer skills and holders of driving licence (classification codes 1 and 2)	One
Property manager	2	Member of The Hong Kong Institute of Architects, Chartered Institute of Housing or The Royal Institution of Chartered Surveyors and degree holder in property-related studies	Five years of experience in portfolio property management and at least two years of managerial experience
Sales and marketing personnel	2	Good computer, presentation & communication skills and completed secondary school education	Two

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

- approximately 15.5% of the net proceeds or approximately HK\$5.9 million, for improving our operational efficiency by:
 - (i) upgrading our information technology infrastructure with approximately HK\$3.0 million by acquiring certain mobile application modules to track our employees and assist our facility management service personnel in performing various property management functions;
 - (ii) establishing a control room in Hong Kong with approximately HK\$2.9 million for the reception, verification and transmission of video and alarm signals and the communication of such signals to law enforcement agencies and to improve our operational efficiency. To facilitate the operation of the control room, we intend to lease a premises and recruit additional staff. The following table sets out the number, qualification and years of experience required for the positions we intend to recruit:

Position	No more than	Major qualification or other requirements	Approximate years of experience
Officer	15	Security Personnel Permit holder basic Putonghua, English and Cantonese communication skills, computer skills and/or holders of first aid certificate are preferred	Three
Controller	5	Security Personnel Permit holder basic Putonghua, English and Cantonese communication skills, computer skills and/or holders of first aid certificate are preferred	Five

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- approximately 15.8% of the total estimated net proceeds or approximately HK\$6.0 million, will be used for repayment of part of our banking borrowings with a commercial bank in Hong Kong which is a revolving facility with an effective interest rate of 1.75% per annum over HIBOR or the cost of funds of such commercial bank;
- approximately 10.0% of the net proceeds or approximately HK\$3.8 million, will be used as our general working capital.

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

To the extent that the net proceeds from the Share Offer are not immediately required for the above purposes and to the extent permitted by applicable laws and regulations, if we are unable to effect any part of our future plans as intended, it is the present intention of our Directors that such net proceeds be placed in short-term interest bearing deposit accounts held with banks in Hong Kong. In the event that we would require additional financing apart from the net proceeds from the issue of the Offer Shares for our future plans, the shortfall will be financed by our internal resources and bank financing as appropriate.

In the event that the Offer Price is fixed at HK\$0.32 or HK\$0.39 (being the respective low end and high end of the indicative range of the Offer Price as stated in this prospectus), the net proceeds of the Share Offer to be received by our Company are approximately HK\$32.0 million and HK\$46.0 million, respectively, after deduction of all underwriting fees and expenses paid and payable by us. We currently intend to apply the aforesaid net proceeds in the same manner and in the same proportion as shown above.

If the Offer Size Adjustment Option is exercised in full, the net proceeds from the Share Offer will increase to approximately HK\$48.5 million, assuming the Offer Price of HK\$0.35 per Offer Share (being the mid-point of the indicative Offer Price range). We intend to adjust the allocation of the net proceeds to the above uses, on pro rata basis.

IMPLEMENTATION PLANS

We will endeavour to achieve the following milestone events during the period from the Latest Practicable Date to 31 March 2022, and their respective scheduled completion times are based on certain bases and assumptions as set out in “Bases and Key Assumptions” in this section. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors as set out in “Risk Factors” in this prospectus. Therefore, there is no assurance that our business plans will materialise in accordance with the estimated time frame and that our future plans will be accomplished at all.

Assuming that the Offer Size Adjustment Option is not exercised at all, based on the Offer Price of HK\$0.35 per Share, being the mid-point of the indicative range of the Offer Price stated in this prospectus, the net proceeds of the Share Offer, after deduction of underwriting fees and other expenses payable by our Company in relation to the Share Offer, are estimated to be approximately HK\$38.0 million.

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

Our Company currently intends to use the net proceeds from the Share Offer as follows:

	From the		For the six months ending			Total	% of the total net proceeds
	Listing to 31 March 2020 (HK\$'000)	30 September 2020 (HK\$'000)	31 March 2021 (HK\$'000)	30 September 2021 (HK\$'000)	31 March 2022 (HK\$'000)		
Expanding our business in security services							
(i) Recruitment of security service personnel	-	1,400	1,400	1,400	1,400	5,600	14.7
(ii) Contract securities	3,000	1,800	1,500	1,800	1,500	9,600	25.3
(iii) Acquisition of patrol vehicles	-	2,000	-	-	-	2,000	5.3
	<u>3,000</u>	<u>5,200</u>	<u>2,900</u>	<u>3,200</u>	<u>2,900</u>	<u>17,200</u>	<u>45.3</u>
Enhancing our capability in providing facility management services							
(i) Acquisition of machines and equipment	-	2,000	1,100	1,000	-	4,100	10.8
(ii) Expansion of our operation team and sales and marketing team	-	300	300	400	-	1,000	2.6
	<u>-</u>	<u>2,300</u>	<u>1,400</u>	<u>1,400</u>	<u>-</u>	<u>5,100</u>	<u>13.4</u>
Improving operational efficiency and scalability							
(i) Upgrade of information technology infrastructure	-	1,000	1,000	500	500	3,000	7.9
(ii) Establishment of a control room	-	1,000	1,000	900	-	2,900	7.6
	<u>-</u>	<u>2,000</u>	<u>2,000</u>	<u>1,400</u>	<u>500</u>	<u>5,900</u>	<u>15.5</u>
Payment for outstanding bank loan	6,000	-	-	-	-	6,000	15.8
General working capital	760	760	760	760	760	3,800	10.0
	<u>9,760</u>	<u>10,260</u>	<u>7,060</u>	<u>6,760</u>	<u>4,160</u>	<u>38,000</u>	<u>100.0</u>

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

For the period from the Listing to 31 March 2020

Business strategies	Implementation plans	Use of proceeds <i>(approximate)</i> <i>(HK\$'000)</i>
Expanding our business in security services		
– Provision of contract securities for certain submitted tenders and potential contracts ^(Note)		3,000
Lowering our gearing ratio	Partial repayment of bank loan	6,000
General working capital		760
		<hr/>
		9,760
		<hr/> <hr/>

For the six months ending 30 September 2020

Business strategies	Implementation plans	Use of proceeds <i>(approximate)</i> <i>(HK\$'000)</i>
Expanding our business in security services		
– Acquisition of patrol vehicles	– Not more than six patrol vehicles	2,000
– Recruitment of security service personnel	Not more than – 38 manpower support staff – 28 security guards – four supervisors	1,400
– Provision of contract securities for certain submitted tenders and potential contracts		1,800
		<hr/>
		5,200

Note: For details of these submitted tenders, see “Business – Sales and Marketing – Our major contract” in this prospectus.

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

Business strategies	Implementation plans	Use of proceeds (approximate) (HK\$'000)
Enhancing our capability in providing facility management services		
– Acquisition of machines and equipment	– Not more than ten cleaning machines such as floor washing machine, escalator cleaning machine and surface polishing machine for marble and granite, and carpark automation systems	2,000
– Expansion of our operation team and sales and marketing team	Recruitment of not more than – 10 cleaners – 6 property officers – 4 carpark attendants – 2 property managers – 2 sales and marketing personnel	300
		2,300
Improving operational efficiency and scalability		
– Establishment of a control room	– Rental deposit and rental of premises – Recruitment of not more than 20 controllers and officers – Leasehold improvement and acquisition of office equipment and furniture and fixtures	1,000
– Upgrade of information technology infrastructure	– Acquisition, installation and maintenance of computers, email system and mobile application modules	1,000
		2,000
General working capital		760
		10,260

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

For the six months ending 31 March 2021

Business strategies	Implementation plans	Use of proceeds <i>(approximate)</i> <i>(HK\$'000)</i>
Expanding our business in security services		
– Recruitment of security service personnel	Not more than – 38 manpower support staff – 28 security guards – 4 supervisors	1,400
– Provision of contract securities for certain new potential contracts		1,500
		2,900
Enhancing our capability in providing facility management services		
– Acquisition of machines and equipment	– Not more than 6 cleaning machines such as floor washing machine, escalator cleaning machine and surface polishing machine for marble and granite, and carpark automation systems	1,100
– Expansion of our operation team and sales and marketing team	Recruitment of not more than – 10 cleaners – 6 property officers – 4 carpark attendants – 2 property managers – 2 sales and marketing personnel	300
		1,400

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

Business strategies	Implementation plans	Use of proceeds <i>(approximate)</i> <i>(HK\$'000)</i>
Improving operational efficiency and scalability		
– Upgrade of information technology infrastructure	– Acquisition, installation and maintenance of computers, email system and mobile application modules	1,000
– Establishment of a control room	– Rental of premises and employment of not more than 20 recruited controllers and officers	1,000
		2,000
General working capital		760
		7,060

For the six months ending 30 September 2021

Business strategies	Implementation plans	Use of proceeds <i>(approximate)</i> <i>(HK\$'000)</i>
Expanding our business in security services		
– Recruitment of security service personnel	Not more than – 38 manpower support staff – 28 security guards – 4 supervisors	1,400
– Provision of contract securities for potential contracts		1,800
		3,200

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

Business strategies	Implementation plans	Use of proceeds <i>(approximate)</i> <i>(HK\$'000)</i>
Enhancing our capability in providing facility management services		
– Acquisition of machines and equipment	– Not more than 5 cleaning machines such as floor washing machine, escalator cleaning machine and surface polishing machine for marble and granite, and carpark automation systems	1,000
– Expansion of our operation team and sales and marketing team	Recruitment of not more than – 10 cleaners – 6 property officers – 4 carpark attendants – 2 property managers – 2 sales and marketing personnel	400
		1,400
Improving operational efficiency and scalability		
– Upgrade of information technology infrastructure	– Acquisition, installation and maintenance of computers, email system and mobile application modules	500
– Establishment of a control room	– Rental of premises and employment of not more than 20 recruited controllers and officers	900
		1,400
General working capital		760
		6,760

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

For the six months ending 31 March 2022

Business strategies	Implementation plans	Use of proceeds <i>(approximate)</i> <i>(HK\$'000)</i>
Expanding our business in security services		
– Recruitment of security service personnel	Not more than – 38 manpower support staff – 28 security guards – 4 supervisors	1,400
– Provision of contract securities for potential contracts		1,500
		<hr/>
		2,900
Improving operational efficiency and scalability		
– Upgrade of information technology infrastructure	– Acquisition, installation and maintenance of computers, email system and mobile application modules	500
General working capital		<hr/> 760
		<hr/> <hr/> 4,160

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

BASES AND KEY ASSUMPTIONS

Our Directors have adopted the following principal assumptions in the preparation of the implementation plan up to 31 March 2022:

- (a) there will be no material change in the existing political, legal, fiscal or economic conditions in Hong Kong or in any other places in which any member of our Group carries on or will carry on business;
- (b) there will be no outbreak of contagious diseases or occurrence of *force majeure* events or natural disasters in Hong Kong or any other places in which any member of our Group operates or will operate or is incorporated, which would materially disrupt our business operations or cause substantial loss, damage or destruction to our properties or facilities;
- (c) there will be no material change in the existing laws, regulations, policies or industry standards in Hong Kong or any part of the world relating or applicable to us;
- (d) there will be no material change in the bases or rates of taxation in Hong Kong or in any other places in which any member of our Group operates or will operate or is incorporated;
- (e) the Share Offer will be completed in accordance with and as described in “Structure of the Share Offer” in this prospectus;
- (f) our Group is able to retain our key management personnel, employees, customers and suppliers;
- (g) our Group will not be materially affected by any risk factors set out in “Risk Factors” in this prospectus;
- (h) there will be no change in the effectiveness of any licences and permits obtained by us;
- (i) we will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objectives relate; and
- (j) our Group will be able to continue its operations in substantially the same manner as our Group had been operating during the Track Record Period and our Group will be able to carry out the development plans without disruptions adversely affecting its operations or business objectives in any way.

UNDERWRITING

PUBLIC OFFER UNDERWRITER(S)

China Finance KAB Limited
Kam Fai Securities Co., Limited
Telecom Digital Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Hong Kong Public Offering

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company has agreed to offer the Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms. Subject to, among other conditions, the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including the additional Shares to be issued pursuant to the Capitalisation Issue and pursuant to the exercise of the Offer Size Adjustment Option and the options which may be granted under the Share Option Scheme) by the Listing Division and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriter(s) has/have severally but not jointly agreed to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for termination

The Sole Sponsor and the Joint Bookrunners (for themselves and on behalf of the Joint Lead Managers and the Public Offer Underwriter(s)) shall be entitled by notice in writing to the Company, in their sole and absolute discretion to terminate the Public Offer Underwriting Agreement with immediate effect at any time prior to 8:00 a.m. on the Listing Date (which is expected to be on Tuesday, 22 October 2019) if:

- (a) there has come to the notice of the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers or the Public Offer Underwriter(s):
 - (i) that any statement contained in this prospectus, the Application Forms, any supplemental offering materials, announcement, the formal notice to be issued on Monday, 30 September 2019 by our Company substantially in the agreed form pursuant to the GEM Listing Rules, the road show materials and any other document published or issued by or on behalf of our Company, the the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and/or other

UNDERWRITING

Underwriter(s) for the purpose of or in connection with the Share Offer (including any supplement or amendments thereto) (collectively, the “**Relevant Documents**”), considered by the Sole Sponsor and/or the Joint Bookrunners in its/their sole and absolute discretion, was when the same was issued, or has become, untrue, incorrect or misleading or deceptive in material aspect or that any forecast, expression of opinion in any of the Relevant Documents issued or used by or on behalf of our Company in connection with the Share Offer (including any supplement or amendment thereto) is not based on reasonable assumptions; or

- (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, have been considered by the Sole Sponsor and/or the Joint Bookrunners in its/their sole and absolute discretion to constitute a material omission from any of the Relevant Documents; or
- (iii) any material breach of any of the obligations imposed or to be imposed upon any party to the Public Offer Underwriting Agreement or the Placing Underwriting Agreement (in each case, other than on the part of the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriter(s)); or
- (iv) any adverse change or development involving a prospective adverse change (whether or not permanent) in the sole and absolute opinion of the Sole Sponsor and the Joint Bookrunners, in the assets, liabilities, business, management, shareholders’ equity, profits, losses, results of operations, prospects, financial or trading position or performance of our Group; or
- (v) any breach of, or any event or circumstances rendering untrue, incomplete or inaccurate, any of the representations, warranties, agreements and undertakings given by our Company, our executive Directors, our Controlling Shareholders (the “**Warranties**”) under the Public Offer Underwriting Agreement; or
- (vi) any of the Warranties under the Public Offer Underwriting Agreement is untrue, inaccurate, misleading or breached in any respect when given or repeated; or
- (vii) approval by the Stock Exchange of the listing of, and permission to deal in, our Shares to be issued (including any additional Shares that may be issued or sold pursuant to the exercise of the Offer Size Adjustment Option) under the Share Offer and the options which may be granted under the Share Option Scheme is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (viii) our Company withdraws any of the Relevant Documents (and/or any other documents issued or used in connection with the Share Offer) or the Share Offer; or

UNDERWRITING

- (ix) any expert (other than the Sole Sponsor) named in the paragraph headed “E. Other Information – 7. Consents of experts” in Appendix IV to this prospectus has withdrawn its consent to being named in or to the issue of this prospectus; or
- (x) any event, act or omission which gives rise to or is likely to give rise to any liability, in the sole and absolute opinion of the Sole Sponsor and the Joint Bookrunners, of any of our Company, the Controlling Shareholders or our executive Directors pursuant to the indemnity clause of the Public Offer Underwriting Agreement or under the Placing Underwriting Agreement; or
- (xi) a substantial portion of the orders in the bookbuilding process at the time the Placing Underwriting Agreement is entered into, or the investment commitments by any cornerstone investors after signing of agreements with such cornerstone investors, have been withdrawn, terminated or cancelled; or
- (xii) a contravention by any member of our Group of the GEM Listing Rules or any other applicable publicly available laws, rules, statutes, ordinances, regulations, guidelines, opinions, notices, circulars, policies, directives, orders, judgments, decrees or rulings of any court, government, governmental or regulatory authority or any other any public, regulatory, taxing, administrative or governmental, agency or authority, any self-regulatory organisation or any securities exchange authority (including, without limitation, the Stock Exchange and the SFC), other authority and any court at the national, provincial, municipal or local level of all relevant jurisdictions in which our Company is incorporated or the Shares are to be listed or our business is carried out or our assets are held, including (without limitation) the PRC, Hong Kong, the Cayman Islands and the BVI (as the case may be) (“**Governmental Authority**”) and all relevant Code of Conduct for Persons Licensed by or Registered with the SFC, Corporate Finance Adviser Code of Conduct, the Guidelines to sponsors, underwriters and placing agents involved in the listing and placing of GEM stocks issued by the SFC, the joint statement regarding the price volatility of GEM stocks issued by the SFC and the Stock Exchange on 20 January 2017 and the statement on recent GEM listing applicants issued by the SFC on 13 March 2017 and the GEM Listing Rules, as issued, updated and supplemented from time to time (the “**Relevant Laws**”); or
- (xiii) a prohibition on our Company for whatever reason from offering, allotting, selling or delivering the Shares (including the Shares to be issued pursuant to the exercise of the Offer Size Adjustment Option) pursuant to the terms of the Share Offer; or
- (xiv) the chief executive officer, the chairman or any executive director of our Company vacating his or her office;

UNDERWRITING

- (b) there shall develop, occur, exist, continue to exist or come into effect:
- (i) any event, or series of events, in the nature of force majeure (including, without limitation, acts of government, declaration of a national or international emergency of war, calamity, crisis, strikes, lock-outs, fire, explosion, flooding, earthquake, civil commotion, war, threat of war, acts of God, acts of terrorism, outbreak or escalation of hostilities (whether or not war is declared), riot, public disorder, economic sanctions, outbreak of diseases or pandemic, epidemics including SARS and avian influenza and such related/mutated forms or interruption or delay in transportation) in or affecting Hong Kong, the PRC, the Cayman Islands, the BVI, Japan, Singapore, the United States, the United Kingdom, the European Union or where any member of our Group was incorporated or has operation (the “**Relevant Jurisdictions**”); or
 - (ii) any change or development involving a prospective change, or any event or series of events or circumstances currently in existence or otherwise, likely to result in any change or development (whether or not permanent) in any local, national, regional or international, financial, economic, currency, legal, exchange control, political, military, industrial, fiscal, regulatory, credit or market or other conditions, circumstances or matters and/or disaster or any monetary or trading settlement systems (including without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets, or a material fluctuation in the exchange rate of Hong Kong dollars against any foreign currency, or any interruption in securities settlement or clearance service or procedures), in or affecting any Relevant Jurisdictions; or
 - (iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Singapore Stock Exchange, the Tokyo Stock Exchange or any of the stock exchanges in the PRC; or
 - (iv) any new Relevant Laws or change (whether or not forming part of a series of changes) or development involving a prospective change in existing Relevant Laws or in the interpretation or application thereof by any court or Governmental Authority or other competent authority in or affecting any Relevant Jurisdictions; or
 - (v) the imposition of tariffs, economic or other sanctions, in whatever form, directly or indirectly, on or affecting any Relevant Jurisdictions; or
 - (vi) a change or development occurs involving a prospective change in or affecting taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment regulations in or affecting any Relevant Jurisdictions; or

UNDERWRITING

- (vii) any change or development involving a prospective change, or a materialisation of, any of the risks set forth in the section headed “Risk Factors” in this prospectus; or
- (viii) any litigation, legal proceedings or claim of any third party being threatened or instigated against any member of our Group; or
- (ix) a 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; or
- (x) any loss or damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (xi) an order or a petition 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
- (xii) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary of Hong Kong and/or the Hong Kong Monetary Authority or other competent Governmental Authority) or other Relevant Jurisdictions, or any disruption in commercial banking or foreign exchange trading, or securities settlement or clearance services in those places or jurisdictions; or
- (xiii) there is a change in the system under which the value of the HK\$ is linked to that of the US dollar or the peg of RMB to a basket of currencies including USD; or
- (xiv) a Governmental 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 and senior management members as set out in the “Directors and senior management” section of this prospectus; or any Directors or such senior management members being charged with an indictable offence or prohibited by operation of Relevant Laws or otherwise disqualified from taking part in the management of a company; or
- (xv) non-compliance by our Company of any Relevant Documents or with respect to any matters relating to the Share Offer, the Offer Shares, the Listing and/or any other related matters; or

UNDERWRITING

(xvi) 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,

which, individually or in aggregate, in the sole and absolute opinion of the Sole Sponsor and/or the Joint Bookrunners (1) is or shall have 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 (2) has or shall 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 Share Offer; or (3) makes or will or may make it inadvisable, inexpedient, impracticable or not commercially viable (i) for the Share Offer to proceed or (ii) for any material part of the Public Offer Underwriting Agreement and the Placing Underwriting Agreement (including underwriting) to be performed or implemented in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof; or (4) having any compliance related concern in respect of the Share Offer, the Offer Shares, the Listing, and/or any other related matters, with consideration of Relevant Law(s).

