

As filed with the U.S. Securities and Exchange Commission on December 20, 2023

Registration No. 333-275705

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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AMENDMENT NO. 2  
TO  
FORM F-1  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

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**SU Group Holdings Limited**

(Exact name of Registrant as specified in its charter)

**Not Applicable**

(Translation of Registrant's name into English)

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<b>Cayman Islands</b>	<b>7381</b>	<b>Not Applicable</b>
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

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**Unit 01 – 03, 3/F, Billion Trade Centre  
31 Hung To Road, Kwun Tong  
Kowloon, Hong Kong  
Telephone: +852 2341-8183**

(Address and telephone number, including country code, of Registrant's principal executive office)

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**Puglisi & Associates  
850 Library Avenue, Suite 204  
Newark, DE 19711  
Telephone: (302) 738-6680**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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**Copies to:**

**Richard Anslow, Esq.**  
**Jonathan Deblinger, Esq.**  
**Ellenoff Grossman & Schole LLP**  
**1345 Avenue of the Americas**  
**New York, New York 10105**  
**Telephone: (212) 370-1300**  
**Facsimile: (212) 370-7889**

**Michael K. Bradshaw, Jr.**  
**Nelson Mullins Riley & Scarborough LLP**  
**101 Constitution Avenue NW, Suite 900**  
**Washington, D.C., 20001**  
**Telephone: (202) 689-2800**

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**Approximate date of commencement of proposed sale to the public:** as soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933. Emerging growth company.

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards<sup>†</sup> provided pursuant to Section 7(a)(2)(B) of the Securities Act.

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<sup>†</sup> The term “new or revised financial accounting standard” refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to such Section 8(a), may determine.**

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**The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and we are not soliciting offers to buy these securities in any jurisdiction where the offer or sale is not permitted.**

*PRELIMINARY PROSPECTUS (Subject to Completion)*

*Dated December 20, 2023*

## **1,250,000 Ordinary Shares**



## **SU Group Holdings Limited**

(incorporated in the Cayman Islands with limited liability)

This is the initial public offering of the ordinary shares of SU Group Holdings Limited (the “Company”, “we,” “us,” “our,” or “SU Group”). We are offering 1,250,000 of our ordinary shares, par value HK\$0.01 per share, on a firm commitment basis. We expect the initial public offering price of our ordinary shares to be in the range of US\$4.00 to US\$5.00 per share. Prior to this offering, no public market exists for our ordinary shares. We have applied to have our ordinary shares listed on the Nasdaq Capital Market, or Nasdaq, under the symbol “SUGP.” We cannot guarantee that we will be successful in listing our ordinary shares on Nasdaq; however, we will not complete this offering unless we are so listed.

SU Group Holdings Limited is, and will continue to be, a “controlled company” within the meaning of the Nasdaq Stock Market Rules, due to the fact that Mr. Chan Ming Dave, the Chairman of our board of directors and our Chief Executive Officer, beneficially owns ordinary shares representing approximately 75.1% of the total voting power of our issued and outstanding ordinary shares, and will beneficially own ordinary shares representing approximately 68.1% of the total voting power of our issued and outstanding ordinary shares immediately after the completion of this offering, assuming the underwriters do not

exercise their over-allotment option. In addition, as a “controlled company,” as defined under the Nasdaq Stock Market Rules, SU Group Holdings Limited is permitted to elect to rely on certain exemptions from corporate governance rules. SU Group Holdings Limited does not plan to rely on these exemptions, but may elect to do so after completing this offering.

SU Group Holdings Limited is not an operating company but an exempted company with limited liability incorporated under the laws of the Cayman Islands. Investors in our ordinary shares are purchasing equity interests in a Cayman Islands holding company. SU Group Holdings Limited directly holds equity interests in its indirect operating subsidiaries in Hong Kong and does not operate its business through any variable interest entity (“VIE”). As of the date of this prospectus, SU Group Holdings Limited does not have any subsidiaries incorporated in mainland China. As a holding company with no material operations of our own, our operations are conducted through our subsidiaries in Hong Kong with our headquarters in Hong Kong, and such structure involves unique risks to investors, as the PRC (as defined below) government may exercise significant influence and discretion over the conduct of our business and may intervene in or influence our operations at any time. Such governmental actions:

- could disallow our corporate structure;
- could result in a material change in our operations;
- could hinder our ability to continue to offer securities to investors; and
- may cause the value of our securities to significantly decline or be worthless.

We do not have any business operation in the PRC. We are aware that in recent years, the PRC government initiated a series of regulatory actions and statements to regulate business operations in the PRC with little advance notice, including cracking down on illegal activities in the securities market, enhancing supervision over China-based companies listed overseas using a VIE structure, adopting new measures to extend the scope of cybersecurity reviews, and expanding the efforts in anti-monopoly enforcement. It is uncertain what potential impact such modified or new laws and regulations will have on our daily business operation, our ability to accept foreign investments and the listing of our ordinary shares on a U.S. or other foreign exchanges. These actions could result in a material change in our operations and/or the value of our ordinary shares and could significantly limit or completely hinder our ability to offer or continue to offer our securities to investors. As advised by our Hong Kong counsel, Watson Farley & Williams LLP, based on their understanding of the current Hong Kong laws, as of the date of this prospectus, we are not required to obtain permission from the Hong Kong authorities for the trading of our ordinary shares on Nasdaq or for the offering of our ordinary shares to foreign investors outside Hong Kong. Based solely on documents and

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representations received from the Company and their understanding of the current PRC laws and as of the date of this prospectus, nothing comes to the attention of our PRC counsel, Han Kun Law Offices, that suggests we meet both of the explicit conditions set out in the Article 15 of the Trial Measures of the Overseas Securities Offering and Listing by Domestic Companies (the “Trial Measures”) which stipulates whether an indirect offering and listing of a PRC domestic company shall fulfil the filing procedure with the CSRC, and thus, based on the opinion of our PRC counsel, we have determined that we are not required to obtain permission from any PRC authorities for the trading of our ordinary shares on Nasdaq or this offering, or for the offering of our ordinary shares to foreign investors outside of mainland China, on the basis that (1) we do not have any subsidiaries or business operation in the PRC; (2) none of our operating revenues, total profits, total assets or net assets is accounted for by any subsidiaries based in the PRC; and (3) no issuance or sale of the ordinary shares has been or will be made directly or indirectly within the PRC. However, there is no guarantee that this will continue to be the case in the future, or that even when such permission is obtained, it will not be subsequently denied or rescinded. In addition, there are substantial uncertainties as to its implementation and interpretation of the Trial Measures, and the CSRC may take a view that is contrary to our understanding under the principle of “substance over form” adopted thereby regarding the determination of an “indirect overseas offering and listing by PRC domestic companies.

We do not provide any security-related engineering services, and security guarding and screening services in mainland China or solicit customers or collect, store or process any personal data of any customer in mainland China. Our business does not involve the collection of user data, implicate cybersecurity, or involve any other type of restricted industry as defined under the applicable PRC laws, and thus we do not believe we are among the “operator of critical information infrastructure”, “online platform operators” or “data handler” as defined under the applicable PRC laws. Based on the opinion of our PRC counsel, Han Kun Law Offices, we have determined that we are not subject to cybersecurity review with the Cyberspace Administration of China (“CAC”), given the facts that: (i) we do not possess a large amount of personal information in our business operations originated from mainland China; and (ii) data processed in our business does not have a bearing on national security and thus may not be classified as core or important data by the authorities. In addition, based on the opinion of our PRC counsel, Han Kun Law Offices, we have determined that we are not subject to merger control review by China’s anti-monopoly enforcement agency due to the level of our revenues, and the fact that we currently do not expect to propose or implement any acquisition of control of, or decisive influence over, any company with revenues within China of more than RMB400 million. Currently, these statements and regulatory actions have had no impact on our daily business operation, the ability to accept foreign investments, or the ability to list our ordinary shares on a U.S. or other foreign exchange. However, because these statements and regulatory actions are new, it is highly uncertain how soon legislative or administrative regulation making bodies will respond and what existing or new laws or regulations or detailed implementations and interpretations will be modified or promulgated, if any, and the potential impact such modified or new laws and regulations will have on our daily business operation, the ability

to accept foreign investments, or the ability to list our ordinary shares on a U.S. or other foreign exchange. In the future, if we and/or our subsidiaries are required to obtain any permission or approval from or complete any filing procedure with the China Securities Regulatory Commission (the “CSRC”), the CAC, or other PRC governmental authorities in connection with this offering under the PRC law, we and/or our subsidiaries may be fined or subject to other sanctions, and our subsidiaries’ business and our reputation, financial condition, and results of operations may be materially and adversely affected. Any actions by the PRC government to exert more influence and control over offerings (including businesses whose primary operations are in Hong Kong) that are conducted overseas and/or foreign investments in Hong Kong-based issuers could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of our ordinary shares to significantly decline or be worthless. For a detailed description of the risks related to doing business in Hong Kong, and the offering, see “*Risks Related to Conducting Operations in Hong Kong*” and “*Risks Related to this Offering and Ownership of Our Ordinary Shares*” in the “*Risk Factors*” section. Unless otherwise stated, as used in this prospectus, “we,” “us,” “our company,” the “Company,” “our,” “our group,” or the “Group” refers to SU Group Holdings Limited, together with its subsidiaries, and also in the context of describing our operations and consolidated financial information.