Undertakings to the Stock Exchange

Undertakings by our Company

Pursuant to Rule 17.29 of the GEM Listing Rules, our Company undertakes to the Stock Exchange that save as pursuant to the Share Offer (including the exercise of the Offer Size Adjustment Option and the grant and exercise of the options under the Share Option Scheme), no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) will be issued by us, or form the subject of any agreement by us to such an issue, within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealings), except pursuant to the Share Offer (including pursuant to the exercise of the Offer Size Adjustment Option), any exercise of the options which may be granted under the Share Option Scheme or any of the circumstances permitted pursuant to Rules 17.29(1) to (5) of the GEM Listing Rules.

UNDERWRITING

Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders undertakes to us and to the Stock Exchange that, except pursuant to the Share Offer and for the circumstances permitted pursuant to Rule 13.18 of the GEM Listing Rules, he/she/it shall not, and shall procure that the relevant registered holder(s) of the Shares shall not,

- (a) within the period commencing on the date by reference to which disclosure of his/she/its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date (the “**First Twelve-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 the Shares in respect of which he/she/it is shown by this prospectus to be the beneficial owner; and
- (b) within the period of 12 months commencing on the date on which the First Twelve-Month Period expires (the “**Second Twelve-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 the Shares referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be a Controlling Shareholder.

Each of our Controlling Shareholders further irrevocably undertakes and covenants with us and the Stock Exchange that he/she/it shall, and shall procure that the relevant registered holder(s) shall,

- (c) in the event that he/she/it pledges or charges any direct or indirect interest in the Shares pursuant to a pledge or charge in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, at any time during the First Twelve-Month Period, inform our Company immediately thereafter, disclosing the details specified in Rules 17.43(1) to (4) of the GEM Listing Rules; and
- (d) having pledged or charged any interest in the Shares under (c) above, inform our Company immediately in the event that he/she/it becomes aware that the pledgee or charge has disposed of or intends to dispose of such interest and of the number of Shares affected.

Pursuant to Rule 13.20 of the GEM Listing Rules, in the event that our Company has been informed of any matter under Rule 13.19 of the GEM Listing Rules as described above, we shall forthwith publish an announcement giving details of the same in accordance with the requirements of Rule 17.43 of the GEM Listing Rules.

UNDERWRITING

Undertakings pursuant to the Public Offer Underwriting Agreement

Undertakings by our Company

Our Company irrevocably undertakes to and covenants with each of the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriter(s) that it shall not and will procure each members of our Group not to, and each of our Controlling Shareholders and our executive Directors jointly and severally, irrevocably undertakes to and covenants with the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriter(s) to procure our Company and each other member of our Group shall not save with the prior written consent of the Sole Sponsor and the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriter(s)) and unless in compliance with the GEM Listing Rules and except pursuant to the Share Offer (including pursuant to the Offer Size Adjustment Option), the Capitalisation Issue and the issue of Shares pursuant to the Share Option Scheme:

- (a) within the period commencing on the date of the Public Offer Underwriting Agreement and ending on, and including, the date which is six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealings):
 - (i) offer, sell, allot or issue, accept subscription for or agree to offer, sell, allot, issue (conditionally or unconditionally) any Shares or other securities of our Company or any shares or other securities of such other members of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, voting or other rights attaching to such securities and any securities convertible into or exchangeable for equity securities of our Company (whether or not of a class already listed) or any shares or other securities of such other members of our Group, as applicable) (collectively, “**Relevant Group Securities**”); or
 - (ii) sell, grant or agree to sell or grant (conditionally or unconditionally) any options, warrants or other rights carrying the rights to subscribe for or otherwise acquire or convertible or exchangeable into Relevant Group Securities; or
 - (iii) deposit any Relevant Group Securities with a depositary in connection with the issue of depositary receipts; or
 - (iv) enter into any transaction which is designed to, or might be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by our Company or any of its affiliates, either directly or indirectly, conditionally or unconditionally, any Relevant Group Securities; or

UNDERWRITING

- (v) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Relevant Group Securities; or
- (vi) repurchase any Relevant Group Securities; or
- (vii) enter into any transaction with the same economic effect as any transactions specified in paragraphs (a)(i) to (vi) above; or
- (viii) offer to or agree to do any of the foregoing or announce any intention to do so;

in each case, whether any of the transactions specified in paragraphs (a)(i) to (vii) above is to be settled by delivery of Shares or other securities of our Company or shares or other securities of such other members of our Group, as applicable, or in cash or otherwise;

- (b) at any time during the Second Twelve-Month Period do any of the acts set out in paragraph (a) above, so as to result in our Controlling Shareholders (together with any of his/her/its close associates) either individually or taken together with the others of them cease to be a controlling shareholder of our Company (within the meaning of the GEM Listing Rules); and
- (c) in the event that our Company does any of the acts set out in paragraphs (a) and (b) above during the Second Twelve-Month Period, as the case may be, take all steps to ensure that any such act, if done, shall not create a disorderly or false market for any Shares or other securities of our Company or any interest therein.

Undertaking by our Controlling Shareholders

Each of our Controlling Shareholders has, jointly and severally, irrevocably undertaken to and covenanted with each of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriter(s) that, without the prior written consent of each of our Company, the Sole Sponsor and the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriter(s)), he/she/it shall not directly or indirectly and shall procure that none of his/her/its close associates or the companies controlled by him/her/it or any nominee or trustee holding in trust for him/her/it who is/are the registered holder(s) of the shares (collectively, the “**Related Parties**”) shall,

- (a) during the period commencing on the date of the Public Offer Underwriting Agreement and ending on, and including, the date which is 12 months from the Listing Date:
 - (i) sell, transfer or dispose of, offer to sell, contract to sell, transfer or dispose of, enter into any agreements to sell, transfer or dispose of, or grant or sell any option, warrant, contract or right to purchase, grant or purchase any option,

UNDERWRITING

warrant, contract or right to sell, or otherwise create any options, warrants, rights, interests or a mortgage, charge, pledge, hypothecate, lend, lien, option, restriction, right of first refusal, security interest, claim, equity interest, right of pre-emption, third-party right or interest, or interests or rights of the same nature as the foregoing or other encumbrance or security interest of any kind, or another type of preferential arrangement (including, without limitation, retention arrangement) having similar effect (“**Encumbrances**”) (including the creation of or entry into any agreement to create any option, right, warrant to purchase or otherwise transfer or dispose of, or any lending, charge, pledges or Encumbrances over, or by entering into any transaction which is designed to, or might be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise), either directly or indirectly, conditionally or unconditionally (collectively, the “**Disposing Actions**”), on any of the Shares (or other securities of our Company or any interest in any Shares or any voting or other right attaching to any Shares) or any other securities convertible into or exchangeable for or which carry a right to subscribe, purchase or acquire any such shares (collectively, the “**Relevant Shares**”) in respect of which it is or they are shown by this prospectus to be the beneficial owners (whether direct or indirect) and the issuance and allotment of any other Shares or securities of or interest in our Company arising or deriving therefrom as a result of capitalisation issue or scrip dividend or otherwise; or enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of the acquisition or ownership of any such Relevant Shares; or

- (ii) conduct or enter into any of the Disposing Actions on any shares or interest in any company controlled by him/her/it or any of his/her/its close associates which is the beneficial owner (directly or indirectly) of any of such Relevant Shares (or any other shares or securities of or interest in such company arising or deriving therefrom as a result of capitalisation issue or scrip dividend or otherwise); or
- (iii) enter into any transaction or offer to or agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (a)(i) and (a)(ii) above; or
- (iv) announce any intention to enter into or effect any of the transactions referred to in paragraphs (a)(i), (a)(ii), or (a)(iii) above.

in each case, whether any of the transactions specified in paragraph (a) above is to be settled by delivery of Shares or other securities of our Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the period commencing on the date of the Public Offer Underwriting Agreement and ending on, and including, the date which is 12 months from the Listing Date);

UNDERWRITING

- (b) during the Second Twelve-Month Period:
 - (i) enter into any of the transactions referred to in paragraph (a) above if, immediately following such transaction, the Controlling Shareholders (together with his/her/its close associates) would, directly or indirectly, cease to be a controlling shareholder of our Company (within the meaning of the GEM Listing Rules) or would together with the other Controlling Shareholders cease to be a group of controlling shareholders (within the meaning of the GEM Listing Rules) of our Company; and
- (c) in the event that he/she/it does any of the acts set out in paragraphs (a) and (b) above during the period commencing on the date of the Public Offer Underwriting Agreement and ending on, and including, the date which is 12 months from the Listing Date or the Second Twelve-Month Period, as the case may be, take all steps to ensure that any such act, if done, shall not create a disorderly or false market for any Shares or other securities of our Company or any interest therein.

Each of our Controlling Shareholders has further jointly and severally, irrevocably undertaken to each of the Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriter(s) that, within the period commencing on the date of the Public Offer Underwriting Agreement and ending on the date which is 24 months from the Listing Date, he/she/it will:

- (a) when he/she/it pledges or charges any securities or interests in the Relevant Shares or any shares or interest in any Company controlled by him/her/it or any of his/her/its close associates which is/are the beneficial owner (directly or indirectly) of any of such Relevant Shares as security for a bona fide commercial loan pursuant to a pledge or charge in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, inform the Stock Exchange, our Company, the Sole Sponsor and the Joint Bookrunners in writing of such pledge or charge together with details of the number of securities and nature of interests so pledged or charged, the identities of the pledgee or chargee or person (the “**Mortgagee**”) in favour of whom the pledge, charge, encumbrance or interest is created and other information specified in Rules 13.19(1) and 17.43(1) to (4) of the GEM Listing Rules; and
- (b) having pledged or charged any interest in the Shares under (a) above, inform the Stock Exchange, our Company, the Sole Sponsor and the Joint Bookrunners in writing in the event that he/she/it or any of the Related Parties becomes aware or receives indications or notice, either verbal or written, from the Mortgagee that the Mortgagee has disposed of or transferred or intends to dispose of or transfer such interest and of details of such disposal or transfer as they may require.

UNDERWRITING

The Placing

Placing Underwriting Agreement

In connection with the Placing, it is expected that our Company will enter into the Placing Underwriting Agreement with, inter alia, the Placing Underwriter(s), on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement and on the additional terms described below. Pursuant to the Placing Underwriting Agreement, we are offering the Placing Shares for subscription by way of Placing, on and subject to the terms and conditions in the Placing Underwriting Agreement and this prospectus, at the Offer Price. Under the Placing Underwriting Agreement, subject to, among other conditions, (i) the Listing Division granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on the GEM of the Stock Exchange; (ii) the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated; (iii) the Price Determination Agreement having been duly signed by our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriter(s)) on the date thereof and such agreement not subsequently having been terminated in accordance with its terms or otherwise; and (iv) certain other conditions set out in the Placing Underwriting Agreement, the Placing Underwriter(s) has/have severally agreed to subscribe for, or procure subscribers for their respective applicable proportions of the Placing Shares on the terms and conditions of the Placing. The Placing Underwriting Agreement is expected to provide that it may be terminated on grounds similar to those provided in the Public Offer Underwriting Agreement. Potential investors are reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed.

It is expected that our Company will grant the Offer Size Adjustment Option to the Placing Underwriter(s), exercisable by the Joint Bookrunners on behalf of the Placing Underwriter(s). See “Structure of the Share Offer – Offer Size Adjustment Option” in this prospectus for details.

It is expected that, pursuant to the Placing Underwriting Agreement, our Company, our executive Directors and our Controlling Shareholders will give undertakings similar to those given pursuant to the Public Offer Underwriting Agreement, as described in “Underwriting Arrangements and Expenses – The Hong Kong Public Offering – Undertakings pursuant to the Public Offer Underwriting Agreement” in this section.

Total commission, fee and expenses

In connection with the Share Offer, the Public Offer Underwriter(s) will, and the Placing Underwriter(s) is/are expected to receive an underwriting commission of 3.0% of the aggregate Offer Price of all the Offer Shares, out of which they will pay any sub-underwriting commissions. If the Offer Size Adjustment Option is exercised, the underwriting commission will be calculated in the same manner with the Offer Shares initially available for subscription. In connection with the Listing, the Sole Sponsor will receive, among others a sponsorship fee. In addition, our Company may also, conditional upon completion of the Share Offer, at its sole and absolute discretion pay to the Joint Bookrunners an additional discretionary bonus for its service and/or performance in such amount as our Company in its sole and absolute discretion determine.

UNDERWRITING

The aggregate commissions and estimated expenses, together with listing fees, SFC transaction levy, Stock Exchange trading fee, legal and other professional fees and printing and other expenses relating to the Share Offer are estimated to be approximately HK\$32.0 million (assuming the Offer Size Adjustment Option is not exercised and the Offer Price of HK\$0.35 per Share, being the mid-point of the indicative range of the Offer Price stated in this prospectus) and are payable by our Company.

INDEPENDENCE OF THE SOLE SPONSOR

The Sole Sponsor satisfies the independence criteria applicable to sponsors set forth in Rule 6A.07 of the GEM Listing Rules.

SOLE SPONSOR'S, JOINT BOOKRUNNERS', JOINT LEAD MANAGERS' AND UNDERWRITERS' INTERESTS IN OUR COMPANY

Save for their interests and obligations under the Underwriting Agreements and the fee payable to the Sole Sponsor in respect of the Listing, none of the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriter(s) are interested beneficially or non-beneficially in any shares in any member of our Group or has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.

MINIMUM PUBLIC FLOAT

Our Directors will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 11.23 of the GEM Listing Rules after completion of the Share Offer.

STRUCTURE OF THE SHARE OFFER

THE SHARE OFFER

The Share Offer comprises:

- (a) the Hong Kong Public Offering of 20,000,000 new Shares (including 2,000,000 Employee Reserved Shares) (subject to reallocation as mentioned below) for subscription by the public in Hong Kong as described in “The Hong Kong Public Offering” in this section; and
- (b) the Placing of an aggregate of 180,000,000 new Shares (subject to reallocation as mentioned below and the Offer Size Adjustment Option) in Hong Kong to professional, institutional and/or other investors.

Of the 20,000,000 Offer Shares initially being offered under the Hong Kong Public Offering, 2,000,000 Offer Shares (representing 1% of the total number of Offer Shares initially being offered under the Share Offer) are available for subscription by Eligible Employees on a preferential basis under the Employee Preferential Offering, subject to the terms and conditions set out in this prospectus and the **PINK** Application Form.

Investors may apply for Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for Offer Shares under the Placing, but may not do both. References in this prospectus to applications, Application Forms, application monies or the procedures for application relate solely to the Hong Kong Public Offering. Eligible Employees may make an application for the Employee Reserved Shares on a **PINK** Application Form and, in addition, will be entitled to apply for 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 25% of the total issued share capital of our Company immediately after completion of the Share Offer and the Capitalisation Issue (assuming that the Offer Size Adjustment Option is not exercised).

THE HONG KONG PUBLIC OFFERING

Number of Shares initially offered

We are initially offering 20,000,000 Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Shares initially available under the Share Offer. Subject to the reallocation of Shares between the Hong Kong Public Offering and the Placing, the Hong Kong Offer Shares will represent approximately 2.5% of the total issued share capital of our Company immediately following the completion of the Share Offer and the Capitalisation Issue (assuming that the Offer Size Adjustment Option is not exercised). The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to professional, institutional and/or other investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealings in shares and other securities and corporate entities which regularly invest in shares and other securities.

STRUCTURE OF THE SHARE OFFER

Of the 20,000,000 Offer Shares initially being offered under the Hong Kong Public Offering, 2,000,000 Offer Shares (representing 1% of the total number of Offer Shares initially being offered under the Share Offer) are available for subscription by Eligible Employees on a preferential basis under the Employee Preferential Offering, subject to the terms and conditions set out in this prospectus and the **PINK** Application Form.

The Hong Kong Public Offering is open to all members of the public in Hong Kong as well as to institutional and professional investors. An applicant for Shares under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it has not applied for nor taken up any Shares under the Placing nor otherwise participated in the Placing. Applicants should note that if such undertaking and/or confirmation given by an applicant is breached and/or is untrue (as the case may be), such applicant's application under the Hong Kong Public Offering is liable to be rejected. Multiple or suspected multiple applications and any application made for more than 18,000,000 Hong Kong Offer Shares (being 100% of the Hong Kong Offer Shares initially comprised in the Hong Kong Public Offering and after deduction of the number of the Employee Reserved Shares) will be rejected.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in "Conditions of the Hong Kong Public Offering" in this section.

Allocation

Allocation of 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 would 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.

Multiple applications or suspected multiple applications and any application for more than 18,000,000 Offer Shares are liable to be rejected. Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him/her/it that he/she/it and any person(s) for whose benefit he/she/it is making the application have not received any 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).

STRUCTURE OF THE SHARE OFFER

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 number of Offer Shares validly applied for 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 no more than 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);
 - (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 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

STRUCTURE OF THE SHARE OFFER

- (v) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of 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 Underwriter(s) would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Share Offer on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements; and
 - (ii) if the Hong Kong Offer Shares are 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 no more than 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 is in the circumstances where (xx) 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 (yy) 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\$0.32 per Offer Share) stated in this prospectus.

In addition, the Joint Bookrunners in their sole and absolute discretion reallocate Offer Shares from the Placing to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In accordance with the Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, if such reallocation is done other than pursuant to the Practice Note 6 of the GEM Listing Rules, the maximum total number of Offer Shares that may be reallocated to the Hong Kong Public Offering following such reallocation shall be not more than double the initial allocation to the Hong Kong Public Offering (i.e. 40,000,000 Offer Shares).

In all cases, the number of Offer Shares allocated to the Placing will be correspondingly reduced. The Offer Shares to be offered in the Hong Kong Public Offering and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Bookrunners.

STRUCTURE 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/it that he/she/it and any person(s) for whose benefit he 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 18,000,000 Hong Kong Offer Shares initially comprised in the Hong Kong Public Offering are liable to be rejected.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$0.39 per Offer Share in addition to the brokerage, SFC transaction levy and Stock Exchange trading fee, amounting to a total of HK\$3,939.30 per board lot of 10,000 Offer Shares. If the Offer Price, as finally determined in the manner described in "Price Determination of the Share Offer" in this section, is less than the maximum price of HK\$0.39 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in "How to Apply for Hong Kong Offer Shares and the Employee Reserved Shares" in this prospectus.

THE EMPLOYEE PREFERENTIAL OFFERING

Up to 2,000,000 Employee Reserved Shares, representing 10% of the Hong Kong Offer Shares and 1% of the total number of Offer Shares initially being offered under the Share Offer (without taking into account any Shares which may be issued and allotted upon any exercise of the Offer Size Adjustment Option or options which may be granted under the Share Option Scheme), are available for subscription by the Eligible Employees on a preferential basis.

As at the Latest Practicable Date, there were 1,374 Eligible Employees.

Allocation of Employee Reserved Shares under the Employee Preferential Offering will be based on the allocation guidelines contained in Practice Note 6 to the GEM Listing Rules. The allocation of Employee Reserved Shares to Eligible Employees will in any event be made on an equitable basis and will not be based on the identity, seniority, work performance or length of service of the Eligible Employee. No favour will be given to any Eligible Employee who applies for a large number of Employee Reserved Shares.

Eligible Employees applying for Employee Reserved Shares will be subject to an allocation basis that is based on the level of valid applications received. The allocation basis will be determined by the Hong Kong Branch Share Registrar based on the level of valid applications received under the Employee Preferential Offering and the number of Employee Reserved Shares validly applied for within each application tier. The allocation basis will be

STRUCTURE OF THE SHARE OFFER

consistent with the allocation basis commonly used in the case of over-subscriptions in public offerings in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications of Employee Reserved Shares. Any application made on a **PINK** Application Form for more than 2,000,000 Employee Reserved Shares will be rejected.

Any Offer Shares not subscribed for by the Eligible Employees under the Employee Preferential Offering will be available for subscription by the public in Hong Kong under the Hong Kong Public Offering after the reallocation as described above in the paragraph headed “The Hong Kong Public Offering”.

If you are an Eligible Employee, in addition to being able to apply for Employee Reserved Shares under the Employee Preferential Offering by a **PINK** Application Form, you may also:

- apply for Hong Kong Offer Shares as a member of the public in the Hong Kong Public Offering on a **WHITE** or **YELLOW** Application Form or giving **electronic application instruction** to HKSCC via CCASS; or
- apply for or indicate an interest for Placing Shares under the Placing,

but you may not do both. Eligible Employees will receive no preference as to entitlement or allocation in respect of such further application for Hong Kong Offer Shares or Placing Shares.

THE PLACING

Number of Offer Shares offered

The Placing will consist of an initial offering of 180,000,000 Shares (subject to reallocation and the Offer Size Adjustment Option), representing 90% of the total number of Offer Shares initially available under the Share Offer and approximately 22.5% of the total issued share capital immediately after completion of the Share Offer and the Capitalisation Issue (assuming that the Offer Size Adjustment Option is not exercised). The Placing will be offered by us to professional, institutional and/or other investors in Hong Kong.

Allocation

The Placing will include selective marketing of the Placing Shares to professional, institutional and/or other investors anticipated to have a sizeable demand for the Placing Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealings 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 effected in accordance with the “book-building” process described in “Price Determination of the Share Offer” in this section below and based on a number of factors, including the level and timing of demand, and whether or not it is expected that the relevant investor is likely to buy further 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 shareholder base to the benefit of our Company and the Shareholders as a whole.

STRUCTURE OF THE SHARE OFFER

The Joint Bookrunners (for themselves and on behalf of the Underwriter(s)) may require any investor who has been offered 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 applications 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.

Reallocation

The total number of Offer Shares to be issued pursuant to the Placing may change as a result of the clawback arrangement as described in “The Hong Kong Public Offering – Reallocation” in this section and/or the exercise of the Offer Size Adjustment Option in whole or in part. In addition, the Joint Bookrunners may reallocate Placing Shares from the Placing to the Hong Kong Public Offering to satisfy the valid applications under the Hong Kong Public Offering that exceeds the number of Hong Kong Offer Shares initially offered. The Offer Shares to be offered in the Hong Kong Public Offering and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Bookrunners.

PRICE DETERMINATION OF THE SHARE OFFER

The Placing Underwriter(s) will be soliciting from prospective investors’ indications of interest in acquiring Offer Shares in the Placing. Prospective investors will be required to specify the number of the Placing Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Share Offer will be fixed on the Price Determination Date, which is expected to be on or about Monday, 14 October 2019 by agreement between the Joint Bookrunners (for themselves and on behalf of the Underwriter(s)) and our Company, and the number of Offer Shares to be allocated or sold under various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK\$0.39 per Offer Share and is expected to be not less than HK\$0.32 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. 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.

STRUCTURE OF THE SHARE OFFER

The Joint Bookrunners (for themselves and on behalf of the Underwriter(s)) may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and/or other investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares offered in the Share Offer and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be published on the website of our Company (www.iws.com.hk) and the website of the Stock Exchange (www.hkexnews.hk) a notice of the reduction or to be announced in such manner as permitted under the GEM Listing Rules and agreed between our Company and the Joint Bookrunners. Upon issue of such a notice, the number of Offer Shares offered in the Share Offer and/or the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Bookrunners (for themselves and on behalf of the Underwriter(s)) and our Company, will be fixed within such revised offer price range. Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Share Offer and/or 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. In the event there is a reduction in the Offer Shares and/or indicative Offer Price range, if the applicants have already submitted an application for the Hong Kong Offer Shares before the last day for lodging applications under the Hong Kong Public Offering, they will be allowed to subsequently withdraw their applications. However, if the Offer Price range is reduced, applicants will be notified that they are required to confirm their applications. If applicants have been notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked. In the absence of any such notice so published, the Offer Price, if agreed upon with our Company and the Joint Bookrunners, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

The net proceeds of the Share Offer accruing to our Company (after deduction of underwriting fees and estimated expenses payable by our Company in relation to the Share Offer) are estimated to be approximately HK\$38.0 million, assuming an Offer Price per Offer Share of HK\$0.35 (being the mid-point of the stated indicative Offer Price range of HK\$0.32 to HK\$0.39 per Offer Share).

The final Offer Price, the indications of interest in the Share Offer, the results of applications and the basis of allotment of the Hong Kong Offer Shares available under the Hong Kong Public Offering, are expected to be announced on Monday, 21 October 2019 on the website of our Company (www.iws.com.hk) and the website of the Stock Exchange (www.hkexnews.hk).

STRUCTURE OF THE SHARE OFFER

If the Joint Bookrunners (for themselves and on behalf of the Underwriter(s)) and our Company are unable to reach an agreement on the Offer Price by Friday, 18 October 2019, the Share Offer will not become unconditional and will lapse immediately.

UNDERWRITING AGREEMENTS

The Hong Kong Public Offering is fully underwritten by the Public Offer Underwriter(s) under the terms of the Public Offer Underwriting Agreement and is conditional upon the Placing Underwriting Agreement being signed and becoming unconditional.

Our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Placing Underwriter(s) expect to enter into the Placing Underwriting Agreement relating to the Placing on or about the Price Determination Date. These underwriting arrangements, and the respective Underwriting Agreements, are summarised in “Underwriting” in this prospectus.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval of the listing of, and permission to deal in, the Shares on GEM and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

In connection with the Share Offer, our Company intends to grant the Offer Size Adjustment Option to the Placing Underwriter(s) exercisable by the Joint Bookrunners (for themselves and on behalf of the Underwriter(s)).

Pursuant to the Offer Size Adjustment Option, the Joint Bookrunners have the right, exercisable at any time from the date of the Placing Underwriting Agreement up to 5:00 p.m. on the business day immediately before the date of announcement of the results of allocations and the basis of allocation of the Hong Kong Offer Shares to require our Company to allot and issue up to an aggregate of 30,000,000 additional Shares, representing 15% of the initial Offer Shares, at the same price per Offer Share at which Offer Shares were initially offered under the Placing, to cover over-allocations in the Placing, if any, on the same terms and conditions as the Offer Shares that are subject to the Share Offer. The Offer Size Adjustment Option will not be used for price stabilisation purposes in the secondary market after Listing of our Shares on the Stock Exchange and is not subject to the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong). Any such additional Shares may be issued to cover any excess demand in the Placing. If the Joint Bookrunners exercise the Offer Size Adjustment Option in full, the additional Offer Shares will represent approximately 3.6% of our Company’s enlarged issued share capital immediately following completion of the Share Offer and the

STRUCTURE OF THE SHARE OFFER

exercise of the Offer Size Adjustment Option. We will disclose in the announcement of the results of allocations whether or not the Offer Size Adjustment Option has been exercised, if so, to what extent. If the Offer Size Adjustment Option is not exercised at or before 5:00 p.m. on the business day prior to the announcement of results of allocations, the Offer Size Adjustment Option will lapse.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for the Hong Kong Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

- (a) the Listing Division granting listing of, and permission to deal in, the Shares being offered pursuant to the Share Offer (including any Shares to be issued upon the exercise of the Offer Size Adjustment Option) and the options that may be granted under the Share Option Scheme;
- (b) the Offer Price having been fixed on or about the Price Determination Date;
- (c) the execution and delivery of the Placing Underwriting Agreement on or about the Price Determination Date; and
- (d) the obligations of the Placing Underwriter(s) under the Placing Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with its terms, on or before the dates and times specified in the Placing Underwriting Agreement.

If, for any reason, the Offer Price is not agreed between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriter(s)), or the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed.

The consummation of each of the Hong Kong Public Offering and the Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Share Offer will be published by on our Company's website (www.iws.com.hk) and the Stock Exchange's website (www.hkexnews.hk) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in "How to Apply for Hong Kong Offer Shares and the Employee Reserved Shares" in this prospectus. In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving bank or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

STRUCTURE OF THE SHARE OFFER

Share certificates for the Shares are expected to be issued on Monday, 21 October 2019 but will only become valid certificates of title at 8:00 a.m. on Tuesday, 22 October 2019 provided that (i) the Share Offer has become unconditional in all respects; and (ii) the right of termination as described in “Underwriting – Underwriting Arrangements and Expenses – The Hong Kong Public Offering – Grounds for termination” in this prospectus has not been exercised.

DEALINGS

Assuming that the Share Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, 22 October 2019, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Tuesday, 22 October 2019.

The Shares will be traded in board lots of 10,000 Shares each. The stock code of the Shares is 8441.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND THE EMPLOYEE RESERVED 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 Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

If you are an Eligible Employee, you may also apply for Employee Reserved Shares by using a **PINK** Application Form.

Our Company, the Joint Bookrunners 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 Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act, 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 are a firm, the application must be in the individual members’ names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation’s chop.

If an application is made by a person under a power of attorney, our Company and the Joint Bookrunners may accept or reject it at their discretion and on any conditions they think fit, including provision of evidence of the attorney’s authority.

The number of joint applicants may not exceed four for the Hong Kong Offer Shares.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND THE EMPLOYEE RESERVED 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 in our Company and/or any its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- a core connected person (as defined in the GEM Listing Rules) of our Company or will become a core connected person of our Company immediately upon completion of the Share Offer;
- a close associate (as defined in the GEM Listing Rules) of any of the above; or
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

Eligible Employees may apply for the Employee Reserved Shares on a **PINK** Application Form unless they:

- are an existing beneficial owner of Shares in our Company or any of our subsidiaries or an associate (as defined in the Listing Rules) of an existing beneficial owner of Shares in our Company or any of our subsidiaries;
- are a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon the completion of the Share Offer;
- are a natural person of the PRC (except those who have complied with all relevant PRC laws and regulations in relation to such application, including but not limited to qualified domestic institutional investors);
- are a United States person or a person who is within the United States (both terms as defined under the Regulation S).

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.

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 HONG KONG OFFER SHARES AND THE EMPLOYEE RESERVED SHARES

For Employee Reserved Shares under the Employee Preferential Offering by an Eligible Employee, use a **PINK** Application Form.

Where to Collect the Prospectus and Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 30 September 2019 until 12:00 noon on Wednesday, 9 October 2019 from:

- (i) the following office(s) of the Public Offer Underwriter(s):

China Finance KAB Limited
30/F, Chinachem Century Tower
178 Gloucester Road
Wanchai, Hong Kong

Kam Fai Securities Co., Limited
21/F, Champion Building
287-291 Des Voeux Road Central
Hong Kong

Telecom Digital Securities Limited
Units 3608-12 Tower 2 Metroplaza
223 Hing Fong Road
Kwai Fong, N.T., Hong Kong

- (ii) the following branches of the receiving bank, Standard Chartered Bank (Hong Kong) Limited:

District	Branch Name	Address
Hong Kong Island	Des Voeux Road Branch	Standard Chartered Bank Building, 4-4A, Des Voeux Road Central, Central
	Quarry Bay Branch	G/F, Westlands Gardens, 1027 King's Road, Quarry Bay
Kowloon	Kwun Tong Branch	G/F & 1/F One Pacific Centre, 414 Kwun Tong Road, Kwun Tong
	Mongkok Branch	Shop B, G/F, 1/F & 2/F, 617-623 Nathan Road, Mongkok
New Territories	Shatin Plaza Branch	Shop No. 8, Shatin Plaza, 21-27 Shatin Centre Street, Shatin

HOW TO APPLY FOR HONG KONG OFFER SHARES AND THE EMPLOYEE RESERVED SHARES

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 30 September 2019 until 12:00 noon on Wednesday, 9 October 2019 from the Depository Counter of HKSCC at 1/F., One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

A **PINK** Application Form together with a copy of this prospectus can be collected by Eligible Employees from our Company's office at 1/F, Hang Seng Castle Peak Road Building, 339 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong during normal business hours from 9:00 a.m. on Monday, 30 September 2019 until 12:00 noon on Tuesday, 8 October 2019. Electronic copies of the **PINK** Application Form and this prospectus can be viewed from websites of our Company at www.iws.com.hk and the Stock Exchange at www.hkexnews.hk.

Time for lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "HORSFORD NOMINEES LIMITED-IWS GROUP PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Monday, 30 September 2019	– 9:00 a.m. to 5:00 p.m.
Wednesday, 2 October 2019	– 9:00 a.m. to 5:00 p.m.
Thursday, 3 October 2019	– 9:00 a.m. to 5:00 p.m.
Friday, 4 October 2019	– 9:00 a.m. to 5:00 p.m.
Saturday, 5 October 2019	– 9:00 a.m. to 1:00 p.m.
Tuesday, 8 October 2019	– 9:00 a.m. to 5:00 p.m.
Wednesday, 9 October 2019	– 9:00 a.m. to 12:00 noon

Your completed **PINK** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "HORSFORD NOMINEES LIMITED-IWS GROUP PUBLIC OFFER" for the payment, must be returned to our Company's office at 1/F, Hang Seng Castle Peak Road Building, 339 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong by 12:00 noon on Tuesday, 8 October 2019.

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 9 October 2019, the last application day or such later time as described in "9. Effect of Bad Weather on the Opening of the Application Lists" in this section.

The application for the Hong Kong Public Offering will commence on Monday, 30 September 2019 through Wednesday, 9 October 2019, being slightly longer than **normal market practice** of four days. The application monies (including the brokerages, SFC transaction levies and Stock Exchange trading fees) will be held by the receiving bank on behalf of our Company and the refund monies, if any, will be returned to the applicants (or for applicants using **PINK** Application Forms, returned to the Company for onward transmission to the relevant applicant) without interest on Monday, 21 October 2019. Investors should be aware that the dealings in the Shares on the Stock Exchange are expected to commence on Tuesday, 22 October 2019.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND THE EMPLOYEE RESERVED SHARES

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company 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 of Association;
- (ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriter(s), their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriter(s) and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the

HOW TO APPLY FOR HONG KONG OFFER SHARES AND THE EMPLOYEE RESERVED SHARES

Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriter(s) nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the 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 (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying (except in respect of Employee Reserved Shares applied under the Employee Preferential Offering, if applicable);
- (xvii) understand that our Company and the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC by you or by any one as your agent or by any other person or by any other person, other than on a **PINK** Application Form as an Eligible Employee; and

HOW TO APPLY FOR HONG KONG OFFER SHARES AND THE EMPLOYEE RESERVED SHARES

- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

Terms, conditions and instructions for the PINK Application Form

You may refer to the **PINK** Application Form for details.

5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the 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 (852) 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F., One & Two Exchange Square 8 Connaught Place
Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a **CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND THE EMPLOYEE RESERVED SHARES

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Sponsor, the Joint Bookrunners and our Hong Kong Branch Share Registrar.

Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the 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 Offer Shares under the Placing;
 - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that our Company, our Directors and the Joint Bookrunners 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 if you make a false declaration;
 - authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
 - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

HOW TO APPLY FOR HONG KONG OFFER SHARES AND THE EMPLOYEE RESERVED SHARES

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriter(s), their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriter(s) and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any 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 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) (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Offering results (including the Employee Preferential Offering);

HOW TO APPLY FOR HONG KONG OFFER SHARES AND THE EMPLOYEE RESERVED SHARES

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Companies Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of giving electronic application instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND THE EMPLOYEE RESERVED SHARES

Minimum purchase amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 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.

Time for inputting electronic application instructions⁽¹⁾

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Monday, 30 September 2019	–	9:00 a.m. to 8:30 p.m.
Wednesday, 2 October 2019	–	8:00 a.m. to 8:30 p.m.
Thursday, 3 October 2019	–	8:00 a.m. to 8:30 p.m.
Friday, 4 October 2019	–	8:00 a.m. to 8:30 p.m.
Saturday, 5 October 2019	–	8:00 a.m. to 1:00 p.m.
Tuesday, 8 October 2019	–	8:00 a.m. to 8:30 p.m.
Wednesday, 9 October 2019	–	8:00 a.m. to 12:00 noon

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, 30 September 2019 until 12:00 noon on Wednesday, 9 October 2019 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, 9 October 2019, the last application day or such later time as described in the sub-section headed “9. Effect of Bad Weather on the Opening of the Application Lists” in this section.

No multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of 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 shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND THE EMPLOYEE RESERVED SHARES

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriter(s) and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

6. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriter(s) take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted 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. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, 9 October 2019.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND THE EMPLOYEE RESERVED SHARES

7. 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.

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, 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 dealings in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

If you are an Eligible Employee, you may also make an application for Employee Reserved Shares by using a **PINK** Application Form. Only one application for Employee Reserved Shares is permitted per Eligible Employee under the Employee Preferential Offering. Multiple applications by any Eligible Employee via **PINK** Application Form are liable to be rejected. In addition, Eligible Employees may also apply for Offer Shares under the Hong Kong Public Offering.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND THE EMPLOYEE RESERVED SHARES

8. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form in respect of a minimum of 10,000 Hong Kong Offer Shares and if you are an Eligible Employee at the same time, you may also submit an application using a **PINK** application Form. Each application or **electronic application instructions** 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.

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the GEM Listing Rules), and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see “Structure of the Share Offer” in this prospectus.

9. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if:

- a tropical cyclone warning signal number 8 or above;
- “extreme conditions” caused by a super typhoon; or
- a “black” rainstorm warning,

is/are in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 9 October 2019. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, 9 October 2019 or if a tropical cyclone warning signal number 8 or above or “extreme conditions” caused by a super typhoon or a “black” rainstorm warning signal is/are in force in Hong Kong that may affect the dates mentioned in “Expected Timetable” in this prospectus, an announcement will be made in such event.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND THE EMPLOYEE RESERVED SHARES

10. PUBLICATION OF RESULTS

Our Company expects to announce the Offer Price, the level of indication of interest in the Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Monday, 21 October 2019 on our Company's website at www.iws.com.hk and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering (including the Employee Preferential Offering) will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at www.iws.com.hk and the Stock Exchange's website at www.hkexnews.hk by no later than 9:00 a.m. on Monday, 21 October 2019;
- from the designated results of allocations website at www.tricor.com.hk/ipo/result or www.hkeipo.hk/IPOResult with a "search by ID" function on a 24-hour basis from 9:00 a.m. on Monday, 21 October 2019 to 12:00 midnight on Sunday, 27 October 2019;
- by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Monday, 21 October 2019 to Thursday, 24 October 2019 on a business day (excluding Saturday, Sunday and Public Holiday); and
- in the special allocation results booklets which will be available for inspection during opening hours from Monday, 21 October 2019 to Wednesday, 23 October 2019 at all the receiving bank's designated branches on a business day.

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 contained in the section headed "Structure 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.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND THE EMPLOYEE RESERVED SHARES

11. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Bookrunners and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND THE EMPLOYEE RESERVED SHARES

(iii) If the allotment of Hong Kong Offer Shares (including the Employee Preferential Offering) is void:

The allotment of Hong Kong Offer Shares (including the Employee Preferential Offering) 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 application 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.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Bookrunners believe(s) that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 18,000,000 Hong Kong Offer Shares and/or 2,000,000 Employee Reserved Shares.

12. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$0.39 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering set out in “Structure of the Share Offer – Conditions of the Hong Kong Public Offering” in this prospectus are not fulfilled or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Monday, 21 October 2019.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND THE EMPLOYEE RESERVED SHARES

13. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted 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) and one share certificate for each Eligible Employee under Employee Preferential Offering.

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE**, **YELLOW** or **PINK** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares and/or Employee Reserved Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Monday, 21 October 2019. 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).

If you apply by **PINK** Application Forms, your refund cheque(s) and Share certificate(s) will be sent to our Company on Monday, 21 October 2019 and the Company will arrange for onward transmission to you.

Share certificates will only become valid at 8:00 a.m. on Tuesday, 22 October 2019 provided that the Share Offer has become unconditional and the right of termination described in “Underwriting” in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND THE EMPLOYEE RESERVED SHARES

Personal Collection

(i) 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) (where applicable) and/or share certificate(s) (where applicable) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Monday, 21 October 2019 or such other date as notified by our Company as the date of collection/despatch of share certificates and refund cheques. If you are an individual who is eligible for personal collection, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant which is eligible for personal collection, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives (if applicable) 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) (where applicable) and/or share certificate(s) (where applicable) personally within the time specified for collection, they will be sent to the address as specified on your Application Form promptly thereafter 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) (where applicable) and/or share certificate(s) (where applicable) will be sent to the address on your Application Form on Monday, 21 October 2019, by ordinary post and at your own risk.

(ii) 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, you may collect your refund cheque(s) (where applicable) from the Hong Kong Branch Share Registrar from 9:00 a.m. to 1:00 p.m. on Monday, 21 October 2019 or such other date as notified by our Company as the date of collection/despatch of share certificates and refund cheques. If you are an individual who is eligible for personal collection, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant which is eligible for personal collection, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives (if applicable) 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) (where applicable) personally within the time specified for collection, they will be sent to the address as specified on your Application Form promptly thereafter 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) (where applicable) will be sent to the address on your Application Form on Monday, 21 October 2019, by ordinary post and at your own risk.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND THE EMPLOYEE RESERVED SHARES

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Monday, 21 October 2019, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)*

For Hong Kong Offer Shares credited to your designated CCASS Participant's stock account (other than 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 in the manner described in "10. Publication of Results" in this section above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 21 October 2019 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 CCASS Internet System.

(iii) If you apply via Electronic application instructions to HKSCC

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 Monday, 21 October 2019, or, on any other date determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND THE EMPLOYEE RESERVED SHARES

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering (including the Employee Reserved Shares) in the manner specified in “10. Publication of Results” in this section above on Monday, 21 October 2019. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 21 October 2019 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 allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on Monday, 21 October 2019. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of 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 Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Monday, 21 October 2019.

14. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants is required to take place in CCASS on the second business day after any trading day.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND THE EMPLOYEE RESERVED SHARES

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 stockbrokers or other professional advisers for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-49, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

Deloitte.**德勤****ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF IWS GROUP HOLDINGS LIMITED AND SOUTH CHINA CAPITAL LIMITED****Introduction**

We report on the historical financial information of IWS Group Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-49, which comprises the consolidated statements of financial position of the Group as at 31 March 2017, 2018 and 2019, the statements of financial position of the Company as at 31 March 2018 and 2019 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three years ended 31 March 2019 (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-49 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 30 September 2019 (the "Prospectus") in connection with the initial listing of shares of the Company on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' Responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting Accountants' Responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at 31 March 2017, 2018 and 2019, of the Company's financial position as at 31 March 2018 and 2019 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on GEM of the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**Adjustments**

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 13 to the Historical Financial Information which contains information about the dividends declared and paid by the Company's subsidiaries in respect of the Track Record Period and states that no dividends have been declared or paid by the Company since its incorporation.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

30 September 2019

HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA, and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

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.

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

	NOTES	Year ended 31 March		
		2017 HK\$'000	2018 HK\$'000	2019 HK\$'000
Revenue	6	103,419	130,792	295,171
Other income	7	71	1	347
Other loss	8a	–	(95)	(2)
Impairment losses on trade receivables and uncertified revenue	8b	–	–	(250)
Employee benefit expenses		(85,103)	(102,792)	(252,127)
Selling and marketing expenses		(2,695)	(2,778)	(2,507)
Administrative expenses		(3,463)	(5,484)	(8,418)
Listing expenses		–	(5,868)	(8,515)
Finance costs	9	–	–	(822)
Profit before taxation		12,229	13,776	22,877
Income tax expense	10	(1,955)	(3,068)	(5,128)
Profit and total comprehensive income for the year	11	<u>10,274</u>	<u>10,708</u>	<u>17,749</u>
Profit and total comprehensive income for the year attributable to:				
Owners of the parent		10,274	10,708	17,751
Non-controlling interests		–	–	(2)
		<u>10,274</u>	<u>10,708</u>	<u>17,749</u>
Earnings per share				
Basic (<i>HK cents</i>)	14	<u>1.71</u>	<u>1.78</u>	<u>2.96</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	NOTES	As at 31 March		
		2017 HK\$'000	2018 HK\$'000	2019 HK\$'000
NON-CURRENT ASSETS				
Property, plant and equipment	15	346	1,864	2,006
Deposits	16	948	3,743	1,643
Deferred tax asset	17	–	–	46
		<u>1,294</u>	<u>5,607</u>	<u>3,695</u>
CURRENT ASSETS				
Trade and other receivables	16	33,310	31,307	123,923
Amounts due from related companies	18	1,154	1,839	960
Tax recoverables		–	480	–
Bank balances and cash	19	<u>13,963</u>	<u>19,093</u>	<u>27,096</u>
		<u>48,427</u>	<u>52,719</u>	<u>151,979</u>
CURRENT LIABILITIES				
Other payables and accrued expenses	20	8,587	13,657	35,327
Amount due to a non-controlling shareholder of a subsidiary	21	–	–	7,198
Amounts due to related parties	21	1,494	1,733	106
Bank borrowings	22	–	–	57,000
Tax payables		<u>646</u>	<u>1,634</u>	<u>5,215</u>
		<u>10,727</u>	<u>17,024</u>	<u>104,846</u>
NET CURRENT ASSETS		<u>37,700</u>	<u>35,695</u>	<u>47,133</u>
NET ASSETS		<u><u>38,994</u></u>	<u><u>41,302</u></u>	<u><u>50,828</u></u>
CAPITAL AND RESERVES				
Share capital	23a	3,030	3,030	–
Other reserves		–	–	3,030
Retained earnings		<u>35,964</u>	<u>38,272</u>	<u>47,798</u>
TOTAL EQUITY		<u><u>38,994</u></u>	<u><u>41,302</u></u>	<u><u>50,828</u></u>

STATEMENTS OF FINANCIAL POSITION

	NOTES	As at 31 March	
		2018 HK\$'000	2019 HK\$'000
NON-CURRENT ASSET			
Investment in subsidiaries	30	—	34,744
CURRENT ASSETS			
Other receivables	16	—	4,288
Amount due from immediate holding company	18	—*	—*
Bank balance		—	51
		—	4,339
CURRENT LIABILITIES			
Accrued expenses	20	—	5,452
Amounts due to subsidiaries	21	—	7,408
		—	12,860
NET CURRENT LIABILITIES		—	(8,521)
NET ASSETS		—*	26,223
CAPITAL AND RESERVES			
Share capital	23a	—*	—*
Reserves	23b	—	26,223
TOTAL EQUITY		—*	26,223

* Less than HK\$1,000

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company					Non- controlling interests	Total
	Share	Share	Merger	Retained	Subtotal		
	capital	premium	reserve	earnings			
	(Note 23a)	(Note 23b)	(Note)				
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2016	3,000	–	–	30,710	33,710	–	33,710
Issue of ordinary shares of subsidiaries upon incorporation	30	–	–	–	30	–	30
Profit and total comprehensive income for the year	–	–	–	10,274	10,274	–	10,274
Dividend (Note 13)	–	–	–	(5,020)	(5,020)	–	(5,020)
At 31 March 2017	3,030	–	–	35,964	38,994	–	38,994
Profit and total comprehensive income for the year	–	–	–	10,708	10,708	–	10,708
Dividend (Note 13)	–	–	–	(8,400)	(8,400)	–	(8,400)
At 31 March 2018 (as originally stated)	3,030	–	–	38,272	41,302	–	41,302
Adjustments (Note 3)	–	–	–	(225)	(225)	–	(225)
At 1 April 2018 (restated)	3,030	–	–	38,047	41,077	–	41,077
Capital contributions from a non-controlling shareholder of a subsidiary	–	–	–	–	–	2	2
Profit (loss) and total comprehensive income (expenses) for the year	–	–	–	17,751	17,751	(2)	17,749
Dividend (Note 13)	–	–	–	(8,000)	(8,000)	–	(8,000)
Effect of Reorganisation (as defined in Note 2)	(3,030)	34,744	(31,714)	–	–	–	–
At 31 March 2019	–	34,744	(31,714)	47,798	50,828	–	50,828

Note: Merger reserve represents the difference between the amount of share capital and share premium of the Company issued, and the combined share capital of International Wing Shing Security Management Limited (“IWS Security”), International Wing Shing Property Management Limited (“IWS PM”), IWS Cleaning Services Limited (“IWS Cleaning”) and IWS Carpark Management Limited (“IWS Carpark”) exchanged in connection with the group reorganisation.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 March		
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000
OPERATING ACTIVITIES			
Profit before taxation	12,229	13,776	22,877
Adjustments for:			
Depreciation of property, plant and equipment	148	410	689
Impairment losses on trade receivables and uncertified revenue	–	–	250
Loss on write-off/disposal of property, plant and equipment	–	95	2
Bank interest income	(1)	(1)	(7)
Finance costs	–	–	822
	<u> </u>	<u> </u>	<u> </u>
Operating cash flows before movements in working capital	12,376	14,280	24,633
(Increase) decrease in trade and other receivables	(6,553)	801	(81,500)
Increase in other payables and accrued expenses	500	4,488	20,863
	<u> </u>	<u> </u>	<u> </u>
Cash generated from (used in) operations	6,323	19,569	(36,004)
Hong Kong Profits Tax paid	(757)	(2,560)	(1,069)
	<u> </u>	<u> </u>	<u> </u>
NET CASH FROM (USED IN) OPERATING ACTIVITIES	<u>5,566</u>	<u>17,009</u>	<u>(37,073)</u>
INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment	–	–	3
Purchase of property, plant and equipment	(237)	(2,023)	(836)
Interest received	1	1	7
Advance to related companies	(5,143)	(6,960)	(7,901)
Repayment from related companies	4,169	6,275	7,153
	<u> </u>	<u> </u>	<u> </u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(1,210)</u>	<u>(2,707)</u>	<u>(1,574)</u>
FINANCING ACTIVITIES			
Repayment to related parties	(22)	(6,186)	(2,626)
Advance from related parties	1,125	6,425	999
New bank loans raised	–	–	67,000
Repayment of bank loans	–	–	(10,000)
Interest paid	–	–	(796)
Proceeds from issue of shares of subsidiaries	30	–	–
Issue costs paid	–	(1,011)	(1,554)
Dividend paid	(5,020)	(8,400)	(6,373)
	<u> </u>	<u> </u>	<u> </u>
NET CASH (USED IN) FROM FINANCING ACTIVITIES	<u>(3,887)</u>	<u>(9,172)</u>	<u>46,650</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>469</u>	<u>5,130</u>	<u>8,003</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	<u>13,494</u>	<u>13,963</u>	<u>19,093</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	<u><u>13,963</u></u>	<u><u>19,093</u></u>	<u><u>27,096</u></u>

NOTES TO THE HISTORICAL FINANCIAL INFORMATION**1. GENERAL**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 23 March 2018. Its immediate and ultimate holding company is IWS Group Holdings Limited (“IWS BVI”), a company incorporated in the British Virgin Islands (the “BVI”) with limited liability, shareholders of which are the respective wholly owned entities of Mr. Ma Kiu Sang (“Mr. KS Ma”), Mr. Ma Kiu Mo (“Mr. KM Ma”) and Mr. Ma Kiu Man, Vince (“Mr. Vince Ma”). Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma have been controlling the companies comprising the Group collectively. The addresses of the registered office and the principal place of business of the Company are disclosed in the section “Corporate Information” of this Prospectus.

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of security services and facility management services in Hong Kong.

2. GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in Note 4 which conform with HKFRSs issued by the HKICPA and the principle of merger accounting under Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA.

In preparation of the listing of the Company’s shares on GEM of the Stock Exchange (the “Listing”), the companies comprising the Group underwent a group reorganisation as more fully explained in the section headed “History, Corporate Structure and Reorganisation” to this Prospectus (the “Reorganisation”). Prior to the Reorganisation and throughout the Track Record Period, IWS Security, IWS PM, IWS Cleaning and IWS Carpark (collectively as “HK Subsidiaries”) were owned and controlled by Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma.

The Reorganisation comprised the following steps:

- (i) On 18 May 2018, IWS Security Management Holdings Limited (“IWS Security BVI”), IWS Property Management Holdings Limited (“IWS PM BVI”), IWS Cleaning Services Holdings Limited (“IWS Cleaning BVI”) and IWS Carpark Management Holdings Limited (“IWS Carpark BVI”) (collectively as the “BVI companies”) were incorporated in the BVI with limited liability. On incorporation, each of the BVI companies has an authorised share capital of HK\$50,000 divided into 50,000 shares with a par value of HK\$1 each, of which one share was allotted and issued, credited as fully paid to the Company on the same date at par value. Accordingly, each of the BVI companies became a wholly owned subsidiary of the Company.
- (ii) On 25 May 2018, IWS Security BVI entered into a share sale and purchase agreement with Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma, pursuant to which Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma transferred a total of 3,000,000 shares each in IWS Security, aggregate of which represents the entire issued share capital of IWS Security, to IWS Security BVI in consideration of IWS Security BVI to allot and issue one share in its issued share capital to the Company and credited as fully paid at par at the direction of Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma.
- (iii) On 25 May 2018, IWS PM BVI entered into a share sale and purchase agreement with Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma, pursuant to which Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma transferred a total of 10,000 shares each in IWS PM, aggregate of which represents the entire issued share capital of IWS PM, to IWS PM BVI in consideration of IWS PM BVI to allot and issue one share in its issued share capital to the Company and credited as fully paid at par at the direction of Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma.
- (iv) On 25 May 2018, IWS Cleaning BVI entered into a share sale and purchase agreement with Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma, pursuant to which Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma transferred a total of 10,000 shares each in IWS Cleaning, aggregate of which represents the entire issued share capital of IWS Cleaning, to IWS Cleaning BVI in consideration of IWS Cleaning BVI to allot and issue one share in its issued share capital to the Company and credited as fully paid at par at the direction of Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma.

- (v) On 25 May 2018, IWS Carpark BVI entered into a share sale and purchase agreement with Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma, pursuant to which Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma transferred a total of 10,000 shares each in IWS Carpark, aggregate of which represents the entire issued share capital of IWS Carpark, to IWS Carpark BVI in consideration of IWS Carpark BVI to allot and issue one share in its issued share capital to the Company and credited as fully paid at par at the direction of Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma.

Pursuant to the Reorganisation detailed above, the Company became the holding company of the companies now comprising the Group on 25 May 2018. The Company and its subsidiaries have been under the common control of Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma throughout the years ended 31 March 2017, 2018 and 2019 or since their respective dates of incorporation, where this is a shorter period. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity, accordingly, the Historical Financial Information has been prepared as if the Company had always been the holding company of the Group.

The consolidated statements of profit or loss and other 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 had been in existence throughout the Track Record Period, or since their respective dates of incorporation, where this is a shorter period. The consolidated statements of financial position of the Group as at 31 March 2017 and 2018 have been prepared to present the carrying amounts of the assets and liabilities of the companies now comprising the Group, as if the current group structure has been in existence at those dates taking into account the respective dates of incorporation, where applicable.

No statutory financial statements of the Company have been prepared since its date of incorporation as it is incorporated in a jurisdiction where there are no statutory audit requirements.

3. ADOPTION OF NEW AND REVISED HKFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied all HKFRSs, including HKFRS 15 *Revenue from Contracts with Customers*, which are effective for the Group's accounting periods beginning on 1 April 2018, throughout the Track Record Period, except that the Group adopted HKFRS 9 *Financial Instruments* from 1 April 2018 and HKAS 39 *Financial Instruments: Recognition and Measurement* prior to 1 April 2018.

HKFRS 9 *Financial Instruments*

In the year ended 31 March 2019, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("ECL") for financial assets and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, the financial information for the year ended 31 March 2019 under HKFRS 9 may not be comparable to those financial information for the two years ended 31 March 2018 prepared under HKAS 39.

Classification and measurement of financial assets

All financial assets and financial liabilities continue to be measured on the same bases as were previously measured under HKAS 39.

Impairment of financial assets

As at 1 April 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed below.

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the impairment of financial assets under HKFRS 9 and HKAS 39 at the date of initial application, 1 April 2018.

	Amortised cost (previously classified as loans and receivables HK\$'000	Deferred tax assets HK\$'000	Retained earnings HK\$'000
Closing balance at 31 March 2018 – HKAS 39	53,760	–	38,272
Effect arising from initial application of – HKFRS 9:			
Remeasurement – impairment under ECL	(269)	44	(225)
Opening balance at 1 April 2018 – HKFRS 9	<u>53,491</u>	<u>44</u>	<u>38,047</u>

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. To measure the ECL, trade receivables are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

ECL for other financial assets at amortised cost, including other receivables, amounts due from related companies and bank balances, are assessed on 12-month ECL (“12m ECL”) basis as there had been no significant increase in credit risk since initial recognition.

For bank balances, the Group only transacts with reputable banks with high credit ratings assigned by international credit-rating agencies. There has been no recent history of default in relation to these banks. The ECL is not material.

For trade receivables from related parties, amounts due from related companies and other receivables, the management of the Group makes individual assessment on the recoverability of them based on historical settlement records and past experience. Based on assessment by the management of the Group, the ECL for trade receivables from related parties, amounts due from related companies and other receivables are not material.

As at 1 April 2018, the additional credit loss allowance of HK\$269,000, is charged against trade receivables from third parties and the impact on deferred tax of HK\$44,000 have been recognised against retained earnings of HK\$225,000.

All loss allowances for trade receivables from third parties as at 31 March 2018 reconcile to opening loss allowance as at 1 April 2018 is as follows:

	Trade receivables from third parties HK\$'000
At 31 March 2018 – HKAS 39	–
Amounts remeasured through opening retained earnings	<u>269</u>
At 1 April 2018 – HKFRS 9	<u>269</u>

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 16	Leases ¹
HKFRS 17	Insurance Contracts ³
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments ¹
Amendments to HKFRS 3	Definition of a Business ⁴
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁵
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ¹
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle ¹

¹ Effective for annual periods beginning on or after 1 January 2019

² Effective for annual periods beginning on or after a date to be determined

³ Effective for annual periods beginning on or after 1 January 2021

⁴ Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

⁵ Effective for annual periods beginning on or after 1 January 2020

HKFRS 16 “Leases”

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 “Leases” and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group, upfront prepaid lease payments will continue to be presented as investing or operating cash flows in accordance to the nature, as appropriate.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2019, the Group has non-cancellable operating lease commitment of HK\$2,272,000 as disclosed in Note 24. A preliminary assessment indicates that these arrangements will meet the definition of lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases. The combination of 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 the profit or loss in the initial year of the lease, and decreasing expenses during the latter part of the lease term, but there is no impact on the total expenses recognised over the lease term. Based on the facts and circumstances as at 31 March 2019, the directors of the Company do not expect the application of HKFRS 16 will have material impact on the financial performance of the Group.

In addition, the Group currently considers refundable rental deposits paid of HK\$800,000 and rental deposits received of HK\$381,000 as rights and obligations under leases to which HKAS 17 applies as at 31 March 2019. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be considered as additional lease payments included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payment.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained earnings without restating comparative information.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

Except as described above, the directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the Group's financial position and financial performance.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange and the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are as follows:

Basis of consolidation

The Historical Financial Information incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Investment in subsidiaries

Investment in subsidiaries is included in the statements of financial position of the Company at cost less any identified impairment loss.

Merger accounting for business combination involving entities under common control

The Historical Financial Information incorporate the financial statements items of the consolidated entities in which the common control combination occurs as if they had been consolidated from the date when the consolidated entities first came under the control of the controlling party.

The net assets of the consolidated entities are consolidated using the existing book values from the controlling party's perspective. 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 common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of profit or loss and other comprehensive income include the results of each of the consolidated entities from the earliest date presented or since the date when the consolidated entities first came under the common control, where this is a shorter period.

Revenue recognition

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Specifically, the Group uses 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

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Revenue relating to provision of general manned guarding services, event and crisis security services, manpower support services, property management services, carpark management services, cleaning services and hotel management services is recognised over time on a straight line basis over the period of service as the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs.

A contract asset represents the Group’s right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group’s unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

The Group’s accounting policy for recognition of revenue from operating leases of carparks is described in the accounting policy for leasing below.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from “profit before taxation” as reported in the consolidated statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset is realised or the liability is settled, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme (the “MPF Scheme”) are charged as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. 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.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 April 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and 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 financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets (accounting policy under HKAS 39 applicable before 1 April 2018)

Financial assets are mainly classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amount(s) due from related companies/immediate holding company and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all other financial assets, objective evidence of impairment of financial assets could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the respective credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial assets at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets (accounting policy under HKFRS 9 applicable after 1 April 2018)

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, uncertified revenue, other receivables, amounts due from related companies and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and uncertified revenue. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables are each assessed as a separate group.);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables where the corresponding adjustment is recognised through a loss allowance account.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Write-off policy

The Group writes off a trade receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or when the amounts are over one year past due without subsequent settlement, whichever occurs sooner. Trade receivables written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any subsequent recoveries are recognised in profit or loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities (including other payables, amount(s) due to related parties/a non-controlling shareholder of a subsidiary/subsidiaries and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognised a financial asset only when the contractual rights to the cash flows from the assets expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognised financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses on tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of tangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going 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.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months from the end of each reporting period.

Estimated impairment of trade receivables and uncertified revenue

For trade receivables as at 31 March 2017 and 2018 under HKAS 39:

When there is objective evidence of impairment loss, the Group takes into consideration the estimated future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2017 and 2018, the carrying amount of trade receivables is approximately HK\$28,934,000 and HK\$27,575,000, respectively. No impairment loss on trade receivables was recognised during the years ended 31 March 2017 and 2018.

For trade receivables and uncertified revenue as at 31 March 2019 under HKFRS 9:

The management of the Group estimates the amount of loss allowance for trade receivables and uncertified revenue based on the credit risk of trade receivables and uncertified revenue. The loss allowance amount is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses. The assessment of the credit risk of trade receivables and uncertified revenue involves high degree of estimation and uncertainty as the management of the Group estimates the loss rates for debtors by using forward-looking information. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise accordingly. As at 31 March 2019, the carrying amounts of trade receivables and uncertified revenue are HK\$49,881,000 (net of loss allowance of HK\$460,000) and HK\$57,621,000 (net of loss allowance of HK\$59,000). For details of impairment assessment, please refer to Note 16.

6. REVENUE AND SEGMENT INFORMATION

An analysis of the Group's revenue for the Track Record Period is as follows:

	Year ended 31 March		
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Types of services and rental			
Provision of:			
General manned guarding services	98,836	103,872	161,855
Event and crisis security services	655	1,005	385
Manpower support services	–	7,604	105,216
Property management services	2,491	13,103	12,958
Carpark management services	–	798	10,101
Cleaning services	220	1,511	1,757
Hotel management services	540	2,160	2,160
Rental of carparks	677	739	739
	<u>103,419</u>	<u>130,792</u>	<u>295,171</u>
Total	103,419	130,792	295,171
Timing of revenue under HKFRS 15			
– Over time	102,742	130,053	294,432
Rental	677	739	739
	<u>103,419</u>	<u>130,792</u>	<u>295,171</u>
Total	103,419	130,792	295,171

The Group's operating segments are determined based on information reported to the chief operating decision maker ("CODM") of the Group (the directors of the Company who are also directors of certain major operating subsidiaries during the Track Record Period), for the purposes of resource allocation and performance assessment based on the types of services provided. No analysis of segment assets or segment liabilities is presented as such information is not regularly provided to CODM. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

The Group's reportable and operating segments under HKFRS 8 "Operating Segments" are as follows:

- (i) Security services – provision of general manned guarding services, event and crisis security services, and manpower support services
- (ii) Facility management services – provision of property management services, carpark management services, cleaning services, hotel management services and rental of carparks

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segments.