Prior to our reorganization for the purpose of our initial public offering, cash transfers among our subsidiaries were generally approved by the management of the company providing the funds. Our operating subsidiaries in Hong Kong are funded by their own cash inflows. As of the date of this prospectus, none of our subsidiaries has ever faced difficulties or limitations on the ability to transfer cash or assets to another subsidiary. If needed, cash can be transferred between our holding company and operating subsidiaries through intercompany fund advances, and there are currently no restrictions on transferring funds between our Cayman Islands holding company and subsidiaries in the British Virgin Islands and

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Hong Kong. There are no significant restrictions on foreign exchange or our ability to transfer cash between entities within our group, across borders, or to U.S. investors. Other than the internal cash management policy described below, we currently do not have other cash management policies or procedures that dictate how funds are transferred between the Company and investors, nor are we required to have any cash management policies pursuant to the current regulations in Hong Kong or the PRC, as advised by our Hong Kong counsel, Watson Farley & Williams LLP and our PRC counsel, Han Kun Law Offices. As advised by our Cayman Islands counsel, Conyers Dill & Pearman, under Cayman Islands law, there is no specific requirement for the Company to have a cash management policy in place, unless otherwise specified by any accounting policy adopted by the Company. The Company should however ensure it maintains sufficient cash reserves to remain solvent at all times. As advised by our

Hong Kong counsel, Watson Farley & Williams LLP and based on the opinion of our PRC counsel, Han Kun Law Offices, based on their understanding of the current laws and as of the date of this prospectus, PRC national laws relating to cash or assets transfer do not apply directly to Hong Kong. However, while there are currently no such restrictions on foreign exchange and our ability to transfer cash or assets between our Cayman Islands holding company and our operating subsidiaries in Hong Kong, if certain PRC laws and regulations, including existing laws and regulations and those enacted or promulgated in the future, were to become applicable to our operating subsidiaries in Hong Kong, and to the extent our cash or assets in the business is in Hong Kong or a Hong Kong entity, such funds or assets may not be available to fund operations or for other use outside of Hong Kong due to interventions in or the imposition of restrictions and limitations by the PRC government on our and our operating subsidiaries' ability to transfer funds or assets. See *“Cash Transfers, Cash Management and Dividend Distribution” in the Prospectus Summary Section and “Risk Factors — Risks Related to Conducting Operations in Hong Kong — Our Hong Kong subsidiaries may be subject to restrictions on paying dividends or making other payments to us, which may restrict their ability to satisfy liquidity requirements, fund operations or for other use outside of Hong Kong, conduct business and pay dividends to holders of our ordinary shares. Dividends payable to our foreign investors and gains on the sale of our shares of ordinary shares by our foreign investors may become subject to tax by the PRC.”*

We have implemented an internal cash management policy for all of our subsidiaries, based on the demands of our group's internal management procedure, which requires the relevant financial staff to verify that the relevant documents issued by the requestor with the approval of the competent supervisor are qualified, and then transfer the payment to the cashier upon the approval of the competent supervisor of the relevant financial staff. Any voucher will be stamped after payment and the payee will sign the request for payment as receipt. In addition, all payments shall be made by check, auto pay or telegraphic transfer except for certain specified cash payables. See *“Cash Transfers, Cash Management and Dividend Distribution”* in the Prospectus Summary Section for more details.

Our group intends to retain all available funds and future earnings, if any, for the operation and expansion of our business and does not anticipate declaring or paying any dividends in the foreseeable future. We currently do not have any dividend policy, and any future determination will be made at the discretion of our board of directors after considering our financial condition, results of operations, capital requirements, business prospects and other factors the board of directors deem relevant, and subject to the restrictions contained in any future financing instruments. For the years ended September 30, 2021 and 2022, and the six months ended March 31, 2023, Shine Union Limited declared dividends of HK\$16.5 million, HK\$25.3 million, and nil, respectively, and Fortune Jet Management & Training Co. Limited declared dividends of HK\$0.5 million, HK\$0.4 million, and nil, respectively, totaling HK\$17.0 million, HK\$25.7 million, and nil, respectively, to their then respective shareholders, of which HK\$50,000, HK\$40,400, and nil, respectively, was attributable to a non-controlling interest. For the years ended September 30, 2021 and 2022, and the six months ended March 31, 2023, the Company declared dividends of HK\$17.0 million, HK\$8.0 million, and nil, respectively, to its then shareholders.

For details, see Notes 14 and 16 in our audited consolidated financial statements included elsewhere in this prospectus. As of the date of this prospectus, neither we nor any of our subsidiaries have ever paid dividends or made distributions to U.S. investors. Except as disclosed, there were no other transfers, dividends or distributions which have been made between our holding company, our subsidiaries or to our investors. If we determine to pay dividends on any of our ordinary shares in the future, as a holding company, we will be dependent on receipt of funds from our operating subsidiaries in Hong Kong. In the future, cash proceeds raised from overseas financing activities, including this offering, may be transferred by us to our subsidiaries. For a detailed description on our intentions to distribute earnings or settle amounts owed and any transfers, dividends or distributions made to date, see “*Cash Transfers, Cash Management and Dividend Distribution*” in the Prospectus Summary Section.

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Pursuant to the Holding Foreign Companies Accountable Act (the “HFCAA”), the Public Company Accounting Oversight Board (the “PCAOB”) issued a Determination Report on December 16, 2021 which found that the PCAOB is unable to inspect or investigate completely registered public accounting firms headquartered in: (1) mainland China of the PRC, and (2) Hong Kong, because of positions taken by the PRC authorities in those jurisdictions. In addition, the PCAOB’s report identified the specific registered public accounting firms which are subject to these determinations. Our auditor, Marcum Asia CPAs LLP (“Marcum Asia”), is headquartered in Manhattan, New York, and has been inspected by the PCAOB on a periodic basis. Therefore, our auditor was not identified in this report as a firm subject to the PCAOB’s determination. On August 26, 2022, the CSRC, the Ministry of Finance of the PRC, and the PCAOB signed a Statement of Protocol, or the Protocol, governing inspections and investigations of audit firms based in China and Hong Kong. Pursuant to the Protocol, the PCAOB shall have independent discretion to select any issuer audits for inspection or investigation and has the unfettered ability to transfer information to the SEC. On December 15, 2022, the PCAOB issued a Determination Report which determined that the PCAOB (1) is able to select engagements, audit areas, and potential violations to be reviewed or investigated, (2) has timely access to, and the ability to retain and use, any document or information that the PCAOB considers relevant to an inspection or investigation, and (3) is able to conduct inspections and investigations in a manner consistent with the provisions of the HFCAA and the rules of the board of PCAOB, as interpreted and applied by the PCAOB. Consequently, the PCAOB concluded that in the absence of any evidence that authorities in the PRC currently are taking any positions to impair the PCAOB’s ability to execute its statutory mandate with respect to inspections or investigations, the HFCAA dictates that the PCAOB vacate the 2021 determinations. As required by the HFCAA, if in the future the PCAOB determines it no longer can inspect or investigate completely because of a position taken by an authority in the PRC, the PCAOB will act expeditiously to consider whether the board of the PCAOB should issue a new determination. On December 29, 2022, the Accelerating Holding Foreign Companies Accountable Act (the “AHFCAA”) was enacted, which



amended the HFCAA by decreasing the number of non-inspection years from three years to two, thus reducing the time period before our ordinary shares may be prohibited from trading or delisted. On December 29, 2022, legislation entitled “Consolidated Appropriations Act, 2023” (the “Consolidated Appropriations Act”) was signed into law. The Consolidated Appropriations Act contains, among other things, an identical provision to the AHFCAA, which reduces the number of consecutive non-inspection years required for triggering the prohibitions under the HFCAA from three years to two. If the PCAOB is unable to inspect or investigate completely the Company’s auditors for a period of two consecutive years, our securities may be prohibited from trading and Nasdaq may determine to delist the Company’s securities. Notwithstanding the foregoing, if the PCAOB later determined that it is not able to inspect and investigate completely our auditor’s work papers in Hong Kong, you may be deprived of the benefits of such inspection which could result in limitation or restriction to our access to the U.S. capital markets and trading of our securities may be prohibited under the HFCAA and Nasdaq may determine to delist our securities if the PCAOB determines that it cannot inspect or investigate completely our auditor under the HFCAA. See “*Risk Factors — Risks Related to Conducting Operations in Hong Kong — Under the HFCAA, our ordinary shares may be prohibited from being traded on any U.S. securities exchange, including the New York Stock Exchange and Nasdaq, or through any other trading method within the SEC’s regulatory jurisdiction, if our auditor is not inspected by the PCAOB for three consecutive years, and this ultimately could result in trading in our ordinary shares being prohibited. Furthermore, the AHFCAA amends the HFCAA and requires the SEC to prohibit an issuer’s securities from trading on any U.S. stock exchanges if its auditor is not subject to PCAOB inspections for two consecutive years instead of three*” for more information.

**We are an “emerging growth company,” as that term is used in the Jumpstart Our Business Startups Act of 2012, and will be subject to reduced public company reporting requirements. See “Prospectus Summary — Implications of Being an Emerging Growth Company.”**

**Investing in our ordinary shares is highly speculative and involves a significant degree of risk, including the risk of losing your entire investment. See “Risk Factors” beginning on page 18 of this prospectus for a discussion of information that should be considered before making a decision to purchase our ordinary shares. As a holding company with no material operations of our own, we conduct our operations through our operating entities established in Hong Kong with our headquarters in Hong Kong. Our ordinary shares offered in this prospectus are shares of our Cayman Islands holding company.**

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**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.**

	Per Share	Total
Public offering price	US\$	US\$
Underwriting discount and commissions <sup>(1)(2)</sup>	US\$	US\$
Proceeds to us, before expenses	US\$	US\$

- (1) Represents underwriting discount and commissions equal to (i) seven percent (7%) per share, which is the underwriting discount we have agreed to pay on investors in this offering introduced by the underwriters; and (ii) four percent (4%) per share, which is the underwriting discount we have agreed to pay on investors in this offering introduced by us. For the purpose of this calculation only, we assume 100% investors in this offering are introduced by the underwriters with no exercise of the over-allotment option.
- (2) Does not include a non-accountable expense allowance equal to 0.5% of the gross proceeds of this offering, payable to the underwriters, or the reimbursement of certain expenses of the underwriters. In addition, we have agreed to issue upon the closing of this offering, compensation warrants to The Benchmark Company, LLC, as representatives of the underwriters, exercisable for a period of five years from the commencement date of sales in this offering entitling the representatives to purchase up to 5% of the number of shares sold in this offering at a per share exercise price equal to 100% of the public offering price. The registration statement of which this prospectus is a part also covers such warrants and the shares issuable upon the exercise thereof. For a description of the other terms of compensation to be received by the underwriters, see “*Underwriting*.”