For the year ended 31 March 2017

	Security services <i>HK\$'000</i>	Facility management services <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue				
External sales	99,491	3,928	–	103,419
Inter-segment sales	1,552	1,125	(2,677)	–
	<u>101,043</u>	<u>5,053</u>	<u>(2,677)</u>	<u>103,419</u>
Segment results	20,169	1,726	–	21,895
Other income				71
Other corporate expenses				<u>(9,737)</u>
Profit before taxation				<u>12,229</u>

For the year ended 31 March 2018

	Security services <i>HK\$'000</i>	Facility management services <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue				
External sales	112,481	18,311	–	130,792
Inter-segment sales	10,630	–	(10,630)	–
	<u>123,111</u>	<u>18,311</u>	<u>(10,630)</u>	<u>130,792</u>
Segment results	24,291	8,650	–	32,941
Other income and loss				(94)
Other corporate expenses				(13,203)
Listing expenses				<u>(5,868)</u>
Profit before taxation				<u>13,776</u>

For the year ended 31 March 2019

	Security services <i>HK\$'000</i>	Facility management services <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue				
External sales	267,456	27,715	–	295,171
Inter-segment sales	12,825	6,733	(19,558)	–
	<u>280,281</u>	<u>34,448</u>	<u>(19,558)</u>	<u>295,171</u>
Segment results	41,310	10,717	–	52,027
Other income and loss				345
Impairment losses on trade receivables and uncertified revenue				(250)
Other corporate expenses				(19,908)
Listing expenses				(8,515)
Finance costs				(822)
Profit before taxation				<u>22,877</u>

Inter-segment sales are charged at prevailing market rates.

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 4. Segment results represent profits earned from each segment without allocation of other income, other loss, impairment losses on trade receivables and uncertified revenue, other corporate expenses, listing expenses and finance costs. This is the measure reported to the CODM of the Group for the purposes of resource allocation and performance assessment.

Set out below are the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

For the year ended 31 March 2017

	Security Services <i>HK\$'000</i>	Facility Management Services <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Provision of:				
General manned guarding services	98,836	–	–	98,836
Event and crisis security services	655	–	–	655
Property management services	–	2,491	–	2,491
Cleaning services	–	220	–	220
Hotel management services	–	540	–	540
	<u>99,491</u>	<u>3,251</u>	<u>–</u>	<u>102,742</u>
Sub-total	99,491	3,251	–	102,742
Rental of carparks	–	677	–	677
	<u>99,491</u>	<u>3,928</u>	<u>–</u>	<u>103,419</u>
Consolidated revenue	99,491	3,928	–	103,419
Inter-segment revenue	1,552	1,125	(2,677)	–
	<u>101,043</u>	<u>5,053</u>	<u>(2,677)</u>	<u>103,419</u>
Total	<u>101,043</u>	<u>5,053</u>	<u>(2,677)</u>	<u>103,419</u>

For the year ended 31 March 2018

	Security Services <i>HK\$'000</i>	Facility Management Services <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Provision of:				
General manned guarding services	103,872	–	–	103,872
Event and crisis security services	1,005	–	–	1,005
Manpower support services	7,604	–	–	7,604
Property management services	–	13,103	–	13,103
Carpark management services	–	798	–	798
Cleaning services	–	1,511	–	1,511
Hotel management services	–	2,160	–	2,160
Sub-total	112,481	17,572	–	130,053
Rental of carparks	–	739	–	739
Consolidated revenue	112,481	18,311	–	130,792
Inter-segment revenue	10,630	–	(10,630)	–
Total	<u>123,111</u>	<u>18,311</u>	<u>(10,630)</u>	<u>130,792</u>

For the year ended 31 March 2019

	Security Services <i>HK\$'000</i>	Facility Management Services <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Provision of:				
General manned guarding services	161,855	–	–	161,855
Event and crisis security services	385	–	–	385
Manpower support services	105,216	–	–	105,216
Property management services	–	12,958	–	12,958
Carpark management services	–	10,101	–	10,101
Cleaning services	–	1,757	–	1,757
Hotel management services	–	2,160	–	2,160
Sub-total	267,456	26,976	–	294,432
Rental of carparks	–	739	–	739
Consolidated revenue	267,456	27,715	–	295,171
Inter-segment revenue	12,825	6,733	(19,558)	–
Total	<u>280,281</u>	<u>34,448</u>	<u>(19,558)</u>	<u>295,171</u>

All facility management services are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

The Group bills a fixed amount for each hour of security services provided. The Group elected to apply the practical expedient by recognising revenue in the amount to which the Group has right to invoice. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Other segment information*Year ended 31 March 2017*

	Security services <i>HK\$'000</i>	Facility management services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amount included in the measure of segment results:			
Staff costs	79,322	2,202	81,524
	<u>79,322</u>	<u>2,202</u>	<u>81,524</u>

Year ended 31 March 2018

	Security services <i>HK\$'000</i>	Facility management services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amount included in the measure of segment results:			
Staff costs	88,190	9,661	97,851
	<u>88,190</u>	<u>9,661</u>	<u>97,851</u>

Year ended 31 March 2019

	Security services <i>HK\$'000</i>	Facility management services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amount included in the measure of segment results:			
Staff costs	226,146	16,998	243,144
	<u>226,146</u>	<u>16,998</u>	<u>243,144</u>

Geographical information

The Group's operations are all located in Hong Kong. All of the Group's customers from whom the revenue are derived and non-current assets are located in Hong Kong.

Information about major customers

Revenue from customers of corresponding years contributing over 10% of the Group's revenue are as follows:

	Year ended 31 March		
	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Customer A ¹	41,097	31,419	162,563
Customer B ¹	18,562	26,107	36,801
	<u>41,097</u>	<u>26,107</u>	<u>199,364</u>

¹ Revenue from security services segment.

7. OTHER INCOME

	Year ended 31 March		
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000
Bank interest income	1	1	7
Others	70	–	340
	<u>71</u>	<u>1</u>	<u>347</u>

8. OTHER LOSS/IMPAIRMENT LOSSES ON TRADE RECEIVABLES AND UNCERTIFIED REVENUE

(a) Other loss

	Year ended 31 March		
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000
Loss on write-off/disposal of property, plant and equipment	–	95	2
	<u>–</u>	<u>95</u>	<u>2</u>

(b) Impairment losses on trade receivables and uncertified revenue

	Year ended 31 March		
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000
Impairment losses recognised on:			
– trade receivables	–	–	191
– uncertified revenue	–	–	59
	<u>–</u>	<u>–</u>	<u>250</u>

9. FINANCE COSTS

	Year ended 31 March		
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000
Interest on bank borrowings	–	–	822
	<u>–</u>	<u>–</u>	<u>822</u>

10. INCOME TAX EXPENSE

	Year ended 31 March		
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000
Current tax:			
Current year			
– Hong Kong Profits Tax	1,955	3,068	5,130
Deferred tax (<i>Note 17</i>):			
Current year	–	–	(2)
	<u>1,955</u>	<u>3,068</u>	<u>5,128</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the Track Record Period. On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the Historical Financial Information. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the Track Record Period.

The Group's subsidiaries operating in Hong Kong are eligible for certain tax concessions. The maximum tax concessions eligible for each subsidiary is HK\$20,000, HK\$30,000 and HK\$20,000 for the years ended 31 March 2017, 2018 and 2019, respectively.

The income tax expense for the year can be reconciled to the profit before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 March		
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000
Profit before taxation	<u>12,229</u>	<u>13,776</u>	<u>22,877</u>
Tax at Hong Kong Profits Tax rate of 16.5%	2,018	2,273	3,775
Tax effect of expenses not deductible for tax purposes	12	968	1,440
Tax effect of income not taxable for tax purpose	–	–	(7)
Tax effect of utilisation of deductible temporary differences previously not recognised	–	(53)	–
Tax concessions	<u>(75)</u>	<u>(120)</u>	<u>(80)</u>
Income tax expense for the year	<u>1,955</u>	<u>3,068</u>	<u>5,128</u>

11. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR

	Year ended 31 March		
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000
Profit and total comprehensive income for the year has been arrived at after charging (crediting):			
Directors' and chief executive's emoluments (Note 12)	453	657	1,006
Other staff salaries, wages and allowances	82,023	98,812	241,781
Retirement benefit scheme contributions, excluding those for directors and chief executive	2,627	3,323	9,340
Total employee benefits expenses	85,103	102,792	252,127
Auditor's remuneration	59	200	200
Depreciation of property, plant and equipment	148	410	689
Bank interest income	(1)	(1)	(7)

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive's emoluments

Details of the emoluments paid or payable by entities now comprising the Group to the directors and the chief executive of the Company (including emoluments for the services as employees of the Group prior to becoming directors or chief executive of the Company) during the Track Record Period are as follows:

For year ended 31 March 2017

	Directors' fee HK\$'000	Salaries and other allowances HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
Executive directors:				
Mr. Ma Ah Muk	–	–	–	–
Mr. KS Ma	–	–	–	–
Mr. KM Ma	–	–	–	–
Mr. Vince Ma	–	–	–	–
Mr. Ma Yung King, Leo	–	–	–	–
Chief executive:				
Mr. Choi Ming Fai Andy	–	435	18	453
	–	435	18	453

For year ended 31 March 2018

	Directors' fee <i>HK\$'000</i>	Salaries and other allowances <i>HK\$'000</i>	Retirement benefit scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
Executive directors:				
Mr. Ma Ah Muk	–	–	–	–
Mr. KS Ma	–	–	–	–
Mr. KM Ma	–	–	–	–
Mr. Vince Ma	–	–	–	–
Mr. Ma Yung King, Leo	–	–	–	–
Chief executive:				
Mr. Choi Ming Fai Andy	–	639	18	657
	–	639	18	657
	<u>–</u>	<u>639</u>	<u>18</u>	<u>657</u>

For year ended 31 March 2019

	Directors' fee <i>HK\$'000</i>	Salaries and other allowances <i>HK\$'000</i>	Retirement benefit scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
Executive directors:				
Mr. Ma Ah Muk	–	–	–	–
Mr. KS Ma	–	–	–	–
Mr. KM Ma	–	–	–	–
Mr. Vince Ma	–	–	–	–
Mr. Ma Yung King, Leo	–	–	–	–
Chief executive:				
Mr. Choi Ming Fai Andy	–	988	18	1,006
	–	988	18	1,006
	<u>–</u>	<u>988</u>	<u>18</u>	<u>1,006</u>

All the executive directors and the chief executive of the Company were appointed on 23 March 2018.

(b) Employees' emoluments

The five highest paid individuals of the Group include the chief executive of the Company during the Track Record Period. The emoluments of the remaining 4 highest paid individuals for the years ended 31 March 2017, 2018 and 2019 are as follows:

	Year ended 31 March		
	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Salaries and other allowances	1,303	2,295	2,715
Retirement benefit scheme contributions	37	48	69
	<u>1,340</u>	<u>2,343</u>	<u>2,784</u>

The number of highest paid employees, who are not directors or chief executive of the Company, whose remuneration within the following bands were as follows:

	Number of employees		
	Year ended 31 March		
	2017	2018	2019
Emolument bands			
Nil to HK\$1,000,000	4	3	3
HK\$1,000,001 to HK\$1,500,000	–	1	1
	<u>4</u>	<u>4</u>	<u>4</u>

During the Track Record Period, no emoluments were paid by the Group to any of the directors or the chief executive of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors or the chief executive of the Company waived any emoluments during the Track Record Period.

13. DIVIDEND

The dividend declared and paid by the Company's subsidiaries to the then shareholders during the Track Record Period before the completion of Reorganisation are as follows:

	Year ended 31 March		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
Dividends	<u>5,020</u>	<u>8,400</u>	<u>8,000</u>

The rate of dividend and number of shares ranking for dividend are not presented as such information is not meaningful having regard to the purpose of this report.

No dividend has been declared or paid by the Company since its incorporation.

14. EARNINGS PER SHARE

The calculation of the basic earnings per share for the years ended 31 March 2017, 2018 and 2019 is based on the profit attributable to owners of the Company of HK\$10,274,000, HK\$10,708,000 and HK\$17,751,000, respectively, and on 600,000,000 shares in issue on the assumption that the Reorganisation as detailed in Note 2 and Capitalisation Issue as detailed in the section headed "Share Capital" in the Prospectus has been effective on 1 April 2016.

No diluted earnings per share are presented for the Track Record Period as there were no potential ordinary shares in issue.

15. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and equipment <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST				
At 1 April 2016	748	75	225	1,048
Additions	119	118	–	237
At 31 March 2017	867	193	225	1,285
Additions	694	1,329	–	2,023
Written off	–	(193)	–	(193)
At 31 March 2018	1,561	1,329	225	3,115
Additions	811	–	25	836
Disposal	–	–	(38)	(38)
At 31 March 2019	2,372	1,329	212	3,913
DEPRECIATION				
At 1 April 2016	660	75	56	791
Provided for the year	68	24	56	148
At 31 March 2017	728	99	112	939
Provided for the year	157	197	56	410
Eliminated on written off	–	(98)	–	(98)
At 31 March 2018	885	198	168	1,251
Provided for the year	368	266	55	689
Disposal	–	–	(33)	(33)
At 31 March 2019	1,253	464	190	1,907
CARRYING VALUES				
At 31 March 2017	139	94	113	346
At 31 March 2018	676	1,131	57	1,864
At 31 March 2019	1,119	865	22	2,006

The above items of property, plant and equipment are depreciated on a straight-line basis as follows:

Furniture, fixtures and equipment	25% per annum
Leasehold improvements	Over the estimated useful lives of 5 years or the period of the relevant lease, whichever is shorter
Motor vehicles	25% per annum

16. DEPOSITS, AND TRADE AND OTHER RECEIVABLES

	Notes	As at 31 March		2019 HK\$'000
		2017 HK\$'000	2018 HK\$'000	
The Group:				
Trade receivables	(a)			
– Third parties		26,552	25,764	47,726
– Related parties		2,382	1,811	2,155
		<u>28,934</u>	<u>27,575</u>	<u>49,881</u>
Less: Loss allowance		–	–	(460)
		<u>28,934</u>	<u>27,575</u>	<u>49,421</u>
Uncertified revenue	(b)	–	–	57,680
Loss allowance		–	–	(59)
		<u>–</u>	<u>–</u>	<u>57,621</u>
Deposits				
– Third parties		2,693	1,036	10,411
– Related parties		214	282	280
		<u>2,907</u>	<u>1,318</u>	<u>10,691</u>
Other receivables and prepayments		<u>1,469</u>	<u>821</u>	<u>1,902</u>
Prepayments for listing expenses and issue costs		–	–	360
Deferred issue costs		–	1,593	3,928
Total trade and other receivables (shown under current assets)		<u>33,310</u>	<u>31,307</u>	<u>123,923</u>
Non-current deposits				
– Third parties		768	3,743	1,643
– Related parties		180	–	–
		<u>948</u>	<u>3,743</u>	<u>1,643</u>
The Company:				
Prepayments for listing expenses and issued costs		N/A	–	360
Deferred issue costs		N/A	–	3,928
Total other receivables		<u>N/A</u>	<u>–</u>	<u>4,288</u>

All the related parties above are companies controlled by Mr. KS Ma, Mr. KM Ma, Mr. Vince Ma and Mr. Ma Ah Muk, directors of the Company.

The Group allows credit periods of 30-120 days to all the customers.

(a) Trade receivables

The following is an aged analysis of trade receivables, net of loss allowance, presented based on the invoice dates at the end of each reporting period:

	As at 31 March		
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000
0 – 30 days	17,539	19,977	40,698
31 – 60 days	2,845	817	1,586
61 – 90 days	66	1,268	1,089
91 – 120 days	2,570	740	1,471
Over 120 days	5,914	4,773	4,577
	28,934	27,575	49,421
	28,934	27,575	49,421

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits attributed to customers and credit terms granted to customers are reviewed regularly. The majority of the trade receivables that is neither past due nor impaired has no history of defaulting on repayments.

Included in the Group's trade receivables balance are debtors with an aggregate carrying amount of HK\$11,395,000 and HK\$7,598,000 as at 31 March 2017 and 2018, respectively, which were past due for which the Group has not recognised an impairment loss as the Group considered such balances could be recovered based on historical experience. The Group does not hold any collateral over these balances.

As at 31 March 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$8,723,000 which are past due as at the reporting date. Out of the past due balances, HK\$4,577,000 has been past due 90 days or more and is not considered as in default as the management of the Group considered that the presumption of default has occurred when the instrument is more than 90 days past due would be rebutted by considering the current creditworthiness and historical repayment from these trade debtors.

Ageing of trade receivables which are past due but not impaired

	As at 31 March	
	2017 HK\$'000	2018 HK\$'000
Past due:		
1 - 30 days	2,845	817
31 – 60 days	66	1,268
Over 60 days	8,484	5,513
	11,395	7,598
	11,395	7,598

No loss allowance has been recognised for trade receivables under HKAS 39 during the years ended 31 March 2017 and 2018.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

Impairment assessment on trade receivables subject to ECL model upon the adoption of HKFRS 9 on 1 April 2018

For trade receivables from related parties, the management of the Group makes individual assessment on the recoverability of trade receivables from related parties based on historical settlement records and past experience. Based on assessment by the management of the Group, the ECL on trade receivables for related parties is not material.

As part of the Group's credit risk management, the Group applies internal credit rating for its third party customers. The debtors with significant balances as at 31 March 2019 amounted to HK\$34,829,000 are assessed individually. The rest of debtors are grouped under a provision matrix into four internal credit rating buckets (namely: low risk, medium risk, high risk, and very high risk) based on shared credit risk characteristics by reference to past default experience and current past due exposure of the debtor.

The estimated loss rates, being 0.10% for low risk, 2.15% for medium risk, 6.28% for high risk and 18.84% for very high risk, with gross carrying amount of HK\$4,102,000, HK\$6,142,000, HK\$1,684,000 and HK\$969,000 respectively, are estimated based on historical observed default rates over the expected life of the debtors and study of other corporates' default and recovery data from international credit-rating agencies, and are adjusted for forward-looking information (for example, the current and forecasted economic growth rates in Hong Kong, which reflect the general economic conditions of the industry in which the debtors operate) that is available without undue cost or effort. Such forward-looking information is used by the management of the Group to assess both the current as well as the forecast direction of conditions at the reporting date. The grouping is regularly reviewed by the management of the Group to ensure relevant information about specific debtors is updated.

There has been no change in the estimation techniques or significant assumptions made during the year ended 31 March 2019.

The movement in the allowance for impairment in respect of trade receivables during the year ended 31 March 2019 is as follows:

	Trade receivables not credit-impaired <i>HK\$'000</i>
Balance at 1 April 2018 (<i>Note</i>)	269
Impairment losses recognised	191
	<hr/>
Balance at 31 March 2019	<u>460</u>

There is no transfer between the impairment loss allowance made under credit-impaired trade receivables and trade receivables not credit-impaired during the year ended 31 March 2019.

Note: The Group has initially applied HKFRS 9 at 1 April 2018 and comparative information is not restated, as detailed in Note 3.

(b) Uncertified revenue

Uncertified revenue represents the Group's right to receive consideration for services rendered pending verification of attendance records by customers as at the end of the reporting period. Uncertified revenue is transferred to trade receivables when the Group obtains the certification issued by the customers and is to be settled within 30 days from the date of certification.

Impairment assessment on uncertified revenue subject to ECL model upon the adoption of HKFRS 9 on 1 April 2018

The uncertified revenue with gross carrying amount of HK\$57,680,000 as at 31 March 2019 are assessed individually. Based on assessment by the management of the Group, impairment loss of HK\$59,000 has been recognised during the year ended 31 March 2019.

17. DEFERRED TAX ASSET

The following is the deferred tax asset recognised and movements thereon during the year ended 31 March 2019.

	Loss allowance of trade receivables and uncertified revenue HK\$'000
At 1 April 2018 (<i>Note</i>)	44
Credit to profit or loss (<i>Note 10</i>)	2
	<hr/>
At 31 March 2019	46
	<hr/> <hr/>

Note: The Group has initially applied HKFRS 9 at 1 April 2018 and comparative information is not restated, as detailed in Note 3.

18. AMOUNT(S) DUE FROM RELATED COMPANIES/IMMEDIATE HOLDING COMPANY

Details of the amounts due from related companies of the Group and the amount due from immediate holding company of the Company are as follows:

Name of related companies/ immediate holding company	As at 1 April 2016		As at 31 March 2017 2018		Maximum amount outstanding Year ended 31 March 2017 2018 2019		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The Group:							
Yan Yan Motors Limited	180	1,134	1,831	960	2,311	2,154	2,288
Deluxe Tower Limited	–	20	8	–	20	8	121
IWS BVI	N/A	N/A	–*	–*	N/A	–*	–*
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	180	1,154	1,839	960			
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>			
The Company:							
IWS BVI	N/A	N/A	–*	–*	N/A	–*	–*
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

* Less than HK\$1,000

The amounts due from related companies of the Group are non-trade nature, unsecured, interest-free and repayable on demand. The above related companies are controlled by Mr. KS Ma, Mr. KM Ma, Mr. Vince Ma and Mr. Ma Ah Muk, directors of the Company.

The amount due from immediate holding company of the Company is non-trade nature, unsecured, interest-free and repayable on demand.

19. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less.

Bank balances carry interest at a prevailing market rates of 0.01% per annum as at 31 March 2017, 2018 and 2019 respectively.

20. OTHER PAYABLES AND ACCRUED EXPENSES

	As at 31 March		
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000
The Group:			
Other payables and accrued expenses			
– Third parties	1,117	1,848	2,514
– Related parties	–	20	–
Accrued listing expense and issue costs	–	2,335	5,452
Accrued staff costs	7,470	9,454	27,361
	<u>8,587</u>	<u>13,657</u>	<u>35,327</u>
Total other payables and accrued expenses			
	<u>8,587</u>	<u>13,657</u>	<u>35,327</u>
The Company:			
Accrued listing expense and issue costs	N/A	–	5,452
	<u>N/A</u>	<u>–</u>	<u>5,452</u>

The balances with related parties, which are companies controlled by Mr. Ma Ah Muk and Mr. Vince Ma, are trade in nature, unsecured, interest-free and repayable on demand.

21. AMOUNT(S) DUE TO A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY/RELATED PARTIES/SUBSIDIARIES

	As at 31 March		
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000
The Group:			
Amount due to a non-controlling shareholder of a subsidiary:			
Oblivian Limited	–	–	7,198
	<u>–</u>	<u>–</u>	<u>7,198</u>
Amounts due to related parties:			
Yan Yan Motors Limited	2	473	–
Mr. Ma Ah Muk	1,492	1,260	–
Deluxe Tower Limited	–	–	106
	<u>1,494</u>	<u>1,733</u>	<u>106</u>
The Company:			
Amounts due to subsidiaries:			
IWS Security	N/A	–	7,351
IWS Cleaning	N/A	–	57
	<u>N/A</u>	<u>–</u>	<u>7,408</u>

All the amount(s) due to related parties, a non-controlling shareholder of a subsidiary and a subsidiary are non-trade nature, unsecured, interest-free and repayable on demand.

22. BANK BORROWINGS

	As at 31 March		
	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Variable interest rate bank borrowings			
– Unsecured and guaranteed	–	–	57,000
	<u> </u>	<u> </u>	<u> </u>

The carrying amounts of the above bank borrowings are repayable within one year and contain a repayment on demand clause.

As at 31 March 2019, bank borrowings carried variable interest rate at one month Hong Kong Interbank Offered Rate plus 1.75%.

The range of effective interest rates on the Group's borrowings was as follows:

	Year ended 31 March 2019
Effective interest rate:	
Variable-rate bank borrowings	<u> 2.63%-3.94%</u>

All of the bank borrowings were denominated in HK\$ which is same as the functional currency of the relevant group entities.

The Group's bank borrowings were guaranteed by personal guarantees from Mr. Ma Ah Muk and Mr. KS Ma.

23a. SHARE CAPITAL

The share capital of the Group as at 1 April 2016 represented the issued share capital of IWS Security.

The share capital of the Group as at 31 March 2017 and 31 March 2018 represented the combined share capital of following companies:

Name of companies	As at 31 March	
	2017 <i>HK\$</i>	2018 <i>HK\$</i>
IWS PM	10,000	10,000
IWS Security	3,000,000	3,000,000
IWS Carpark	10,000	10,000
IWS Cleaning	10,000	10,000
	<u> 3,030,000</u>	<u> 3,030,000</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Shown in the consolidated statements of the financial position	<u> 3,030</u>	<u> 3,030</u>

The share capital of the Group as at 31 March 2019 represented the issued share capital of the Company following the completion of Reorganisation on 25 May 2018 as detailed in Note 2.

Details of the Company's share capital are disclosed as follows:

	Number of shares	Amount	
		HK\$	HK\$'000
Ordinary shares of HK\$0.01 each			
Authorised:			
At 23 March 2018 (date of incorporation), 31 March 2018 and 31 March 2019	38,000,000	380,000	380
Issued and fully paid:			
At 23 March 2018 (date of incorporation), 31 March 2018 and 31 March 2019	1	0.01	–

23b. RESERVES OF THE COMPANY

	Share premium HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
As at 23 March 2018 (date of incorporation) and as at 31 March 2018	–	–	–
Loss and total comprehensive expense for the year	–	(8,521)	(8,521)
Arising from the Reorganisation	34,744	–	34,744
As at 31 March 2019	34,744	(8,521)	26,223

24. OPERATING LEASES COMMITMENTS

(a) The Group as lessor

At the end of the reporting period, the Group had contracted with tenants in respect of car parks for the following future minimum lease payments under a non-cancellable operating lease, which fall due as follows:

	As at 31 March		
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000
Within one year	739	739	677
In the second to fifth year inclusive	1,417	678	–
	2,156	1,417	677

The operating lease held has committed tenants for one to three years.

(b) The Group as lessee

	Year ended 31 March		
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000
Operating lease rentals in respect of office premises and car parks	1,481	1,700	1,764

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	As at 31 March		
	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within one year	1,227	969	1,767
In the second to fifth year inclusive	196	1,084	505
	<u>1,423</u>	<u>2,053</u>	<u>2,272</u>

Operating lease payments represent rentals payable by the Group for its offices and carpark. Leases are negotiated for an average term of one to three years and rentals are fixed over the lease terms.

25. RETIREMENT BENEFIT SCHEMES

The Group participates in a defined contribution scheme which is registered under the MPF Scheme established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees.

For members of the MPF Scheme, the Group contributes at the lower of HK\$1,500 per month or 5% of relevant payroll costs each month to the MPF Scheme, which contribution is matched by the employee.

The total expense recognised in profit or loss for the year ended 31 March 2017, 2018 and 2019 are HK\$2,645,000, HK\$3,341,000 and HK\$9,358,000, respectively which represent contributions payable to these plans by the Group at rates specified in the rules of the plans.

26. RELATED PARTY DISCLOSURES

(a) Related party balances

Details of the outstanding balances with related parties are set out in the statements of financial position and in Notes 16, 18, 20 and 21.

(b) Related party transactions

Saved as disclosed elsewhere in the Historical Financial Information, the Group entered into the following transactions with related parties:

Relationship with the Group	Name of related party	Transactions	Year ended 31 March		
			2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Controlled by Mr. KS Ma, Mr. KM Ma, Mr. Vince Ma and Mr. Ma Ah Muk	Yan Yan Motors Limited	Building management fee	162	45	89
		Security services income	2,019	3,058	3,759
		Facility management services income	1,228	5,817	9,276
		Rental expenses	1,393	1,225	960
	Fu Wan Public Light Bus (Scheduled) Service Company Limited	Car rental expenses	36	36	8
	Better Coin Industrial Limited	Security services income	306	334	310
Deluxe Tower Limited		Facility management services income	37	292	540
		Security services income	30	240	359

Relationship with the Group	Name of related party	Transactions	Year ended 31 March		
			2017 HK\$'000	2018 HK\$'000	2019 HK\$'000
	Express Top Industries Limited	Security services income	1,427	1,567	1,580
	Golden Way Public Light Bus (Scheduled) Service Company Limited	Security services income	664	733	657
	Koon Wing Motors Limited	Security services income	288	320	322
	Sheung Shui Public Light Bus (Scheduled) Service Company Limited	Security services income	331	364	367
	Success Transportation Ltd	Security services income	204	223	131
	Tung Wan Public Light Bus (Scheduled) Service Company Limited	Security services income	138	51	–
	Yan Yan Ho Motors Ltd	Security services income	162	163	252
	CTBus Limited	Car rental expenses	–	–	58
Controlled by Mr. Ma Ah Muk and Mr. Vince Ma	Trinity General Insurance Limited	Insurance expenses	25	24	26
Controlled by Ms. Ma Wah Chu, daughter of Mr. Ma Ah Muk	Eco Tree Hotel Limited	Security services income	–	–	108
			–	–	108

(c) **Compensation of key management personnel**

The remuneration of directors and other members of key management personnel during the Track Record Period were as follow:

	Year ended 31 March		
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000
Short term benefits	1,169	2,025	2,975
Post-employment benefits	34	47	64
	1,203	2,072	3,039

- (d) As at 31 March 2018 and 2019, banking facilities of HK\$40,000,000 and HK\$90,000,000 provided by a bank to the Group with utilised amount of Nil and HK\$75,207,000 respectively are guaranteed by personal guarantees from Mr. Ma Ah Muk and Mr. KS Ma.

27. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the group companies will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt, which includes amount(s) due to related parties/a non-controlling shareholder of a subsidiary, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and retained earnings.

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company consider the cost and the risks associated with each class of the capital. Based on the recommendations of the directors, the Group will balance its overall capital structure through payment of dividend, new share issues, issue of new debt and redemption of existing debts.

28. FINANCIAL INSTRUMENTS**(a) Categories of financial instruments**

	As at 31 March		
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
The Group:			
Financial assets			
Loans and receivables (including cash and cash equivalents)	49,375	53,760	–
Amortised cost	–	–	148,284
	<u> </u>	<u> </u>	<u> </u>
Financial liabilities			
Amortised cost	2,061	4,970	71,239
	<u> </u>	<u> </u>	<u> </u>
The Company:			
Financial assets			
Amortised cost	N/A	–	51
	<u> </u>	<u> </u>	<u> </u>
Financial liabilities			
Amortised cost	N/A	–	12,860
	<u> </u>	<u> </u>	<u> </u>

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amounts due from related companies, bank balances and cash, amount(s) due to related parties/a non-controlling shareholder of a subsidiary, other payables and bank borrowings. The Company's major financial instruments include amount due from immediate holding company, bank balance, and accrued listing expense and issue costs.

Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risks (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk*Interest rate risk*

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings due to the fluctuation of the prevailing market interest rate. The directors of the Company consider the Group's exposure of the bank balances to interest rate risk is insignificant as interest bearing bank balances are within short maturity period and the fluctuation of market interest rate is not expected to be significant, no sensitivity analysis is prepared accordingly.

The Group currently does not have any interest rate hedging policy in relation to cash flow interest rate risks. The directors of the Company monitor the Group's exposure on an ongoing basis and will consider hedging interest rate risk should the need arise.

The Group does not have any interest-bearing financial liabilities as at 31 March 2017 and 2018. As at 31 March 2019, the Group's cash flow interest rate risk related to bank borrowings is mainly concentrated on the fluctuation of the Hong Kong Interbank Offered Rate.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates on its variable-rate borrowings at 31 March 2019 and the stipulated change taking place at the beginning of the financial period and held constant throughout the period in the case of instruments that have floating rates. A 50 basis point increase or decrease is used by the management for the assessment of the possible change in interest rates.

If interest rates had been 50 basis point higher and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2019 would decrease by HK\$238,000.

Credit risk

The carrying amount of the respective recognised financial assets as stated in the statements of financial position of the Group and the Company best represents the Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group and the Company due to failure to discharge an obligations by the counterparties.

The Group's credit risk is primarily attributable to its trade receivables. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Upon the application of HKFRS 9 on 1 April 2018, the Group has applied the simplified approach to measure the loss allowance on trade receivables and uncertified revenue at lifetime ECL as disclosed in note 16. While ECL for other financial assets at amortised cost, including other receivables, amounts due from related companies and bank balances, are assessed on 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition.

For trade receivables from related parties, amounts due from related companies and deposits and other receivables with gross carrying amount of HK\$2,155,000, HK\$960,000 and HK\$13,186,000, respectively, the management of the Group makes individual assessment on the recoverability of them based on historical settlement records and past experience. Based on assessment by the management of the Group, the ECL for trade receivables from related parties, amounts due from related companies and deposits and other receivables are not material.

The credit risk on bank balances of the Group and the Company with gross carrying amount of HK\$27,050,000 and HK\$51,000 respectively is limited because the counterparties are banks with high credit ratings (i.e. AA- to A) assigned by international credit-rating agencies. There has been no recent history of default in relation to these banks. The ECL is not material.

As at 31 March 2017, 2018 and 2019, the Group has concentration of credit risk as 59%, 28% and 78%, respectively, of the total trade receivables and uncertified revenue was due from the Group's largest customer. The Group's concentration of credit risk on the top five largest customers accounted for 82%, 64% and 89% of the total trade receivables and uncertified revenue as at 31 March 2017, 2018 and 2019. The management of the Group considers the credit risk of amounts due to these customers is insignificant after considering their historical settlement record, credit quality and financial positions.

Liquidity risk

In management of the liquidity risk, the Group monitors and maintains levels of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The Group relies on bank borrowings as a significant source of liquidity. The Group has available unutilised banking facilities of HK\$14,793,000 as at 31 March 2019.

The following table details the Group's and the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date, on which the Group and the Company can be required to pay. Specifically, bank borrowings of the Group with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

Liquidity tables

As at 31 March 2017

	Weighted average effective interest rate %	Repayable on demand or less than 1 month HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31 March 2017 HK\$'000
Non-derivative financial liabilities				
Other payables	–	567	567	567
Amounts due to related parties	–	1,494	1,494	1,494
		2,061	2,061	2,061
		2,061	2,061	2,061

As at 31 March 2018

	Weighted average effective interest rate %	Repayable on demand or less than 1 month HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31 March 2018 HK\$'000
Non-derivative financial liabilities				
Accrued listing expense and issue costs	–	2,335	2,335	2,335
Other payables	–	902	902	902
Amounts due to related parties	–	1,733	1,733	1,733
		4,970	4,970	4,970
		4,970	4,970	4,970

As at 31 March 2019

	Weighted average effective interest rate %	Repayable on demand or less than 1 month HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31 March 2019 HK\$'000
The Group:				
Non-derivative financial liabilities				
Accrued listing expense and issue costs	–	5,452	5,452	5,452
Other payables	–	1,483	1,483	1,483
Amount due to a non-controlling shareholder of a subsidiary	–	7,198	7,198	7,198
Amounts due to related parties	–	106	106	106
Bank borrowings – variable rate	3.36%	57,000	57,000	57,000
		<u>71,239</u>	<u>71,239</u>	<u>71,239</u>
The Company:				
Non-derivative financial liabilities				
Accrued listing expense and issue costs	–	5,452	5,452	5,452
Amounts due to subsidiaries	–	7,408	7,408	7,408
		<u>12,860</u>	<u>12,860</u>	<u>12,860</u>

Bank borrowings of the Group with a repayment on demand clause are included in the “repayable on demand or less than 1 month” time band in the above maturity analysis. As at 31 March 2019, the aggregate undiscounted principal amounts of these bank loans amounted to HK\$57,000,000. Taking into account the Group’s financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believed that such bank borrowings will be repaid within 1 year after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements at the aggregate principal and interest cash outflows of HK\$57,142,000.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if actual changes in variable interest rates differ to those estimated at the end of the reporting period.

(c) Fair value measurements of financial instruments

The management of the Group considers that the carrying amounts of the financial assets and financial liabilities of the Group and the Company recorded at amortised cost in the Historical Financial Information at the end of the reporting period approximate their fair values.

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

29. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Accrued finance cost HK\$'000	Bank borrowings HK\$'000	Accrued issue costs HK\$'000	Dividend payable HK\$'000	Amounts due to related parties HK\$'000	Amount due to a non- controlling shareholder of a subsidiary HK\$'000	Total HK\$'000
At 1 April 2016	-	-	-	-	391	-	391
Financing cash flows	-	-	-	(5,020)	1,103	-	(3,917)
<i>Non-cash change</i>							
Dividend declared (Note 13)	-	-	-	5,020	-	-	5,020
At 31 March 2017	-	-	-	-	1,494	-	1,494
Financing cash flows	-	-	(1,011)	(8,400)	239	-	(9,172)
<i>Non-cash changes</i>							
Issue costs accrued	-	-	1,593	-	-	-	1,593
Dividend declared (Note 13)	-	-	-	8,400	-	-	8,400
At 31 March 2018	-	-	582	-	1,733	-	2,315
Financing cash flows	(796)	57,000	(1,554)	(6,373)	(1,627)	-	46,650
<i>Non-cash changes</i>							
Finance costs accrued	822	-	-	-	-	-	822
Issue costs accrued	-	-	2,335	-	-	-	2,335
Dividend declared (Note 13)	-	-	-	8,000	-	-	8,000
Others (Note)	-	-	-	(1,627)	-	7,198	5,571
At 31 March 2019	26	57,000	1,363	-	106	7,198	65,693

Note: Among the dividend declared by the Company's subsidiaries amounted to HK\$8,000,000, HK\$1,627,000 has been used to set off the amounts due from related companies. The remaining dividend of HK\$6,373,000 was settled by cash in July 2018.

During the year ended 31 March 2019, a non-controlling shareholder of a subsidiary has directly placed a deposit of HK\$7,200,000 on behalf of the Group to a third party for bidding a new service contract. In addition, the non-controlling shareholder has agreed to net off the capital contribution of HK\$2,000 with the deposit placed accordingly, amount due to a non-controlling shareholder of a subsidiary was HK\$7,198,000 as of 31 March 2019.

30. PARTICULARS OF SUBSIDIARIES/INVESTMENT IN SUBSIDIARIES

	As at 31 March 2018 HK\$'000	2019 HK\$'000
Unlisted investment, at cost	-	34,744

At the date of this report, the Company has direct and indirect equity interests in the following subsidiaries:

Name of subsidiary	Place and date of incorporation	Issued and fully paid share capital	Equity interest attributable to the Group				Principal activities
			As at 31 March			As at	
			2017	2018	2019	date of this report	
Directly held							
IWS Security BVI	BVI 18 May 2018	HK\$2	N/A	N/A	100%	100%	Investment holding
IWS PM BVI	BVI 18 May 2018	HK\$2	N/A	N/A	100%	100%	Investment holding
IWS Cleaning BVI	BVI 18 May 2018	HK\$2	N/A	N/A	100%	100%	Investment holding
IWS Carpark BVI	BVI 18 May 2018	HK\$2	N/A	N/A	100%	100%	Investment holding
Indirectly held							
IWS Security	Hong Kong 18 April 1996	HK\$3,000,000	100%	100%	100%	100%	Provision of general manned security services, event and crisis security services and manpower support services
IWS PM	Hong Kong 8 August 2016	HK\$10,000	100%	100%	100%	100%	Provision of property management services and hotel management services
IWS Carpark	Hong Kong 30 December 2016	HK\$10,000	100%	100%	100%	100%	Provision of carpark management services and rental of carparks
IWS Cleaning	Hong Kong 4 November 2016	HK\$10,000	100%	100%	100%	100%	Provision of cleaning services
IWS Carpark (JV1) Limited	Hong Kong 8 March 2019	HK\$10,000	N/A	N/A	80%	80%	Provision of carpark management services

Each of the Company and its subsidiaries has adopted 31 March as their financial year end date. The statutory financial statements of each of the HK Subsidiaries for the year ended 31 March 2017 or for the period from their respective dates of incorporation to 31 March 2017 were prepared in accordance with the Small and Medium-sized Entity Financial Reporting Standard issued by the HKICPA and were audited by Margaret Wong & Co, certified public accountants registered in Hong Kong. The statutory financial statements of each of the HK Subsidiaries for the year ended 31 March 2018 and 31 March 2019 were prepared in accordance with HKFRSs issued by the HKICPA and were audited by us.

No statutory audited financial statements of IWS Carpark (JV1) Limited have been prepared from its date of incorporation to 31 March 2019 as it is newly incorporated and the financial statements have not yet been due to issue.

No statutory audited financial statements for subsidiaries incorporated in the BVI have been prepared since their respective dates of incorporation as they are incorporated in a jurisdiction where there are no statutory audit requirements.

31. PERFORMANCE BONDS

Certain customers of service contracts undertaken by the Group require the Company's subsidiary to issue guarantees for contract works in the form of performance bonds issued by the Group's bank which are guaranteed by personal guarantees from Mr. Ma Ah Muk and Mr. KS Ma. The performance bonds are released when the service contracts are completed or substantially completed by October 2021.

At the end of each reporting periods, the Group had outstanding performance bonds as follows:

	As at 31 March		
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Issued by the Group's bank	–	–	18,207
	<u> </u>	<u> </u>	<u> </u>

32. EVENTS AFTER THE REPORTING PERIOD

The following events took place subsequent to the end of the Track Record Period:

On 20 September 2019, written resolutions of the shareholders of the Company was passed to approve the matters set out in the paragraph headed "Written resolutions of our Shareholders passed on 20 September 2019" in Appendix IV of the Prospectus. It was resolved, among other things:

- (i) the authorised share capital of the Company increased to HK\$20,000,000 by the creation of an additional 1,962,000,000 shares of the Company.
- (ii) the Company has conditionally adopted a share option scheme, the principal terms of which are set out in the section headed "Statutory and general information – D. Share Option Scheme" in Appendix IV to the Prospectus. There is no share option granted by the Company up to the date of this report.
- (iii) conditional upon the share premium account of the Company being credited as a result of the offer of the Company's shares, the directors of the Company were authorised to capitalise the amount of HK\$5,999,999.99 from the amount standing to the credit of the share premium account of the Company and to apply such amount to pay up in full at par 599,999,999 shares of the Company for allotment and issue to the persons whose name appeared on the register of members of the Company at the close of business on 20 September 2019.

33. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to the end of the Track Record Period.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set out in this appendix does not form part of the accountants' report on the historical financial information of the Group for each of the three years ended 31 March 2019 (the "Accountants' Report") prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set out in Appendix I to this prospectus, and is included in this prospectus 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 forth in Appendix I to this prospectus.

(A) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company prepared in accordance with Rule 7.31 of the GEM Listing Rules 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 March 2019 as if the Share Offer had taken place on that date.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company 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 owners of the Company as at 31 March 2019 or at any future dates following the Share Offer.

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company is prepared based on the audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 March 2019 as shown in the Accountants' Report as set out in Appendix I to this prospectus and adjusted as described below.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2019 <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 owners of the Company as at 31 March 2019 <i>HK\$'000</i> <i>(Note 3)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2019 per Share <i>HK\$</i> <i>(Note 4)</i>
Based on Offer Price of HK\$0.32 per Offer Share	50,828	46,564	97,392	0.12
Based on Offer Price of HK\$0.39 per Offer Share	50,828	60,144	110,972	0.14

Notes:

- (1) The audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2019 is extracted directly from the Accountants' Report set forth in Appendix I to this prospectus, without any adjustments.
- (2) The estimated net proceeds from the Share Offer are based on 200,000,000 Offer Shares at indicative Offer Price range of lower limit and upper limit of HK\$0.32 to HK\$0.39 per Offer Share, respectively after deduction of the estimated underwriting fee and other related expenses (excluding expenses charged to profit and loss by the Group up to 31 March 2019) and does not take into account (i) any Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme, (ii) any Shares which may be issued pursuant to any exercise of the Offer Size Adjustment Option or (iii) any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate for the allotment and issue or repurchase of Shares referred to Appendix IV to this prospectus.
- (3) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is calculated based on 800,000,000 Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue assumed to be on 31 March 2019 without taking into account (i) any Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme, (ii) any Shares which may be issued pursuant to any exercise of the Offer Size Adjustment Option or (iii) any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate for the allotment and issue or repurchase of Shares referred to Appendix IV to this prospectus.
- (4) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2019 to reflect any trading result or other transactions of the Group entered into subsequent to 31 March 2019.

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.

Deloitte.

德勤

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

To the Directors of IWS Group Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of IWS Group 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 unaudited pro forma statement of adjusted consolidated net tangible assets as at 31 March 2019 and related notes as set out on pages II-1 and II-2 of Appendix II to the prospectus issued by the Company dated 30 September 2019 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 and II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the listing of the shares of the Company on GEM of The Stock Exchange of Hong Kong Limited by way of Hong Kong public offering and placing (the "Share Offer") on the Group's financial position as at 31 March 2019 as if the Share Offer had taken place at 31 March 2019. As part of this process, information about the Group's financial information has been extracted by the Directors from the Group's historical financial information for each of the three years ended 31 March 2019, 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 Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Share Offer at 31 March 2019 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 pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the 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 Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, 30 September 2019

**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 company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 23 March 2018 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The Company’s constitutional documents consist of its Memorandum of Association (the “Memorandum”) and its Articles of Association (the “Articles”).

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 20 September 2019 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the

holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Law in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;

- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing

director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or past Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
 - (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
 - (cc) the election of directors in place of those retiring;
 - (dd) the appointment of auditors and other officers; and
 - (ee) the fixing of the remuneration of the directors and of the auditors.
- (v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “**Court**”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company’s articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may,

if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 11 April 2018.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. The register of members shall contain such particulars as required by Section 40 of the Companies Law. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Law, 2018 of the Cayman Islands ("ES Law") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Law. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Law.

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES**1. Incorporation**

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 23 March 2018. Our registered office is at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. We have established a principal place of business in Hong Kong at 1/F, Hang Seng Castle Peak Road Building, 339 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong and have registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance. Mr. Leo Ma and Mr. Wong Chi Kong have been appointed as our authorised representatives of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, it is subject to the relevant laws of the Cayman Islands and the Memorandum of Association and the Articles of Association. Accordingly, our corporate structure and Articles are subject to the Cayman Companies Law and other relevant laws of the Cayman Islands. A summary of our Articles and Memorandum of Association is set out in Appendix III to this prospectus.

2. Change in Share Capital of our Company*(a) Increase in authorised share capital*

At the time of incorporation, the Company had an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. On incorporation of our Company, one subscriber Share was allotted and issued, fully paid at par, to an initial subscriber, an independent third party, who then transferred it to IWS BVI on the same date. The authorised share capital of our Company was increased from HK\$380,000 to HK\$20,000,000 by the creation of a further 1,962,000,000 Shares pursuant to a resolution by our Shareholders referred to in paragraphs headed “5. Written Resolution of our Shareholders passed on 20 September 2019” below and subject to the conditions contained herein.

Immediately following completion of the Share Offer and the Capitalisation Issue (taking no account of any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme and the exercise of the Offer Size Adjustment Option), our authorised share capital will be HK\$20,000,000 divided into 2,000,000,000 Shares, of which 800,000,000 Shares will be issued fully paid or credited as fully paid, and 1,200,000,000 Shares will remain unissued.

Save as disclosed in this paragraph and in the paragraphs headed “3. Our Corporate Reorganisation” of this Appendix, 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. Our Corporate Reorganisation

In preparing for the Listing, the companies comprising our Group underwent the Reorganisation to rationalise the corporate structure of our Group and our Company became the holding company of our Group. Please see “History, Corporate Structure and Reorganisation – Reorganisation” in this prospectus for further details.

4. Changes in the Share Capital of our Subsidiaries

The subsidiaries of our Company are listed in the Accountants’ Report of our Company, the text of which is set out in Appendix I to this prospectus.

Save for the alterations mentioned in “History, Corporate Structure and Reorganisation” in this prospectus, there has been no other alteration in the share capital of our subsidiaries within the two years immediately preceding the issue of this prospectus:

5. Written resolutions of our Shareholders passed on 20 September 2019

On 20 September 2019, resolutions in writing were passed by our Shareholders pursuant to which, amongst others:

- (a) our Company approved and adopted the Memorandum and the Articles with effect from the Listing Date;
- (b) the authorised share capital of our Company was increased from HK\$380,000 to HK\$20,000,000 by the creation of a further 1,962,000,000 Shares;
- (c) conditional on both (i) the Listing Division granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme and exercise of the Offer Size Adjustment Option); and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and the Underwriting Agreements not being terminated in accordance with its terms or otherwise, in each case on or before the date falling 30 days after the date of the issue of this prospectus:
 - (i) the Share Offer was approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer to rank *pari passu* with the then existing Shares in all respects;
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “D. Share Option Scheme” below in this Appendix, were approved and adopted and our Directors were authorised, at their absolute discretion but subject to the terms and conditions of the Share Option Scheme, to grant options to subscribe for Shares thereunder and to allot, issue and deal

with the Shares pursuant to the exercise of subscription rights attaching to any options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;

- (iii) conditional further on the share premium account of our Company being credited as a result of the Share Offer, the Capitalisation Issue was approved, and our Directors were authorised to capitalise an amount of HK\$5,999,999.99 standing to the credit of the share premium account of our Company and to appropriate such amount as to capital to pay up in full at par 599,999,999 Shares for allotment and issue to the person(s) whose names appear on the register of members of our Company at the close of business on 20 September 2019 (or as they may direct) in proportion (as nearly as possible without involving fractions) to its/their then existing shareholdings in our Company, each ranking *pari passu* in all respects with the then existing issued Shares, and our Directors were authorised to give effect to such capitalisation and distributions;
- (d) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue or an issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share option scheme of our Company or any Shares allotted and issued in lieu of the whole or part of a dividend on Shares or similar arrangement in accordance with the Articles of Association or pursuant to a specific authority granted by our Shareholders in general meeting or pursuant to the Share Offer or the Capitalisation Issue, Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities, and to make or grant offers, agreements or options which might require the exercise of such power, with the number of Shares (or underlying Shares) involved in aggregate not exceeding 20% of the aggregate number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and any Shares which may be issued upon exercise of any options which may be granted under the Share Option Scheme), subject to adjustment for each consolidation or sub-division of Shares the record date of which falls within the period when this general mandate remains in effect so that the maximum number of Shares that may be issued pursuant to the authority granted hereunder as a percentage of the total number of issued Shares at the date immediately before and after such consolidation or subdivision shall be the same and the said approval shall be limited accordingly, such mandate to remain in effect until the earliest of:
 - (i) the conclusion of the next annual general meeting of our Company;

- (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and Articles or the Cayman Companies Law or any applicable laws of the Cayman Islands to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

- (e) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, with such number of Shares in aggregate not exceeding 10% of the aggregate number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and any Shares which may be issued upon exercise of any options which may be granted under the Share Option Scheme), subject to adjustment for each consolidation or sub-division of Shares the record date of which falls within the period when this general mandate remains in effect so that the maximum number of Shares that may be repurchased pursuant to the authority granted hereunder as a percentage of the total number of issued Shares at the date immediately before and after such consolidation or subdivision shall be the same and the said approval shall be limited accordingly, such mandate to remain in effect until the earliest of:
 - (i) the conclusion of the next annual general meeting of our Company;
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and Articles or the Cayman Companies Law or any applicable laws of the Cayman Islands to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

- (f) the general unconditional mandate mentioned in sub-paragraph (d) above was extended by including the number of Shares which are repurchased pursuant to the repurchase mandate sub-paragraph (e) above, provided that such extended amount shall not exceed 10% of the aggregate number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and any Shares which may be issued upon exercise of any options which may be granted under the Share Option Scheme).

6. Repurchase of our Shares

This section contains information required by the Stock Exchange to be included in this prospectus concerning the repurchase of Shares by our Company.

(a) Provisions of the GEM Listing Rules

The GEM Listing Rules permit companies whose primary listing is on the GEM Board to repurchase securities on the Stock Exchange subject to certain restrictions, a summary of which is set out below:

(i) Shareholder's approval

The GEM Listing Rules provide that all proposed repurchases of shares, which must be fully paid up in the case of shares, by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

(Note: Pursuant to the written resolutions passed by our Shareholders on 20 September 2019, a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors authorising them 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 which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate number of shares of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and any Shares which may be issued upon exercise of any options which may be granted under the Share Option Scheme), and the Repurchase Mandate shall remain in effect until the earliest of the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or the Cayman Companies Law or any other applicable laws of the Cayman Islands to be held or the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in a general meeting.)

(ii) Source of funds

Any repurchase by our Company must be funded out of funds legally available for the purpose in accordance with the Articles, the applicable laws and rules and regulations of the Cayman Islands and the GEM Listing Rules. Our Company may not repurchase its own Shares 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 repurchases by our Company may be made out of profits or share premium or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account before or at the time the Shares are repurchased. Subject to satisfaction of the solvency test prescribed by the Cayman Companies Law, a repurchase may also be made out of our share capital.

(iii) Connected parties

The GEM Listing Rules prohibit our Company from knowingly repurchasing the Shares on the Stock Exchange from a "core connected person" (as defined in the GEM Listing Rules), which includes a Director, chief executive or substantial Shareholder of our Company or any of its subsidiaries or associate of any of them, and a core connected person shall not knowingly sell Shares to our Company on the Stock Exchange.

(b) Exercise of the Repurchase Mandate

On the basis of 800,000,000 Shares in issue immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and any Shares which may be issued upon exercise of any options which may be granted under the Share Option Scheme), our Directors would be authorised under the Repurchase Mandate to repurchase up to 80,000,000 Shares during the period in which the Repurchase Mandate remains in force. Any Shares repurchased pursuant to the Repurchase Mandate must be fully paid-up.

(c) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from 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 our Company's net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(d) Funding of repurchases

In repurchasing the Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the GEM Listing Rules and the applicable laws and regulations of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) General

None of our Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their associates (as defined in the GEM Listing Rules), has any present intention to sell any Shares to our Company if the Repurchase Mandate is exercised.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules, the Articles and the applicable law and regulations from time to time in force in the Cayman Islands.

If, as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. In certain circumstances, a Shareholder or a group of Shareholders acting in concert (as defined in the Takeovers Code) depending on the level of increase of our Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase.

Save as disclosed above, our Directors are not aware of any consequences which may arise under the Takeovers Code as a consequence of any repurchase of Shares if made immediately after the listing of the Shares pursuant to the Repurchase Mandate. At present, so far as is known to the Directors, no Shareholder may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code in the event that our Directors exercise the power in full to repurchase the Shares pursuant to the Repurchase Mandate.

Our 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 has notified our Company that he/she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR COMPANY**1. Summary of material contracts**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by our Group within the two years preceding the date of this prospectus and are or may be material in relation to the business of our Company taken as a whole:

- (a) the Deed of Indemnity;
- (b) the Public Offer Underwriting Agreement;
- (c) the IWS Security SPA;
- (d) the IWS PM SPA;
- (e) the IWS Cleaning SPA;
- (f) the IWS Carpark SPA; and
- (g) the Master Services Agreement.

2. Intellectual property rights of our Group**(a) Trademark**

As at the Latest Practicable Date, our Group has registered the following trademarks which we consider are material to our business:

Trademark	Class	Registration number	Registration date	Expiry date	Place of registration	Registrant
	36, 37 and 45	304349863	28 November 2017	27 November 2027	Hong Kong	IWS Security
	36, 37 and 45	304349863	28 November 2017	27 November 2027	Hong Kong	IWS Security

(b) Domain names

As at the Latest Practicable Date, our Group has registered the following domain names which we consider are material to our business:

Domain name	Registrant	Registration Date	Expiry Date
<u>iws.com.hk</u>	IWS Security	28 July 2009	5 August 2022

C. FURTHER INFORMATION ABOUT DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND EXPERTS

1. Disclosure of Interests

(a) Interests of Directors and chief executive in shares, underlying shares and debentures of our Company and its associated corporations

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking account any Shares which may be issued upon exercise of the Offer Size Adjustment Option and any Shares which may be issued upon exercise of any options which may be granted under the Share Option Scheme), the interests and short positions of our Directors or chief executive of our Company in Shares, underlying Shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which, once the Shares are listed on the Stock Exchange, would have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they are taken or deemed to have under such provisions of the SFO) or would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or would be required pursuant to Rule 5.46 to Rule 5.67 of the GEM Listing Rules to be notified to our Company and the Stock Exchange, will be as follows:

a. Long position in the Shares

Name of Director	Capacity/ nature of interest	Number of Shares held/interested immediate following completion of the Capitalisation Issue and the Share Offer	Percentage of shareholding immediately following completion of the Capitalisation Issue and the Share Offer
Mr. Ma Ah Muk	Interest under section 317 ⁽⁴⁾	600,000,000	75.0%

Name of Director	Capacity/ nature of interest	Number of Shares held/interested immediately following completion of the Capitalisation Issue and the Share Offer	Percentage of shareholding immediately following completion of the Capitalisation Issue and the Share Offer
Mr. KS Ma	Interest in controlled corporations ⁽¹⁾ and under section 317 ⁽⁴⁾	600,000,000	75.0%
Mr. KM Ma	Interest in controlled corporations ⁽²⁾ and under section 317 ⁽⁴⁾	600,000,000	75.0%
Mr. Vince Ma	Interest in controlled corporations ⁽³⁾ and under section 317 ⁽⁴⁾	600,000,000	75.0%

Notes:

1. Our Company will be owned as to 75% by IWS BVI immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any shares which may be allotted and issued pursuant to the exercise of the Share Option Scheme and the Offer Size Adjustment Option). IWS BVI is beneficially owned as to 33.33% by Morewood, a company wholly owned by Mr. KS Ma.
2. Our Company will be owned as to 75% by IWS BVI immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any shares which may be allotted and issued pursuant to the exercise of the Share Option Scheme and the Offer Size Adjustment Option). IWS BVI is beneficially owned as to 33.33% by Mandarin, a company wholly owned by Mr. KM Ma.
3. Our Company will be owned as to 75% by IWS BVI immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any shares which may be allotted and issued pursuant to the exercise of the Share Option Scheme and the Offer Size Adjustment Option). IWS BVI is beneficially owned as to 33.33% by Cambridge, a company wholly owned by Mr. Vince Ma.
4. Mr. Ma Ah Muk, Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma are persons acting in concert pursuant to the Deed of AIC Confirmation and accordingly each of them is deemed to be interested in all the Shares held by the others through their respective shareholding interests in Morewood, Mandarin, Cambridge, and in IWS BVI by virtue of section 317 of the SFO. See “Relationship with Our Controlling Shareholders – Our Controlling Shareholders” in this prospectus for details of the relationships among Mr. Ma Ah Muk, Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma.

b. Long position in the shares of associated corporations

Name	Name of associated corporation	Capacity/nature of interest	Number of share held/interested	Percentage of shareholding
Mr. Ma Ah Muk	IWS BVI	Interest in a controlled corporation and under section 317 ⁽²⁾	1	100%
	Morewood	Interest under section 317 ⁽²⁾	1	100%
	Mandarin	Interest under section 317 ⁽²⁾	1	100%
	Cambridge	Interest under section 317 ⁽²⁾	1	100%
Mr. KS Ma	Morewood	Beneficial owner ⁽¹⁾	1	100%
	IWS BVI	Interest in a controlled corporation and under section 317 ⁽²⁾	1	100%
Mr. KM Ma	Mandarin	Beneficial owner ⁽³⁾	1	100%
	IWS BVI	Interest in a controlled corporation and under section 317 ⁽²⁾	1	100%
Mr. Vince Ma	Cambridge	Beneficial owner ⁽⁴⁾	1	100%
	IWS BVI	Interest in a controlled corporation and under section 317 ⁽²⁾	1	100%

1. The disclosed interest represents the interest in IWS BVI, the associated corporation which is 33.33% owned by Morewood, a company wholly owned by Mr. KS Ma.
2. Mr. Ma Ah Muk, Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma are persons acting in concert pursuant to the Deed of AIC Confirmation and accordingly each of them is deemed to be interested in all the Shares held by the others through their respective shareholding interests in Morewood, Mandarin, Cambridge, and in IWS BVI by virtue of section 317 of the SFO. See "Relationship with Our Controlling Shareholders – Our Controlling Shareholders" in this prospectus for details of the relationships among Mr. Ma Ah Muk, Mr. KS Ma, Mr. KM Ma and Mr. Vince Ma.
3. The disclosed interest represents the interest in IWS BVI, the associated corporation which is 33.33% owned by Mandarin, a company wholly owned by Mr. KM Ma.
4. The disclosed interest represents the interest in IWS BVI, the associated corporation which is 33.33% owned by Cambridge, a company wholly owned by Mr. Vince Ma.

(b) *Interests of substantial and other Shareholders in the Shares and underlying Shares*

So far as is known to our Directors and taking no account any Shares which may be issued pursuant to options which may be granted under the Share Option Scheme and the Offer Size Adjustment Option, the following persons (not being a Director or chief executive of our Company) will, immediately following completion of the Capitalisation Issue and the Share Offer, have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

a. *Long position in the Shares*

Name	Capacity/ nature of interest	Number of share held/interested	Percentage of shareholding
IWS BVI	Beneficial owner	600,000,000	75.0%
Morewood	Interest in a controlled corporation ⁽¹⁾	600,000,000	75.0%
Mandarin	Interest in a controlled corporation ⁽²⁾	600,000,000	75.0%
Cambridge	Interest in a controlled corporation ⁽³⁾	600,000,000	75.0%
Ms. Cheng Pak Ching	Interest of spouse ⁽⁴⁾	600,000,000	75.0%
Ms. Chow Yick Tung	Interest of spouse ⁽⁵⁾	600,000,000	75.0%
Ms. Choi Lai Form	Interest of spouse ⁽⁶⁾	600,000,000	75.0%
Ms. Ho Yin Nei	Interest of spouse ⁽⁷⁾	600,000,000	75.0%

Notes:

- (1) Our Company will be owned as to 75.0% by IWS BVI, which is owned as to 33.33% by Morewood, which is wholly owned by Mr. KS Ma. By virtue of the SFO, Morewood is deemed to be interested in the Shares held by IWS BVI.
- (2) Our Company will be owned as to 75.0% by IWS BVI, which is owned as to 33.33% by Mandarin, which is wholly owned by Mr. KM Ma. By virtue of the SFO, Mandarin is deemed to be interested in the Shares held by IWS BVI.
- (3) Our Company will be owned as to 75.0% by IWS BVI, which is owned as to 33.33% by Cambridge, which is wholly owned by Mr. Vince Ma. By virtue of the SFO, Cambridge is deemed to be interested in the Shares held by IWS BVI.
- (4) Ms. Cheng Pak Ching is the spouse of Mr. Ma Ah Muk. By virtue of the SFO, Ms. Cheng Pak Ching is deemed to be interested in all the Shares in which Mr. Ma Ah Muk is interested.
- (5) Ms. Chow Yick Tung is the spouse of Mr. KS Ma. By virtue of the SFO, Ms. Chow Yick Tung is deemed to be interested in all the Shares in which Mr. KS Ma is interested.
- (6) Ms. Choi Lai Form is the spouse of Mr. KM Ma. By virtue of the SFO, Ms. Choi Lai Form is deemed to be interested in all the Shares in which Mr. KM Ma is interested.
- (7) Ms. Ho Yin Nei is the spouse of Mr. Vince Ma. By virtue of the SFO, Ms. Ho Yin Nei is deemed to be interested in all the Shares in which Mr. Vince Ma is interested.