We have granted a 30-day option to the representatives of the underwriters to purchase up to an additional 187,500 ordinary shares, solely to cover over-allotments, if any.

The underwriters expect to deliver the ordinary shares to purchasers in the offering on or about \_\_\_\_\_, 2023.

## The Benchmark Company

The date of this prospectus is \_\_\_\_\_, 2023.

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**You should rely only on the information contained in this prospectus or in any related free-writing prospectus. We have not authorized anyone to provide you with information different from that contained in this prospectus. We are offering to sell, and seeking offers to buy, the ordinary shares only in jurisdictions where offers and sales are permitted. Unless otherwise stated, the information contained in this prospectus is current only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of the ordinary shares.**

**We have not taken any action to permit a public offering of the ordinary shares outside the United States or to permit the possession or distribution of this prospectus outside the United States. Persons outside the United States who come into possession of this prospectus must inform themselves about and observe any restrictions relating to the offering of the ordinary shares and the distribution of the prospectus outside the United States.**

## PROSPECTUS SUMMARY

Investors are cautioned that SU Group Holdings Limited is, and will continue to be, a “controlled company” within the meaning of the Nasdaq Stock Market Rules, SU Group Holdings Limited is permitted to elect to rely on certain exemptions from corporate governance rules. SU Group Holdings Limited does not plan to rely on these exemptions but may elect to do so after completing this offering. SU Group Holdings Limited is not an operating company but an exempted company with limited liability incorporated under the laws of the Cayman Islands. Investors in our ordinary shares are purchasing equity interests in a Cayman Islands holding company. As a holding company with no material operations of our own, our operations are conducted through our subsidiaries in Hong Kong with our headquarters in Hong Kong, and such structure involves unique risks to investors, as the PRC government may exercise significant influence and discretion over the conduct of our business and may intervene in or influence our operations at any time. If certain PRC laws and regulations, including existing laws and regulations and those enacted or promulgated in the future, were to become applicable to our operating subsidiaries in Hong Kong, and to the extent our cash or assets in the business is in Hong Kong or a Hong Kong entity, such funds or assets may not be available to fund operations or for other use outside of Hong Kong due to interventions in or the imposition of restrictions and limitations by the PRC government on our and our operating subsidiaries’ ability to transfer funds or assets.

*The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information and financial statements appearing elsewhere in this prospectus. In addition to this summary, we urge you to read the entire prospectus carefully, especially the risks of investing in our ordinary shares discussed under “Risk Factors,” before deciding whether to buy our ordinary shares.*

*All references to “we,” “us,” “our,” “our group,” the “Group” or similar terms used in this prospectus refer to SU Group Holdings Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands, including its consolidated subsidiaries, unless the context otherwise indicates.*

*“Basic Law” refers to the Basic Law of the Hong Kong Special Administrative Region of the People’s Republic of China, which is a national law of China that serves as the organic law for the Hong Kong Special Administrative Region.*

*“Company,” “our company,” “SU Group,” refers to SU Group Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability under the Companies Act on March 11, 2021.*

*“Companies Act” means the Companies Act (As Revised) of the Cayman Islands.*

*“Fortune Jet” refers to Fortune Jet Management & Training Co. Limited, formerly known as Fortune Jet & Management Co., Limited, a company incorporated in Hong Kong with limited liability on February 13, 2015, and a wholly-owned subsidiary of SU Investment.*

*“Frost & Sullivan” refers to Frost & Sullivan Limited, an industry consultant engaged by our company to prepare the Frost & Sullivan Report and an independent third party.*

*“Frost & Sullivan Report” refers to an independent market research report commissioned by our company and prepared by our industry consultant, Frost & Sullivan.*

*“HKD” or “HK\$” refers to the legal currency of Hong Kong Special Administrative Region of the People’s Republic of China.*

*“Hong Kong” or “HK” refers to the Hong Kong Special Administrative Region of the People’s Republic of China.*

*“PRC” or “China” refers to the People’s Republic of China, for the purpose of this prospectus only, excluding Hong Kong, Macau and Taiwan, unless the context otherwise indicates.*

*“Shine Union” refers to Shine Union Limited, also known as General System (H.K.) Co., a company incorporated in Hong Kong with limited liability on January 2, 1998, and a wholly-owned subsidiary of SU Investment.*

*“SU Investment” refers to SU Group Investment Limited, a company incorporated in the British Virgin Islands with limited liability on November 21, 2019, and a direct wholly-owned subsidiary of our company.*

*“\$,” “US\$,” “USD” or “U.S. Dollars” refers to the legal currency of the United States.*

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*“share capital” or “shares in the capital of” or similar expressions include a reference to shares in a company that does not have a share capital under its governing law, but which is authorized to issue a maximum or unlimited number of shares.*

*Unless the context indicates otherwise, all information in this prospectus assumes no exercise by the underwriters of their option to purchase additional shares.*

*SU Group is a holding company with operations conducted through its subsidiaries in Hong Kong. SU Group’s reporting currency is HK\$. This prospectus contains translations of HK\$ into US\$ solely for the convenience of the reader. Unless otherwise noted, all translations from HK\$ to US\$ and from US\$ to HK\$ in this prospectus were calculated at the rate of US\$1.00 = HK\$7.8496, representing the closing exchange rate on September 30, 2022 and March 31, 2023. No representation is made that the HK\$ amount represents or could have been, or could be converted, realized or settled into US\$ at that rate, or at any other rate.*

## **Business Overview**

Through our subsidiaries, Shine Union and Fortune Jet, we are an integrated security-related services company that primarily provides security-related engineering services, and to a lesser extent, security guarding and screening services and related vocational training services, in Hong Kong.

Established in 1998, Shine Union has been providing turnkey services to the existing infrastructure or planned development of its customers through the design, supply, installation, and maintenance of security systems for over two decades. The security systems that Shine Union provides services to include threat detection systems, traffic and pedestrian control systems, and extra-low voltage (“ELV”) systems in private and public sectors, including commercial properties, public facilities, and residential properties in Hong Kong. Shine Union is one of the few providers in the security-related engineering services market authorized to distribute over 10 brands of security systems, according to the Frost & Sullivan Report. Shine Union is also the exclusive distributor to market and sell two brands of threat detection systems, which include X-ray machines, trace detection products, metal detectors and mail screening machines.

Some notable projects undertaken by Shine Union include the design, supply, installation and/or maintenance of X-ray machines at a rail link terminus and the air cargo terminal based at the Hong Kong International Airport, the traffic control system and ELV system at the bridge-tunnel system connecting Hong Kong, Macau and Zhuhai, the pedestrian control system at the headquarters office building of a Hong Kong-based banking and financial services company and the Hong Kong office building of a French cosmetics company, and the parking system at a mixed-use complex located on the Kwun Tong Promenade. Shine Union obtains its contracts either through direct invitation for quotation from customers, or through a competitive tendering process of the project employers or their main contractors. In respect of its security-related engineering services, Shine Union has had business relationships with over 300 customers and maintained business relationships for more than 10 years with some major customers.

Since our acquisition of Fortune Jet in 2019, we have been providing security guarding and screening services and related vocational training services in Hong Kong through Fortune Jet. Security guarding and screening services provided by Fortune Jet include dispatching security guards to fulfill customers’ needs such as securing and guarding physical properties and screeners to operate security machines at sites designated by its customers. The related vocational training services offered by Fortune Jet include training courses for Quality Assurance System for Recognition Scheme, or QASRS, Mandatory Basic Safety Training Course (Construction Work), and Mandatory Basic Safety Training Revalidation Course (Construction Work) and to issue relevant certificates.

We have experienced stable growth in the fiscal years ended September 30, 2021 and 2022, and the six months ended March 31, 2022 and 2023. Our total revenues increased by 16.1% from HK\$117.6 million (US\$15.0 million) in the fiscal year ended September 30, 2021 to HK\$136.4 million (US\$17.4 million) in the fiscal year ended September 30, 2022. Our total revenues increased by 38.8% from HK\$69.9 million (US\$8.9 million) in the six months ended March 31, 2022 to HK\$97.0 million

(US\$12.4 million) in the six months ended March 31, 2023. Our net income increased by 37.0% from HK\$6.0 million (US\$0.8 million) in the fiscal year ended September 30, 2021 to HK\$8.3 million (US\$1.1 million) in the fiscal year ended September 30, 2022. Our net income increased by 245.3% from HK\$2.9 million (US\$0.4 million) in the six months ended March 31, 2022 to HK\$10.1 million (US\$1.3 million) in the six months ended March 31, 2023.

We have a track record of expansion through both acquisition and organic growth. As part of our business strategies, we intend to scale up our operations by way of acquisitions and investment opportunities to enhance our competitiveness in the security-related engineering services industry. We aim to achieve growth by deepening our penetration of the

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security-related engineering services industry, strengthening our development capability and enhancing the product offerings under our “SUNGATE” brand by incorporating “smart” features into our existing “SUNGATE” carpark systems, expanding our security guarding services and improving our operational efficiency and expand our vocational training services. As of the date of this prospectus, we have submitted 220 tenders and quotations with a total estimated contract value of US\$37.0 million in relation to the provision of security-related engineering services involving the supply of security systems and related maintenance services which we were awaiting results. However, these tenders and quotations do not represent firm commitments and ultimately may not result in revenues to the Company. We also plan to expand our space by renting and setting up a workshop with a showroom, which will exhibit the various types of security system prototypes offered by us.

Our internal development of our “SUNGATE” carpark systems includes anticipated functions of real-time vacant parking spaces check, parking space reservation, parking space navigation, car searching and contactless payment methods.

### **Summary of Risks Affecting Our Company**

Our business is subject to numerous risks described in the section titled “Risk Factors”, which you should read in its entirety starting from page 18, and elsewhere in this prospectus.

### ***Risks Related to Conducting Operations in Hong Kong***

Our operational activities are primarily conducted in Hong Kong. Accordingly, political and economic conditions in Hong Kong and the surrounding region may directly affect our business. For a more detailed description of the below risks and other risks related to acquiring and operating business in Hong Kong, see “Risk Factors — Risks Related to Conducting Operations in Hong Kong” beginning on page 32. These risks include, but are not limited to, the following:

- Potential political and economic instability in Hong Kong may adversely impact our results of operations. We may also face the risk that changes in the policies of the PRC government could have a significant impact upon the business we conduct in Hong Kong and the profitability of such business. See “*Risk Factors — Risks Related to Conducting Operations in Hong Kong — Potential political, economic and social instability in Hong Kong could have a significant impact upon the business we conduct in Hong Kong and the profitability of such business*” on page 32.
- The PRC legal system is evolving rapidly, and the PRC government exerts substantial influence and discretion over the manner in which companies incorporated under the laws of PRC must conduct their business activities in accordance with applicable laws and regulations. We are based in Hong Kong with no substantive operations in mainland China. However, if we were to become subject to such direct influence and discretion, it may result in a material change in our operations and/or the value of our ordinary shares, which would materially affect the interest of the investors. See “*Risk Factors — Risks Related to Conducting Operations in Hong Kong — The PRC legal system is evolving rapidly and the PRC government exerts substantial influence and discretion over the manner in which companies incorporated under the laws of PRC must conduct their business activities in accordance with applicable laws and regulations. We are based in Hong Kong with no substantive operations in mainland China. However, if we were to become subject to such direct influence and discretion, it may result in a material change in our operations and/or the value of our ordinary shares, which would materially affect the interest of the investors*” on page 33.
- Substantial uncertainties and restrictions with respect to the political and economic policies of the PRC government, as well as PRC laws and regulations, could have a significant impact on the business that we conduct in Hong Kong. Any actions by the PRC government to exert more influence and control over overseas offerings could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of such securities to significantly decline or become worthless. See “*Risk Factors — Risks Related to Conducting Operations in Hong Kong — Substantial uncertainties and restrictions with respect to the political and economic policies of the PRC government, as well as PRC laws and regulations, could have a significant impact on the business that we conduct in Hong Kong. Any actions by the PRC government to exert more influence and control over overseas offerings could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of such securities to significantly decline or become worthless*” on page 34.



- It is difficult for us to predict the impact, if any, the implementation of the national security law will have on our business, as such impact will depend on future developments, which are highly uncertain and cannot be predicted. See *“Risk Factors — Risks Related to Conducting Operations in Hong Kong — The future development of national security laws and regulations in Hong Kong could materially impact our business by possibly triggering sanctions and other measures which can cause economic harm to our business”* on page 35.
- Uncertainties in the interpretation and enforcement of PRC laws and regulations, which could change with little advance notice, could limit the legal protections available to us and materially affect our business operations and the value of our ordinary shares. See *“Risk Factors — Risks Related to Conducting Operations in Hong Kong — Uncertainties in the interpretation and enforcement of PRC laws and regulations, which could change with little advance notice, could limit the legal protections available to us and materially affect our business operations and the value of our ordinary shares”* on page 35.
- The recent spate of government interference by the PRC government into business activities of U.S.-listed Chinese companies may negatively impact our operations, value of our securities and/or significantly limit or completely hinder our ability to offer future securities to investors and cause the value of such securities to significantly decline or be worthless. See *“Risk Factors — Risks Related to Conducting Operations in Hong Kong — The recent spate of government interference by the PRC government into business activities of U.S. listed Chinese companies may negatively impact our operations, value of our securities and/or significantly limit or completely hinder our ability to offer future securities to investors and cause the value of such securities to significantly decline or be worthless”* on page 35.
- We may be subject to a variety of Hong Kong laws and regulations regarding cybersecurity and data protection, and any failure to comply with applicable laws and obligations could have a material and adverse effect on our business, financial condition and results of operations. See *“Risk Factors — Risks Related to Conducting Operations in Hong Kong — We may be subject to laws and regulations regarding data protection in Hong Kong, and any failure to comply with applicable laws and obligations could have a material and adverse effect on our business, financial condition and results of operations”* on page 36.
- Our Hong Kong subsidiaries may be subject to restrictions on paying dividends or making other payments to us, which may restrict our ability to satisfy liquidity requirements, fund operations or for other use outside of Hong Kong, conduct business and pay dividends to holders of our ordinary shares. See *“Risk Factors — Risks Related to Conducting Operations in Hong Kong — Our Hong Kong subsidiaries may be subject to restrictions on paying dividends or making other payments to us, which may restrict their ability to satisfy liquidity requirements, fund operations or for other use outside of Hong Kong, conduct business and*

*pay dividends to holders of our ordinary shares. Dividends payable to our foreign investors and gains on the sale of our shares of ordinary shares by our foreign investors may become subject to tax by the PRC” on page 37.*

- Our business, financial condition and results of operations, and/or the value of our ordinary shares or our ability to offer or continue to offer securities to investors may be materially and adversely affected to the extent the laws and regulations of the PRC become applicable to a company such as us. See *“Risk Factors — Risks Related to Conducting Operations in Hong Kong — Our business, financial condition and results of operations, and/or the value of our ordinary shares or our ability to offer or continue to offer securities to investors may be materially and adversely affected to the extent the laws and regulations of the PRC become applicable to a company such as us” on page 37.*
- Under the HFCAA, our ordinary shares may be prohibited from being traded on any U.S. securities exchange, including the New York Stock Exchange and Nasdaq, or through any other trading method within the SEC’s regulatory jurisdiction, if our auditor is not inspected by the PCAOB for required years. See *“Risk Factors — Risks Related to Conducting Operations in Hong Kong — Under the HFCAA, our ordinary shares may be prohibited from being traded on any U.S. securities exchange, including the New York Stock Exchange and Nasdaq, or through any other trading method within the SEC’s regulatory jurisdiction, if our auditor is not inspected by the PCAOB for three consecutive years, and this ultimately could result in trading in our ordinary shares being prohibited. Furthermore, the AHFCAA amends the HFCAA and requires the SEC to prohibit an issuer’s securities from trading on any U.S. stock exchanges if its auditor is not subject to PCAOB inspections for two consecutive years instead of three” on page 38.*

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- If we become directly subject to the recent scrutiny, criticism and negative publicity involving U.S.-listed Chinese companies, we may have to expend significant resources to investigate and resolve the matter, which could harm our business operations and our reputation and could result in a loss of your investment in our shares. See *“Risk Factors — Risks Related to Conducting Operations in Hong Kong — If we become directly subject to the recent scrutiny, criticism and negative publicity involving U.S.-listed Chinese companies, we may have to expend significant resources to investigate and resolve the matter, which could harm our business operations and our reputation and could result in a loss of your investment in our shares, especially if such matter cannot be addressed and resolved favorably” on page 39.*

- It may be difficult for shareholders to enforce any judgment obtained in the United States against us, which may limit the remedies otherwise available to our shareholders. See “*Risk Factors — Risks Related to Conducting Operations in Hong Kong — It may be difficult for shareholders to enforce any judgment obtained in the United States against us, which may limit the remedies otherwise available to our shareholders*” on page 41.

#### ***Risks Related to Our Business and Industry***

- We rely heavily on the contracts from our recurring customers and any decrease or loss of business from any one of our recurring customers may adversely affect our business, results of operations and financial condition.
- Our contracts were awarded after undergoing direct negotiation and quotation processes with our potential customers or through competitive tendering. There is no guarantee that new contracts will be awarded to us.
- If we are unable to accurately estimate the risks, work progress, revenues or costs when we enter into contracts or fail to perform our contracts based on our estimates, or if we fail to agree on the pricing of work done pursuant to variation orders or otherwise, we may be unable to realize the anticipated profits or incur losses on the contracts.
- Our reputation, business, results of operations and prospects may be adversely affected by material interruptions of our relationship with our suppliers and any quality issues in relation to our outsourced security systems.
- The loss of, expiry, withdrawal, revocation or failure to obtain or renew our registrations, approvals, licenses and certifications could materially and adversely affect our operations and financial results.
- We are on the approved lists of contractors and/or suppliers of various Hong Kong government departments and are subject to ongoing evaluation and appraisals. A loss of any or all of these customers or our failure to remain on such approved lists could materially and adversely affect our businesses.
- We outsource certain parts of our security-related engineering works to subcontractors and are exposed to claims arising from latent defects that may have been caused by us or our subcontractors in the past, the discovery of which may have a material negative impact on our reputation, business and results of operations.
- Labor shortages or increases in labor costs could harm our business, reduce our profitability and slow our growth.

#### ***Risks Related to this Offering and Ownership of Our Ordinary Shares***

- The trading price of our ordinary shares may be volatile, which could result in substantial losses to investors.
- There is no active trading market for our ordinary shares and there can be no assurance any market will develop or that the trading price will not decline below the price paid by investors.
- As a “controlled company” under the rules of Nasdaq, we may choose to exempt our company from certain corporate governance requirements that could have an adverse effect on our public shareholders.