2. Particulars of Directors' service agreements

- (a) Each of the executive Directors has entered into a service agreement with our Company for a term of three years commencing from the Listing Date, which may be terminated in accordance with the terms of the service contracts. Pursuant to their respective service agreements, Mr. Ma Ah Muk, Mr. KS Ma, Mr. KM Ma, Mr. Vince Ma and Mr. Leo Ma are entitled to a monthly salary of HK\$20,000, HK\$20,000, HK\$20,000, HK\$20,000 and HK\$20,000, respectively and performance bonus to be determined by our Company.
- (b) Each of the independent non-executive Director has signed a letter of appointment with our Company up to a term of three years commencing from the Listing Date, which may be terminated in accordance with the terms of the service contract. Each of Dr. Ng Ka Sing David, Ms. Chang Wai Ha and Mr. Yau Siu Yeung is entitled to a monthly director's fees of HK\$20,000, HK\$10,000 and HK\$10,000, respectively. Save for the director's fee, none of our independent non-executive Director is expected to receive any other remuneration for holding his office as an independent non-executive Director.

3. Remuneration of Directors

- (a) The aggregate amount of fees, salaries, contributions to pension scheme, discretionary bonuses, housing and other benefits in kind granted to the Directors in respect of each of the Track Record Period were nil and nil, respectively.
- (b) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for FY2020 will be approximately HK\$840,000.
- (c) Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

	<i>HK\$</i>
<i>Executive Directors</i>	
Mr. Ma Ah Muk	240,000
Mr. KS Ma	240,000
Mr. KM Ma	240,000
Mr. Vince Ma	240,000
Mr. Leo Ma	240,000

HK\$

Independent non-executive Directors

Dr. Ng Ka Sing David	240,000
Ms. Chang Wai Ha	120,000
Mr. Yau Siu Yeung	120,000

- (d) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the Track Record Period.
- (e) None of our Directors or any past directors of any members of our Group has been paid any sum of money for each of the Track Record Period as (1) an inducement to join or upon joining our Company; or (2) 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 members of our Group.

4. Agency fees or commissions received

Save as disclosed in the paragraph headed “Underwriting – Total commission, fee and expenses” in this prospectus, and in the paragraph headed “E. Other Information – 3. Sponsor” in this Appendix, none of our Directors or the experts named in the paragraph headed “E. Other Information – 8. Consents of experts” in this Appendix had received any agency fee or commissions from our Group within the two years preceding the date of this prospectus.

5. Related party transactions

Details of the related party transactions are set out under Note 23 to the Accountant’s Report of our Company set out in Appendix I to this prospectus.

6. Disclaimers

Save as disclosed herein:

- (a) taking no account of any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme and the Offer Size Adjustment Option or repurchased by our Company pursuant to the mandate as referred to in the paragraph headed “A. Further information about our Company and our subsidiaries” in this Appendix, our Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Capitalisation Issue and the Share Offer, have an interest or short position in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly interested in 10% or more of the nominal value or any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of its subsidiaries;

- (b) taking no account of any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme and the Offer Size Adjustment Option, none of our Directors or chief executive of our Company has any interest or short position in shares, underlying shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they are taken or deemed to have under such provisions of the SFO) or would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or would be required, pursuant to Rule 5.46 to Rule 5.67 of the GEM Listing Rules, to be notified to our Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange;
- (c) none of the Directors or the experts named in the paragraph headed “E. Other Information – 7. Qualifications of experts” in this Appendix is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) none of the Directors or the experts named in the paragraph headed “E. Other Information – 7. Qualifications of experts” in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (e) none of the Directors or the experts named in the paragraph headed “E. Other Information – 7. Qualifications of experts” in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (f) so far as is known to our Directors, save as disclosed in “Business – Clients” to this prospectus none of our Directors, their respective associates (as defined under the GEM Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group;
- (g) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)); and
- (h) no remuneration or other benefits in kind have been paid by any member of our Group to any Director since the date of incorporation of our Company, nor are any remuneration or benefits in kind payable by any member of our Group to any Director in respect of the current financial year under any arrangement in force as at the Latest Practicable Date.

D. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme. Conditionally approved and adopted by a written shareholder's resolution of our Company dated 20 September 2019, it does not form part of, nor was it intended to be part of the Share Option Scheme, nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme.

The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

(a) Summary of terms

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the written resolutions of our Shareholders passed on 20 September 2019:

(i) Purpose of Share Option Scheme

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners and service providers of our Group and to promote the success of the business of our Group.

(ii) Who may join and basis of eligibility

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or adviser of our Group, or any substantial Shareholder of our Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of our Group, options to subscribe at a price calculated in accordance with paragraph (iii) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme. The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his/her contribution or potential contribution to the development and growth of our Group.

(iii) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (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 of the option; and (iii) the nominal value of a Share on the date of grant of the option. For the purpose of calculating the subscription price, where our Company has been listed on the Stock Exchange for less than five business days, the new issue price shall be used as the closing price for any business day fall within the period before listing.

(iv) Grant of options and acceptance of offers

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK\$1.00.

(v) Maximum number of Shares

- (aa) subject to sub-paragraphs (ii) and (iii) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all the Shares in issue as at the Listing Date. Therefore, it is expected that our Company may grant options in respect of up to 80,000,000 Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such 80,000,000 Shares from time to time) to the participants under the Share Option Scheme.
- (bb) the 10% limit as mentioned above may be refreshed at any time by obtaining approval of our Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to our Shareholders containing the information as required under the GEM Listing Rules in this regard.
- (cc) subject to sub-paragraph (dd) below, our Company may seek separate approval of our Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to our Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose, such other information required under the GEM Listing Rules.

- (dd) the aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company if this will result in such 30% limit being exceeded.

(vi) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his/her close associates abstaining from voting. In such event, our Company must send a circular to our Shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the GEM Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of our Shareholders and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(vii) Grant of options to certain connected persons

- (aa) Any grant of an option to a Director, chief executive or substantial Shareholder (or any of their respective associates) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).
- (bb) Where any grant of options to a substantial Shareholder or an independent non-executive Director (or any of their respective associates) will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:
- a. representing in aggregate over 0.1% of the Shares in issue; and
 - b. having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million, such further grant of options is required to be approved by Shareholders at a general meeting of our Company, with voting to be taken by way of poll. Our Company shall send a circular to our Shareholders containing all information as required under the GEM Listing Rules in this regard. All core connected

persons of our Company shall abstain from voting (except where any core connected person intends to vote against the proposed grant). Any change in the terms of an option granted to a substantial Shareholder or an independent non-executive Director or any of their respective close associates is also required to be approved by Shareholders in the aforesaid manner.

(viii) Restrictions on the times of grant of options

- (aa) An offer for the grant of options may not be made after any inside information (as defined in the SFO) has come to the knowledge of our Company until such inside information has been announced pursuant to the requirements of the GEM Listing Rules and the SFO. In particular, no option may be granted during the period commencing one month immediately before the earlier of:
- a. the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for approving our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the GEM Listing Rules); and
 - b. the deadline for our Company to announce its results for any year, half-year or quarterly period under the GEM Listing Rules, or other interim period (whether or not required under the GEM Listing Rules).
- (bb) Further to the restrictions in paragraph (aa) above, no option may be granted on any day on which financial results of our Company are published and:
- a. during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
 - b. during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(ix) Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

(x) Performance targets

Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

(xi) Ranking of shares

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that the Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

(xii) Rights are personal to grantee

An option is personal to the grantee and shall not be transferable or assignable.

(xiii) An option shall not be transferable or assignable and shall be personal to the grantee of the option.

An option shall not be transferable or assignable and shall be personal to the grantee and no grantee shall in any way sell, transfer, 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 enter into any agreement so to do. Any breach of the foregoing by a grantee shall entitle our Company to cancel any option granted to such grantee to the extent not already exercised without incurring any liability on our Company.

(xiv) Rights on cessation of employment by death

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (xxi) below arises within a period of three years prior to the death, in the case the grantee is an employee at the date of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his/her death.

(xv) Rights on cessation of employment by dismissal

In the event that the grantee is an employee of our Group at the date of grant and he/she subsequently ceases to be an employee of our Group on any one or more of the grounds that he/she has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his/her creditors generally, or has been convicted of any criminal offence involving his/her integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his/her employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his/her option shall lapse automatically (to the extent not already exercised) on the date of cessation of his/her employment with our Group.

(xvi) Rights on cessation of employment for other reasons

In the event that the grantee is an employee of our Group at the date of grant and he/she subsequently ceases to be an employee of our Group for any reason other than his/her death or the termination of his/her employment on one or more of the grounds specified in (xxi) above, the option (to the extent not already exercised) shall lapse on the expiry of three months after the date of cessation of such employment (which date will be the last actual working day with our Company or the relevant member of our Group whether salary is paid in lieu of notice or not).

(xvii) Effects of alterations to share capital

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which any member of our Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised; and/or the subscription prices of any unexercised option; and/or the number of Shares subject to the Share Option Scheme, as the auditors of or independent financial adviser to our Company shall certify or confirm in writing (as the case may be) to the Board to be in their opinion fair and reasonable, provided that any alteration shall give a grantee as near as possible the same proportion of the issued share capital of our Company as that to which he/she was previously entitled, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

(xviii) Rights of general offer

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all our Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional, the grantee (or, as the case may be, his/her legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

(xix) Rights on winding-up

In the event a notice is given by our Company to the 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 on the same date as or soon after it despatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his/her legal personal representative(s)) shall be entitled to exercise all or any of his/her options at any time not later than two business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for 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 referred to above, allot the relevant Shares to the grantee credited as fully paid.

(xx) Rights on compromise or arrangement

In the event of a compromise or arrangement between our Company and our Shareholders or the creditors of our Company being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Companies Law, our Company shall give notice thereof to all the grantees (or, as the case may be, their legal personal representatives) on the same day as it gives notice of the meeting to our Shareholders or the creditors to consider such a compromise or arrangement and the options (to the extent not already exercised) shall become exercisable in whole or in part on such date not later than two business days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement (“**Suspension Date**”), 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 practicable and, in any event, no later than 3:00 p.m. on the business day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, 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. The Board shall endeavour to procure that the Shares issued as a result of the exercise of options hereunder shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or willful default on the part of our Company or any of its officers.

(xxi) Lapse of options

An option shall lapse automatically on the earliest of:

- (aa) the expiry of the period referred to in paragraph (xxiv) above;
- (bb) the date on which the Board exercises our Company's right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (xii);
- (cc) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (xiv), (xv), (xvi), (xvii), (xviii), (xix) or (xx) above;
- (dd) subject to paragraph (xix) above, the date of the commencement of the winding-up of our Company;
- (ee) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his/her creditors generally or having been guilty of serious misconduct by the grantee, or conviction of the grantee of any criminal offence involving his/her integrity or honesty;
- (ff) where the grantee is only a substantial Shareholder of any member of our Group, the date on which the grantee ceases to be a substantial Shareholder of such member of our Group; or
- (gg) subject to the compromise or arrangement as referred to in paragraph (xx) become effective, the date on which such compromise or arrangement becomes effective.

(xxii) Cancellation of options granted but not exercised

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as the Board may in its absolute discretion sees fit and in manner that complies with all applicable legal requirements for such cancellation.

(xxiii) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten years commencing on the date on the Adoption Date and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by our Shareholders in general meeting.

(xxiv) Alteration to the Share Option Scheme

- (aa) The Share Option Scheme may be altered in any respect by resolution of the Board except that alterations of the provisions of the Share Option Scheme which alters to the advantage of the grantees of the options relating to matters governed by Rule 17.03 of the GEM Listing Rules shall not be made except with the prior approval of our Shareholders in general meeting.
- (bb) Any alteration to any terms of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of the Board in respect of alteration of the Share Option Scheme must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (cc) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of the GEM Listing Rules or any guidelines issued by the Stock Exchange from time to time.

(xxv) Termination of Share Option Scheme

Our Company 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 options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

(xxvi) Conditions of the Share Option Scheme

The Share Option Scheme is conditional on the Listing Division of the Stock Exchange granting the listing of, and permission to deal in, the Shares may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, and commencement of dealings in the Shares on the Stock Exchange.

(b) Present status of the Share Option Scheme

Application has been made to the Listing Division for the listing of, and permission to deal in 80,000,000 Shares which fall to be issued upon exercise of any options which may be granted under the Share Option Scheme.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

E. OTHER INFORMATION**1. Tax and other indemnities**

The Controlling Shareholders have, entered into the Deed of Indemnity in favour of our Company (for itself and as trustee for other Group members) referred to in “B. Further information about the Business of our Company – 1. Summary of material contracts” in this Appendix, pursuant to which the Controlling Shareholders have given indemnities in favour of our Group from and against, among other things, (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) to any member of our Group on or before the Listing Date; (b) any tax liability which might be payable by any member of our Group (i) in respect of any income, profits or gains earned, accrued or received up to the Listing Date; or (ii) in respect of or resulting from any event or transaction occurring up to the Listing Date; and (c) any action, claims, losses, charges, penalties which any member of the Group may incur or suffer as a result of or in connection with, among other things, any failure to comply with relevant laws and regulations up to the Listing Date, and the reasonable costs and expenses incurred in connection with the actions, claims, legal or arbitration proceedings related thereto.

The Controlling Shareholders will, however, not be liable under the Deed of Indemnity for taxation to the extent that, among others:

- (a) to the extent that provision, reserve or allowance has been made for such taxation liability in the audited accounts of any member of our Group for the Track Record Period; or
- (b) to the extent any provisions or reserve made for taxation in the audited accounts of our Group or any member of our Group up to 31 March 2019 which is finally established to be an over-provision or an excessive reserve, then the amount of any such provision or reserve shall be applied to reduce our Controlling Shareholders’ liability by an amount not exceeding such over-provision or excess reserve; or
- (c) the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date of the Deed of Indemnity; or
- (d) the taxation liability arises in the ordinary course of business of our Group after the Listing Date.

In the event that the Controlling Shareholders have indemnified our Group of any tax liability and payment arising from any additional assessment by any tax authority pursuant to the Deed of Indemnity referred to above, our Company shall disclose such fact and relevant details by way of an announcement immediate after the payment of indemnification by the Controlling Shareholders.

The Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands is likely to fall on our Group.

2. Litigation

Our Directors confirmed that save as disclosed in the paragraphs headed “Business – Occupational Health and Safety – Litigation and Claims” of this prospectus as at the Latest Practicable Date, no member of our Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is pending or threatened by or against any member of our Group.

3. Sponsor

The Sponsor has made an application on behalf of our Company to the Listing Division for listing of and permission to deal in the Shares in issue and to be issued as mentioned herein and any Shares which may fall to be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme.

The Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under the GEM Listing Rules.

The fee payable by our Company to the Sponsor to act as sponsor in relation to the Listing is HK\$5,500,000, and the Sponsor will be reimbursed for their expenses properly incurred in connection with the Share Offer.

4. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are approximately HK\$42,588 and are payable by our Company.

5. Promoter

Our Company has no promoter within two years preceding the date of this prospectus, no amount or benefit has been paid or given to the promoter in connection with the Share Offer or the related transactions described in this prospectus.

6. Compliance Adviser

Our Company has appointed Red Solar Capital Limited as the compliance adviser upon Listing in compliance with Rule 6A.19 of the GEM Listing Rules.

7. Qualification of experts

The following are the respective qualifications of the experts who have given their opinion or advice which are contained in this prospectus:

Name	Qualifications
South China Capital Limited	A corporation licensed under the SFO and permitted to carry out type 6 (advising on corporate finance) regulated activity under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Mr. Li Chau Yuen, S.C.	Senior Counsel, Barrister-at-law of Hong Kong
Ms. Yeung Wing Yan, Wendy	Barrister-at-law of Hong Kong
Frost & Sullivan Limited	Industry consultant

8. Consents of experts

Each of South China Capital Limited, Deloitte Touche Tohmatsu, Conyers Dill & Pearman, Mr. Li Chau Yuen S.C., Ms. Yeung Wing Yan, Wendy and Frost & Sullivan Limited has given and has not withdrawn its/his/her written consent to the issue of this prospectus, with the inclusion of its/his/her letters and/or reports and/or opinions and/or summary thereof (as the case may be) and/or references to its/his/her name included herein in the form and context in which they respectively appear.

9. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

10. Registration procedures

The principal register of members of our Company in the Cayman Islands will be maintained by Conyers Trust Company (Cayman) Limited and a branch register of members of our Company will be maintained by Tricor Investor Services Limited, our Hong Kong Branch Share Registrar. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, our Hong Kong Branch Share Registrar in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

11. No material adverse change

Save as disclosed in the paragraph headed “Financial Information – Material Adverse Change” in this prospectus, our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Company or our subsidiaries since 31 March 2019 (being the date to which the latest audited consolidated financial statements of our Group were made up) and up to the date of this prospectus.

12. 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.

Profits from dealings in Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Cayman Islands

Under the present laws of the Cayman Islands, there is no stamp duty payable in the Cayman Islands on transfers of Shares so long as the Company does not hold any interest in land in the Cayman Islands.

(c) Consultation with professional advisers

Intending holders of the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasised that none of our Company, our Directors or parties involved in the Placing accepts 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.

13. Miscellaneous

- (a) Save as disclosed in this prospectus:
- (i) within the two years immediately preceding the date of this prospectus:
 - (aa) no share or loan capital of our Company or any of its subsidiaries has been issued, agreed to be issued or is proposed or intended to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (bb) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of its subsidiaries; and
 - (cc) no commission has been paid or payable (except to sub-underwriter) for subscribing or agreeing to subscribe, procuring or agreeing to procure subscriptions, for any shares or debenture of our Company or any of its subsidiaries;
 - (ii) no founders, management or deferred shares or any debentures of our Company have been issued or agreed to be issued;
 - (iii) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;
 - (iv) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus;
 - (v) none of the parties listed in the paragraph headed “E. Other Information – 7. Qualifications of experts” in this Appendix:
 - (aa) is interested beneficially or non-beneficially in any securities in any member of our Group, including the Shares; or
 - (bb) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group, including the Shares;
 - (vi) our Company and our subsidiaries do not have any debt securities issued or outstanding, or authorised or otherwise created but unissued, or any term loans whether guaranteed or secured as at the Latest Practicable Date;
 - (vii) no company within our Group is presently listed on any stock exchange or traded on any trading system;

- (viii) there is no arrangement under which future dividends are waived or agreed to be waived;
- (ix) our Group has no outstanding convertible debt securities; and
- (x) the English text of this prospectus shall prevail over the Chinese text.

14. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were (i) copies of the **WHITE**, **YELLOW** and **PINK** Application Forms; (ii) the written consents referred to in “Statutory and General Information – E. Other Information – 8. Consents of experts” in Appendix IV to this prospectus; and (iii) copies of the material contracts referred to in “Statutory and General Information – B. Further Information about the Business of Our Company – 1. Summary of material contracts” in Appendix IV to this prospectus.

B. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Iu, Lai & Li Solicitors & Notaries at Rooms 2201, 2201A & 2202, 22nd Floor, Tower I, Admiralty Centre, No. 18 Harcourt Road, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum of Association;
- (b) the Articles of Association;
- (c) the accountants’ report of the Company prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;
- (d) the letter on unaudited pro forma financial information issued by Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this prospectus;
- (e) the audited consolidated financial statements of the Company for each of the Track Record Period;
- (f) the letter prepared by Conyers Dill & Pearman summarising certain aspects of the Cayman company law as referred to in Appendix III to this prospectus;
- (g) the Companies Law;
- (h) the service contracts and letters of appointment referred to in “Statutory and General Information – C. Further Information About Directors, Substantial Shareholders and Experts – 2. Particulars of Directors’ service agreements” in Appendix IV to this prospectus;

- (i) the rules of the Share Option Scheme referred to in “Statutory and General Information – D. Share Option Scheme” in Appendix IV to this prospectus;
- (j) the material contracts referred to in “Statutory and General Information – Statutory and General Information – B. Further Information About The Business of Our Company – 1. Summary of material contracts” in Appendix IV to this prospectus;
and
- (k) the written consents referred to in “Statutory and General Information – E. Other Information – 8. Consents of experts” in Appendix IV to this prospectus.



IWS Group Holdings Limited
國際永勝集團控股有限公司