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- Our directors and officers will collectively own an aggregate of 72.91% of the total voting power of our outstanding ordinary shares immediately after the completion of this offering, assuming the underwriters do not exercise their option to purchase additional shares.
- Because we do not expect to pay dividends in the foreseeable future after this offering, you must rely on price appreciation of our ordinary shares for return on your investment.

#### **Legal and Operational Risks Related to Operations in Hong Kong**

Our operational activities are primarily conducted in Hong Kong through our indirect wholly-owned subsidiaries. We do not provide any security-related engineering services, security guarding and screening services or related vocational training services in mainland China or solicit customers or collect, store or process any personal data of any customer in mainland China, and are not regulated by any regulator in mainland China. We do not maintain any office in mainland China and our directors and officers are mainly based in Hong Kong. It is uncertain what potential impact such modified or new laws and regulations will have on our daily business operation, our ability to accept foreign investments and the listing of our ordinary shares on a U.S. or other foreign exchanges. These actions could result in a material change in our operations and/or the value of our ordinary shares and could significantly limit or completely hinder our ability to offer or continue to offer our securities to investors.

We are aware that recently, the PRC government initiated a series of regulatory actions and statements to regulate business operations in China with little advance notice, including cracking down on illegal activities in the securities market, enhancing supervision over China-based companies listed overseas using a VIE structure, adopting new measures to extend the scope of cybersecurity reviews, and expanding the efforts in anti-monopoly enforcement. As advised by our PRC counsel, Han Kun Law Offices, and our Hong Kong counsel, Watson Farley & Williams LLP, the Basic Law stipulates that national laws of the PRC do not apply in Hong Kong unless they are listed in Annex III of the Basic Law and applied locally by promulgation or local legislation. The Basic Law came into effect on July 1, 1997. It is the constitutional document of Hong Kong, which sets out the PRC’s basic policies regarding Hong

Kong. The principle of “one country, two systems” is a prominent feature of the Basic Law, which dictates that Hong Kong will retain its unique common law and capitalist system for 50 years after the handover in 1997. Under the principle of “one country, two systems”, Hong Kong’s legal system, which is different from that of the PRC, is based on common law, supplemented by statutes. National laws that may be listed in Annex III are currently limited under the Basic Law to those which fall within the scope of defense and foreign affairs as well as other matters outside the limits of the autonomy of Hong Kong. National laws relating to data protection, cybersecurity and the anti-monopoly have not been listed in Annex III and so do not apply directly to Hong Kong. While the National People’s Congress of the PRC has the power to amend the Basic Law, the Basic Law also expressly provides that no amendment to the Basic Law shall contravene the established basic policies of the PRC regarding Hong Kong. As a result, the national laws of the PRC do not currently have any material impact on our business, financial condition and results of operations. Currently, our business of providing security-related engineering services, security guarding and screening services, and related vocational training services is not affected under these regulatory actions, however, if the legislative or administrative regulation making bodies change their focus to the sector which we operate in, it may impact our ability to conduct our business, accept foreign investments, or list on a U.S. or other foreign exchange. There is no assurance that certain laws of the PRC, including existing laws and regulations and those enacted or promulgated in the future, will not be applicable to our Hong Kong subsidiaries due to change in the current political arrangements between mainland China and Hong Kong or other reasons, whether foreseeable or not presently foreseeable. As we operate in Hong Kong, a special administrative region of China, there is no guarantee that if certain existing or future laws of the PRC become applicable to a company such as us, it will not have a material adverse impact on our business, financial condition and results of operations and/or our ability to offer or continue to offer securities to investors, any of which may cause the value of our ordinary shares to significantly decline or be worthless. Any future action by the PRC government expanding the categories of industries and companies whose foreign securities offerings are subject to government review could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and could cause the value of such securities to significantly decline or be worthless. If we later find out that we and/or our subsidiaries were to be required to obtain any permission or approval from or complete any filing procedure with the CSRC, the CAC, or other PRC governmental authorities in connection with this offering under the PRC law, we and/or our subsidiaries may be fined or subject to other sanctions, incur material costs to ensure compliance, experience devaluation of our ordinary shares or delisting, or no longer be permitted to continue our current business operations, and our subsidiaries’ business and our reputation, financial condition, and results of operations may be materially and

adversely affected. For a detailed description of the risks related to doing business in Hong Kong, and the offering, see “*Risks Related to Conducting Operations in Hong Kong*” and “*Risks Related to this Offering and Ownership of Our Ordinary Shares*” in the “*Risk Factors*” section.

### **PRC Approvals**

On July 6, 2021, the relevant PRC government authorities published the Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law. These opinions call for strengthened regulation over illegal securities activities and increased supervision of overseas listings by China-based companies, and propose to take effective measures, such as promoting the construction of relevant regulatory systems to regulate the risks and incidents faced by China-based overseas-listed companies. As of the date of this prospectus, no official guidance or related implementation rules have been issued in relation to these recently issued opinions and the interpretation and implementation of these opinions remain unclear at this stage. On February 17, 2023, the CSRC promulgated the Trial Measures and five supporting guidelines, which became effective on March 31, 2023. According to the Trial Measures, among other requirements, a PRC domestic company that seeks to directly or indirectly offer and list securities in overseas markets, if both explicit conditions set forth under Article 15 (as listed under point (1) below) are satisfied with respect to an “indirect offering and listing”, shall fulfill the filing procedure with the CSRC. Article 15 of the Trial Measures provides that (1) any overseas offering and listing made by an issuer that meets both the following explicit criteria will be determined as an “indirect overseas offering and listing”: (i) any of the total assets, net assets, revenues or profits of the domestic operating entities of the issuer in the most recent fiscal year accounts for more than 50% of the corresponding figure in such issuer’s audited consolidated financial statements for the same period; and (ii) the major operational activities are carried out in China or the main places of business are located in China, or the senior managers in charge of operation and management of the issuer are mostly Chinese citizens or are domiciled in China. (point (1)(i) and point (1)(ii), collectively, the “Article 15 Explicit Conditions for Filing”); and (2) the determination as to whether or not an overseas offering and listing by PRC domestic companies is an “indirect overseas offering and listing”, shall be made on a “substance over form” basis (the “Discretionary Clause”). We do not believe that we are required to obtain the approval from or complete the filing with the CSRC for this offering, based on the fact that our operations are not conducted in mainland China and thus we do not meet both of the Article 15 Explicit Conditions for Filing at the same time as set out in the Trial Measures to determine whether an overseas offering and listing shall be deemed as an indirect overseas offering and listing by a domestic company; however, it shall be subject to the CSRC’s sole discretion to determine whether this offering will be regarded as an “indirect overseas offering and listing” under the Discretionary Clause and consequently whether the Company is required to obtain approval from or complete the filing with the CSRC pursuant to the Trial Measures. As the Trial Measures was newly published, there are substantial uncertainties as to its implementation and interpretation, and the CSRC may take a view that is contrary to our understanding of the Trial Measures under the principle of “substance over form” adopted thereby regarding the

determination of an “indirect overseas offering and listing by PRC domestic companies. As of the date of this prospectus, we have not received any formal inquiry, notice, warning, sanction, or any regulatory objection from the CSRC with respect to this offering. However, if we are required by the CSRC to submit and complete the filing procedures of this offering and listing, we cannot assure you that we will be able to complete such filings in a timely manner, or even at all. Any failure by us to comply with such filing requirements under the Trial Measures may result in an order to rectify, warnings and fines against us and could materially hinder our ability to offer or to continue to offer our securities.

On June 10, 2021, the Standing Committee of the National People’s Congress of the PRC (“SCNPC”) promulgated the PRC Data Security Law, which took effect in September 2021. The PRC Data Security Law imposes data security and privacy obligations on entities and individuals carrying out data activities and introduces a data classification and hierarchical protection system. The PRC Data Security Law also provides for a national security review procedure for data activities that may affect national security and imposes export restrictions on certain data and information. On November 14, 2021, the CAC released the Regulations on the Network Data Security Management (Draft for Comments), or the Data Security Management Regulations Draft, for public comments, and the comment period expired on December 13, 2021. Pursuant to the Data Security Management Regulations Draft, data handlers that process the personal information of more than one million users listing in a foreign country should apply for a cybersecurity review. On December 28, 2021, the CAC, together with 12 other governmental departments of the PRC, jointly promulgated the Measures for Cybersecurity Review (2021), which became effective on February 15, 2022. The Measures for Cybersecurity Review (2021) provides that, in addition to operators of critical information infrastructure that intend to purchase Internet products and services, data handlers engaging in data processing activities that affect

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or may affect national security must be subject to cybersecurity review by the Cybersecurity Review Office of the PRC. The Measures for Cybersecurity Review (2021) further requires that critical information infrastructure operators and data processing operators that possess personal data of at least one million users must apply for a review by the Cybersecurity Review Office of the PRC before conducting listings in foreign countries.

We do not provide any security-related engineering services, or security guarding and screening services in mainland China or solicit customers or collect, store or process any personal data of any customer in mainland China. Our business does not involve the collection of user data, implicate cybersecurity, or involve any other type of restricted industry as defined under the applicable PRC laws, and thus we do not believe we are an “operator of critical information infrastructure,” “online platform operator” or “data handler” as mentioned above. Based on the opinion of our PRC counsel, Han Kun Law Offices, we have determined that we are not subject to cybersecurity review with the CAC, given the facts that: (i) we do

not possess a large amount of personal information in our business operations originated from mainland China; and (ii) data processed in our business does not have a bearing on national security and thus may not be classified as core or important data by the authorities. As of the date of this prospectus, we have not been involved in any investigations on cybersecurity review initiated by the CAC or related governmental regulatory authorities and have not received any notice from any authorities requiring us to obtain permissions from any PRC authorities for this offering or were denied such permissions by any PRC authorities. However, since the Measures for Cybersecurity Review (2021) was newly adopted and the Data Security Management Regulations Draft is in the process of being formulated, it is unclear on how it will be interpreted, amended and implemented by the relevant PRC governmental authorities.

Our business is subject to various government regulations and regulatory interference. Because we do not have any PRC subsidiaries or business operations in mainland China, we are not required to obtain permission or approval to operate our business in mainland China. In addition to a business registration certificate, which is required for all companies doing business in Hong Kong, we have obtained the following licenses/qualifications/registrations, which are all requisite licenses, permissions or approvals required for our current operations in Hong Kong:

Company	License/Qualifications/Registrations	Validity
<b>Shine Union</b>	Security Company License (Type III)	December 30, 2020 to December 29, 2025
	Radioactive Substances License	February 9, 2023 to February 25, 2024
	Radio Dealers License (Unrestricted)	February 1, 2023 to January 31, 2024
	Irradiating Apparatus License	October 13, 2023 to November 1, 2024
	Certificate of Registration of Electrical Contractor	July 11, 2023 to July 14, 2026
	Registered Subcontractor	March 31, 2019 to March 30, 2024
	Endorsement of Removal Service Plan	August 13, 2018 (no expiry date)
	Certificate of Registration as a Registered Supplier	August 14, 2018 (no expiry date)
	Type Approval Certificate (Smart Park)	May 4, 2022 to May 4, 2025
	Type Approval Certificate (Self-Service Kiosk)	May 4, 2022 to May 4, 2025
	Type Approval Certificate (Access Control System)	August 3, 2023 to August 3, 2026
	Property Management Company License	November 7, 2022 to November 6, 2025
	<b>Fortune Jet</b>	Security Company License (Type I)
Statement of Accreditation Approval for Certificate in Basic Security Services under QASRS (QF Level 1)		November 23, 2022 to November 22, 2024



See “*Business — Licenses and Qualifications*” and “*Regulations — Regulations in Hong Kong — Laws and Regulations Relating to Our Business Operations*” for more details. We have not experienced denials in obtaining permissions or approvals and have received all requisite permissions or approvals. We are in compliance with applicable laws and regulations. We have been closely monitoring regulatory developments in China regarding any necessary approvals from the CSRC, the CAC or other PRC governmental authorities required for overseas listings, including this offering. Nevertheless, we may incur increased costs necessary to comply with existing and newly adopted laws and regulations or penalties for any failure to comply. Furthermore, given recent statements by the PRC government indicating an intent to exert more influence and control over offerings that are conducted overseas and there are uncertainties with respect to the Chinese legal system and changes in laws, regulations, and policies, including how those laws, regulations, and policies will be interpreted or implemented, although as of the date of this prospectus, we have not been involved in any investigations initiated by the applicable government regulatory

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authorities, nor have we received any inquiry, notice, warning or sanction in such respect, it is uncertain whether or when we might be subject to such requirements, permission and approval from any related PRC government to list our shares on Nasdaq in the future. Given that (1) we do not have any subsidiaries or business operation in the PRC; (2) none of our operating revenues, total profits, total assets or net assets is accounted for by any subsidiaries based in the PRC; and (3) no issuance or sale of the ordinary shares has been or will be made directly or indirectly within the PRC, based solely on the documents and representations received from the Company, as of the date of this prospectus, nothing comes to the attention of our PRC counsel, Han Kun Law Offices, that suggests we meet both of the Article 15 Explicit Conditions for Filing, and thus, based on the opinion of our PRC counsel, we believe that CSRC’s approval is not required for the listing and trading of our ordinary shares on Nasdaq in the context of this offering. Additionally, as advised by our Hong Kong counsel, Watson Farley & Williams LLP, based on their understanding of the current Hong Kong laws, as of the date of this prospectus, we are not required to obtain permission from the Hong Kong authorities for the trading of our ordinary shares on Nasdaq or for the offering of our ordinary shares to foreign investors outside Hong Kong. However, we cannot assure you that relevant PRC governmental agencies, including the CSRC, would reach the same conclusion as we do. If the CSRC or other regulatory agencies later promulgate new rules or explanations requiring that we obtain their approvals for this offering and any follow-on offering, we may be unable to obtain such approvals, which could significantly limit or completely hinder our ability to offer or continue to offer securities to our investors. The CSRC or other PRC regulatory agencies may also take actions requiring us, or making it advisable for us, to halt this offering before the settlement and delivery

of the ordinary shares that we are offering. Consequently, if you engage in market trading or other activities in anticipation of and prior to the settlement and delivery of the ordinary shares we are offering, you would be doing so at the risk that the settlement and delivery may not occur. Any uncertainties or negative publicity regarding such approval requirements could have a material adverse effect on our ability to complete this offering or any follow-on offering of our securities or the market for and market price of our ordinary shares and cause the value of our ordinary shares to significantly decline or become worthless. For more detailed information, see “*Risk Factors — Risks Related to Conducting Operations in Hong Kong — The PRC legal system is evolving rapidly, and the PRC government exerts substantial influence and discretion over the manner in which companies incorporated under the laws of PRC must conduct their business activities in accordance with applicable laws and regulations. We are based in Hong Kong with no substantive operations in mainland China. However, if we were to become subject to such direct influence and discretion, it may result in a material change in our operations and/or the value of our ordinary shares, which would materially affect the interest of the investors*”, “*Risk Factors — Risks Related to Conducting Operations in Hong Kong — Uncertainties in the interpretation and enforcement of PRC laws and regulations, which could change with little advance notice, could limit the legal protections available to us and materially affect our business operations and the value of our ordinary shares.*” and “*Risk Factors — Risks Related to Conducting Operations in Hong Kong — Substantial uncertainties and restrictions with respect to the political and economic policies of the PRC government, as well as PRC laws and regulations, could have a significant impact on the business that we conduct in Hong Kong. Any actions by the PRC government to exert more influence and control over overseas offerings could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of such securities to significantly decline or become worthless.*”

In addition, our auditor is required by the laws of the United States to undergo regular inspections by the PCAOB. Pursuant to the HFCAA, the PCAOB issued a Determination Report on December 16, 2021 which found that the PCAOB is unable to inspect or investigate completely registered public accounting firms headquartered in: (1) mainland China of the PRC, and (2) Hong Kong, because of positions taken by the PRC authorities in those jurisdictions. In addition, the PCAOB’s report identified the specific registered public accounting firms which are subject to these determinations. Our auditor, Marcum Asia, is headquartered in Manhattan, New York, and has been inspected by the PCAOB on a periodic basis. Therefore, our auditor was not identified in this report as a firm subject to the PCAOB’s determination. On August 26, 2022, the CSRC, the Ministry of Finance of the PRC, and the PCAOB signed a Statement of Protocol, or the Protocol, governing inspections and investigations of audit firms based in China and Hong Kong. Pursuant to the Protocol, the PCAOB shall have independent discretion to select any issuer audits for inspection or investigation and has the unfettered ability to transfer information to the SEC. On December 15, 2022, the PCAOB issued a Determination Report which determined that the PCAOB (1) is able to select engagements, audit areas, and potential violations to be reviewed or investigated, (2) has timely access to, and the ability to retain and use, any document or information that the PCAOB considers relevant to an inspection or investigation, and (3) is able to conduct inspections and

investigations in a manner consistent with the provisions of the HFCAA and the rules of the board of PCAOB, as interpreted and applied by the PCAOB. Consequently, the PCAOB concluded that in the absence of any evidence that authorities in the PRC currently are taking any positions to impair the PCAOB's ability to execute its statutory mandate with respect to inspections or

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investigations, the HFCAA dictates that the PCAOB vacate the 2021 determinations. As required by the HFCAA, if in the future the PCAOB determines it no longer can inspect or investigate completely because of a position taken by an authority in the PRC, the PCAOB will act expeditiously to consider whether the board of the PCAOB should issue a new determination. On December 29, 2022, the Accelerating Holding Foreign Companies Accountable Act (the "AHFCAA") was enacted, which amended the HFCAA by decreasing the number of non-inspection years from three years to two, thus reducing the time period before our ordinary shares may be prohibited from trading or delisted. On December 29, 2022, legislation entitled "Consolidated Appropriations Act, 2023" (the "Consolidated Appropriations Act") was signed into law. The Consolidated Appropriations Act contains, among other things, an identical provision to the AHFCAA, which reduces the number of consecutive non-inspection years required for triggering the prohibitions under the HFCAA from three years to two. If the PCAOB is unable to inspect or investigate completely the Company's auditors for a period of two consecutive years, our securities may be prohibited from trading and Nasdaq may determine to delist the Company's securities. Notwithstanding the foregoing, if the PCAOB later determined that it is not able to inspect and investigate completely our auditor's work papers in Hong Kong, you may be deprived of the benefits of such inspection which could result in limitation or restriction to our access to the U.S. capital markets and trading of our securities may be prohibited under the HFCAA and Nasdaq may determine to delist our securities if the PCAOB determines that it cannot inspect or investigate completely our auditor under the HFCAA. See "*Risk Factors — Risks Related to Conducting Operations in Hong Kong — Under the HFCAA, our ordinary shares may be prohibited from being traded on any U.S. securities exchange, including the New York Stock Exchange and Nasdaq, or through any other trading method within the SEC's regulatory jurisdiction, if our auditor is not inspected by the PCAOB for three consecutive years, and this ultimately could result in trading in our ordinary shares being prohibited. Furthermore, the AHFCAA amends the HFCAA and requires the SEC to prohibit an issuer's securities from trading on any U.S. stock exchanges if its auditor is not subject to PCAOB inspections for two consecutive years instead of three*" for more information.

## **History and Corporate Structure**

### ***Our History***

We commenced our security-related business in 1998 through our subsidiary, Shine Union, in Hong Kong. Our founder, Mr. Chan Ming Dave, became the general manager of Shine Union in March 1999 and is currently the managing director of Shine Union and Fortune Jet. Over time, we have completed various security-related engineering projects in both the private and public sectors, which were carried out in commercial properties, public facilities and residential properties in Hong Kong as both a contractor and a subcontractor. In 2018, in view of the capabilities of Fortune Jet as a holder of the Security Company License (Type I) issued by the Security and Guarding Services Industry Authority in Hong Kong and in light of the introduction of new policies by the International Civil Aviation Organization (“ICAO”) in September 2016 and the regulated air cargo screening facilities scheme (“RACSF”) introduced by the Civil Aviation Department (“CAD”) of the Hong Kong Government in October 2018, which required all outgoing air cargo in Hong Kong to be subject to security screening by June 2021, we acquired 100% of the equity interest of Fortune Jet in July 2019, then transferred 10.0% of the equity interest of Fortune Jet to Mr. Chu Hon Wai, the director of Fortune Jet, in November 2019. In March 2023, we acquired the 10.0% of the equity interest of Fortune Jet from Mr. Chu and as a result, we now own all the share capital of Fortune Jet. Fortune Jet principally engages in the provision of security guarding and screening services and related vocational training services in Hong Kong. Following the acquisition of Fortune Jet, we have evolved from an engineering company providing services in respect of security systems to an integrated security-related services provider with our businesses also covering security guarding and screening services and related vocational training services.

### ***Corporate Structure***

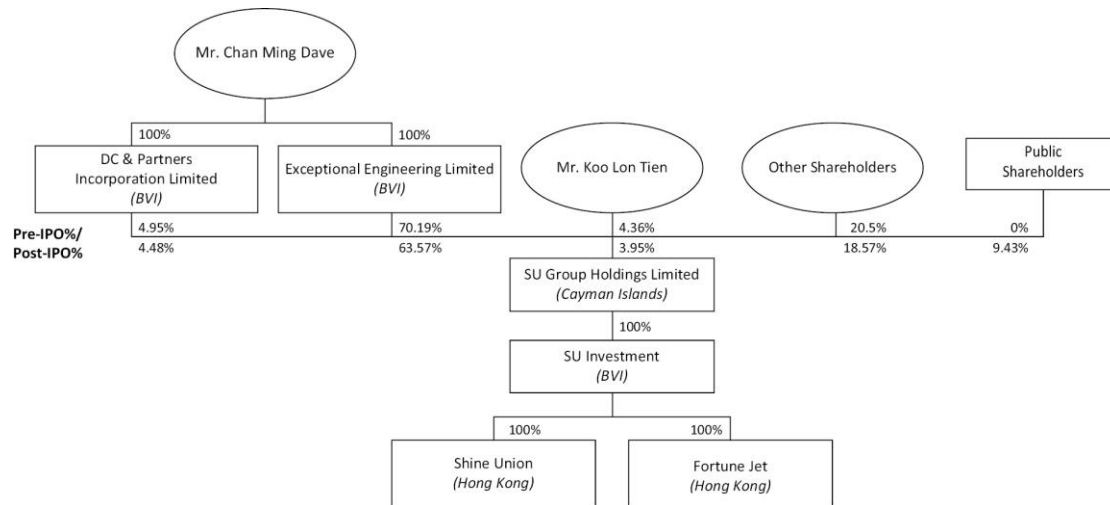
On March 11, 2021, SU Group was incorporated as an exempted company with limited liability under the laws of the Cayman Islands as our holding company. As a holding company, SU Group does not have substantive operations and is not a direct Chinese or Hong Kong operating company. SU Group directly holds all the share capital of SU Investment, a company incorporated in the BVI with limited liability on November 21, 2019.

SU Investment, as an intermediate holding company that does not have substantive operations, in turn, holds (1) all the share capital of Shine Union, a company incorporated in Hong Kong with limited liability on January 2, 1998, and (2) all the share capital of Fortune Jet, formerly known as Fortune Jet & Management Co., Limited, a company incorporated in Hong Kong with limited liability on February 13, 2015.

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The following diagram depicts our current corporate structure. Currently, our corporate structure contains no VIE and we do not intend to enter into any contractual arrangements to establish a VIE structure with any entity in the PRC. Investors in our ordinary shares are purchasing equity interests in SU Group

Holdings Limited, a Cayman Islands holding company, which directly holds equity interests in its indirect operating subsidiaries in Hong Kong.



For more details regarding our corporate structure and related changes, see “*Corporate Structure.*”

### ***Cash Transfers, Cash Management and Dividend Distribution***

SU Group was incorporated in Cayman Islands on March 11, 2021, to be the ultimate parent company. As a holding company with no material operations of our own, our operations are conducted through our subsidiaries in Hong Kong with our headquarters in Hong Kong. Our operational activities are primarily conducted in Hong Kong through our indirect wholly-owned subsidiaries. SU Group is permitted under the laws of Cayman Islands to provide funding to our subsidiaries in Hong Kong through loans or capital contributions without restrictions on the amount of the funds, provided such arrangement is in the best interests of the Company. If needed, cash can be transferred between our holding company and subsidiaries through intercompany fund advances, and there are currently no restrictions on transferring funds between our Cayman Islands holding company, a subsidiary in the British Virgin Islands, and operating subsidiaries in Hong Kong. However, while there are currently no such restrictions on foreign exchange and our ability to transfer cash or assets between our Cayman Islands holding company and our operating subsidiaries in Hong Kong, if certain PRC laws and regulations, including existing laws and regulations and those enacted or promulgated in the future, were to become applicable to our operating subsidiaries in Hong Kong, and to the extent our cash or assets in the business is in Hong Kong or a Hong Kong entity, such funds or assets may not be available to fund operations or for other use outside of Hong Kong due to interventions in or the imposition of restrictions and limitations by the PRC government on our and our operating subsidiaries’ ability to transfer funds or assets. See “*Risk Factors — Risks Related to Conducting Operations in Hong Kong — Our Hong Kong subsidiaries may be subject to restrictions on paying dividends or making other payments to us, which may restrict their ability to satisfy liquidity requirements, fund operations or for other use outside of Hong Kong, conduct business and pay dividends to holders of our ordinary shares. Dividends payable to our foreign investors and*

*gains on the sale of our shares of ordinary shares by our foreign investors may become subject to tax by the PRC.”*

Our operating subsidiaries in Hong Kong are permitted under the laws of Hong Kong, to provide direct or indirect funding to SU Group, the holding company incorporated in the Cayman Islands, through dividend distributions. Our Group currently intends to retain all available funds and future earnings, if any, for the operation and expansion of our business, and we do not anticipate declaring or paying any dividends in the foreseeable future. We also intend to settle amounts owed under our operating structure through bank loans and loans from related parties. We currently do not have any dividend policy, and any future determination as to dividends will be made at the discretion of our board of directors after considering our financial condition, results of operations, capital requirements, contractual requirements, business prospects and other factors the board of directors deem relevant, and subject to the restrictions contained in any future financing instruments. See “*Risk Factors — Risks Related to this Offering and Ownership of Our Ordinary*

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*Shares — Because we do not expect to pay dividends in the foreseeable future after this offering, you must rely on price appreciation of our ordinary shares for return on your investment” and “— Risks Related to Our Business and Industry — We cannot assure you that we will declare and distribute any amount of dividends in the future.”*

Subject to the Companies Act and our amended and restated memorandum and articles of association, which will become effective immediately prior to the completion of this offering, our board of directors may authorize and declare a dividend to shareholders (including shareholders who are based in the United States) from time to time out of the profits of the Company, realized or unrealized, or from any reserve set aside from profits which our board of directors determine is no longer needed, or out of the share premium account, provided that in no circumstances may a dividend be paid out of share premium unless, immediately following the date on which the dividend is proposed to be paid, the Company is able to pay its debts as they become due in the ordinary course of business. There is no further Cayman Islands statutory restriction on the amount of funds which may be distributed by us in the form of dividends.

For the years ended September 30, 2021 and 2022, and the six months ended March 31, 2023, Shine Union declared dividends of HK\$16.5 million, HK\$25.3 million, and nil, respectively, and Fortune Jet declared dividends of HK\$0.5 million, HK\$0.4 million, and nil, respectively, totaling HK\$17.0 million, HK\$25.7 million, and nil, respectively, to their then respective shareholders, of which HK\$50,000, HK\$40,400, and nil, respectively, was attributable to a non-controlling interest. For the years ended September 30, 2021 and 2022, and the six months ended March 31, 2023, the Company declared dividends of HK\$17.0 million, HK\$8.0 million, and nil, respectively, to its then shareholders. For details, see Notes 14 and 16 in our audited consolidated financial statements included elsewhere in this

prospectus. As of the date of this prospectus, neither we nor any of our subsidiaries have ever paid dividends or made distributions to U.S. investors. Except as disclosed, there were no other transfers, dividends or distributions which have been made between our holding company, our subsidiaries or to our investors. If we determine to pay dividends on any of our ordinary shares in the future, as a holding company, we will be dependent on receipt of funds from our operating subsidiaries in Hong Kong. Under the current practice of the Inland Revenue Department of the Hong Kong Government, no tax is payable in Hong Kong in respect of dividends paid by us.

There are no restrictions or limitations under the laws of Hong Kong imposed on the conversion of HKD into foreign currencies and the remittance of currencies out of Hong Kong, nor is there any restriction on any foreign exchange to transfer cash between the Company and its subsidiaries, across borders and to investors outside of Hong Kong, nor are there any restrictions and limitations to distribute earnings from the subsidiaries, to the Company and investors outside of Hong Kong and amounts owed. There are no exchange controls in the Cayman Islands.

We have implemented an internal cash management policy for all of our subsidiaries, based on the demands of our group's internal management procedure, which requires the relevant financial staff to verify that the relevant documents issued by the requestor with the approval of the competent supervisor are qualified, and then transfer the payment to the cashier upon the approval of the competent supervisor of the relevant financial staff. Any voucher will be stamped after payment and the payee will sign the request for payment as receipt. In addition, all payments shall be made by check, auto pay or telegraphic transfer except for certain specified cash payables. Our Chief Executive Officer is responsible for initiating bank account openings and closures, subject to the board of directors' approval. Liquidity management involves the finance & payroll manager preparing a monthly cash flow forecast, monitored and reviewed by the Chief Financial Officer or Chief Executive Officer, along with a quarterly cash flow statement. Bank reconciliation is performed before month-end closing, overseen by the finance & payroll manager. The policy sets guidelines for physical cash management, check handling, payment approvals, cash advances, investment, borrowing, foreign exchange, and emphasizes the segregation of duties to maintain financial control. Other than the internal cash management policy described above, we currently do not have other cash management policies or procedures that dictate how funds are transferred between the Company and investors, nor are we required to have any cash management policies pursuant to the current regulations in Hong Kong or the PRC, as advised by our Hong Kong counsel, Watson Farley & Williams LLP and our PRC counsel, Han Kun Law Offices. As advised by our Cayman Islands counsel, Conyers Dill & Pearman, under Cayman Islands law, there is no specific requirement for the Company to have a cash management policy in place, unless otherwise specified by any accounting policy adopted by the Company. The Company should however ensure it maintains sufficient cash reserves to remain solvent at all times.

Under the PRC Enterprise Income Tax Law and its implementation rules, an enterprise established outside of the PRC with its "de facto management body" within China is considered a "resident enterprise"

and will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules define the term “de facto management body” as the managing body that actually and comprehensively manages and controls the production and

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operation, staff, accounting, property and other aspects of an enterprise. In 2009, the State Administration of Taxation, or SAT, issued the Notice of the State Administration of Taxation on Issues Relating to Identification of PRC-Controlled Overseas Registered Enterprises as Resident Enterprises in Accordance with the Standards of De Facto Management Body, or SAT Notice 82, which provides certain specific criteria for determining whether the “de facto management body” of a PRC-controlled enterprise that is incorporated offshore is located in China. According to SAT Notice 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its “de facto management body” in China and will be subject to PRC enterprise income tax on its global income only if certain conditions are met. We believe none of our entities outside of China is a PRC resident enterprise for PRC tax purposes, as we are not an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term “de facto management body.”

### **Recent Developments**

Set forth below are preliminary estimates of certain unaudited financial information for the fiscal year ended September 30, 2023. Our actual results for the fiscal year ended September 30, 2023 will not be available until after the completion of this offering. We have provided ranges, rather than specific amounts, for the preliminary estimates primarily because our financial closing for the fiscal year ended September 30, 2023 is not yet complete. The estimated ranges are preliminary and have not been audited or reviewed and are thus inherently uncertain and subject to change as we complete our financial closing for the fiscal year ended September 30, 2023.

The preliminary estimates set forth below have been prepared by, and are the responsibility of, our management. Marcum Asia has not audited, reviewed, compiled or performed any procedures with respect to the preliminary estimates. Accordingly, Marcum Asia does not express an opinion or any other form of assurance with respect thereto.

Financial figures (unaudited) for the year ended September 30, 2023:

- US\$18.5 million to US\$21.5 million in revenues — our revenues increased by around 6.4% to 23.7% as compared to the fiscal year ended September 30, 2022 mainly due to an increase in revenues from security systems and products and installation and provision of security guarding services



- US\$14.5 million to US\$16.8 million in cost of revenues — our cost of revenues increased by around 17.1% to 35.7% as compared to the fiscal year ended September 30, 2022 mainly due to an increase in cost of goods sold, subcontracting fee and employee benefit expenses for direct labor.
- US\$3.2 million to US\$3.6 million in operating expenses — our operating expenses decreased by 12.8% to 22.5% as compared to the fiscal year ended September 30, 2022 mainly due to a decrease in losses on disposal of property and equipment.

Operating figures for the year ended September 30, 2023:

- 300 to 400 recurring customers
- 11,000 to 12,000 students enrolled in our related vocational training courses

Other than disclosed elsewhere herein, we are not aware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material and adverse effect on our revenues, income, profitability, liquidity or capital resources, or that would cause the disclosed information to be not necessarily indicative of future results of operations or financial condition.

#### **Foreign Private Issuer Status**

We are a foreign private issuer within the meaning of the rules under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). As such, we are exempt from certain provisions applicable to U.S. domestic public companies. For example:

- we are not required to provide as many Exchange Act reports, or as frequently, as a domestic public company;
- for interim reporting, we are permitted to comply solely with our home country requirements, which are less rigorous than the rules that apply to domestic public companies;

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- we are not required to provide the same level of disclosure on certain issues, such as executive compensation;
- we are exempt from provisions of Regulation FD aimed at preventing issuers from making selective disclosures of material information;
- we are not required to comply with the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act; and

- we are not required to comply with Section 16 of the Exchange Act requiring insiders to file public reports of their share ownership and trading activities and establishing insider liability for profits realized from any “short-swing” trading transaction.

### **Implications of Being a Controlled Company**

We are and will continue to be following this offering, a “controlled company” within the meaning of the Nasdaq Stock Market Rules and, as a result, may rely on exemptions from certain corporate governance requirements that provide protection to shareholders of other companies. Our Chairman of the board of directors and Chief Executive Officer, Mr. Chan Ming Dave, owns more than 50% of the voting power represented by our issued and outstanding ordinary shares. For so long as we are a “controlled company” under that definition, we are permitted to elect to rely, and may rely, on certain exemptions from corporate governance rules, including: (i) an exemption from the rule that a majority of our board of directors must be independent directors; (ii) an exemption from the rule that the compensation of our Chief Executive Officer must be determined or recommended solely by independent directors; and (iii) an exemption from the rule that our director nominees must be selected or recommended solely by independent directors. As a result, you will not have the same protection afforded to shareholders of companies that are subject to these corporate governance requirements.

Although we do not intend to rely on the “controlled company” exemption under the Nasdaq listing rules, we could elect to rely on this exemption after we complete this offering. If we elected to rely on the “controlled company” exemption, a majority of the members of our board of directors might not be independent directors and our nominating and corporate governance and compensation committees might not consist entirely of independent directors after we complete this offering. (See “*Risk Factors — Risks Related to this Offering and Ownership of Our Ordinary Shares — As a “controlled company” under the rules of Nasdaq, we may choose to exempt our company from certain corporate governance requirements that could have an adverse effect on our public shareholders.*”) Additionally, pursuant to Nasdaq’s phase-in rules for newly listed companies, we have one year from the date on which we are first listed on Nasdaq to comply fully with the Nasdaq listing standards. We do not plan to rely on the phase-in rules for newly listed companies and will comply fully with the Nasdaq listing standards at the time of listing.

### **Implications of Being an Emerging Growth Company**

As a company with less than US\$1.235 billion in revenues for the last fiscal year, we qualify as an “emerging growth company” pursuant to the Jumpstart Our Business Startups Act of 2012 (as amended by the Fixing America’s Surface Transportation Act of 2015) (the “JOBS Act”). An emerging growth company may take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to public companies. These provisions include exemption from the auditor attestation requirement under Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, in the assessment of the emerging growth company’s internal control over financial reporting. The JOBS Act

also provides that an emerging growth company that prepares its financial statements in accordance with generally accepted accounting principles in the United States (“U.S. GAAP”), does not need to comply with any new or revised financial accounting standards until such date that a private company is otherwise required to comply with such new or revised accounting standards.

In addition, Section 107 of the JOBS Act provides that an “emerging growth company” can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act of 1933, as amended (the “Securities Act”), for complying with new or revised accounting standards. The extended transition period provision only applies to companies preparing financial statements under U.S. GAAP. We have elected to take advantage of this extended transition period and acknowledge that such election is irrevocable pursuant to Section 107 of the JOBS Act.

We will remain an emerging growth company until the earliest of (i) the last day of our fiscal year during which we have total annual gross revenues of at least US\$1.235 billion; (ii) the last day of our fiscal year following the fifth anniversary of the completion of this offering; (iii) the date on which we have, during the previous three year period,

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issued more than US\$1.0 billion in non-convertible debt; or (iv) the date on which we are deemed to be a “large accelerated filer” under the Exchange Act, which would occur if the market value of our ordinary shares that are held by non-affiliates exceeds US\$700 million as of the last business day of our most recently completed second fiscal quarter and we have been publicly reporting for at least 12 months. Once we cease to be an emerging growth company, we will not be entitled to the exemptions provided in the JOBS Act discussed above.

**Corporate Information**

Our principal executive office in Hong Kong is located at Unit 01 – 03, 3/F, Billion Trade Centre, 31 Hung To Road, Kwun Tong, Kowloon, Hong Kong. Our telephone number at this address is +852 2341-8183. Our registered office is at the office of Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Investors should submit any inquiries to the address and telephone number of our principal executive office.

Our principal website is *www.sugroup.com.hk*. The information contained on this website is not a part of this prospectus. Our agent for service of process in the United States is Puglisi & Associates, located at 850 Library Avenue, Suite 204, Newark, Delaware 19711.

**Conventions that Apply to this Prospectus**

This prospectus contains information and statistics relating to Hong Kong's economy and the industries in which we operate derived from various publications issued by market research companies and Hong Kong governmental entities, which have not been independently verified by us, the underwriters or any of our affiliates or advisers including Frost & Sullivan, an independent market research and consulting firm with respect to information on the security-related engineering services, security guarding and screening services and related vocational training services industries in Hong Kong. The information in such sources may not be consistent with other information compiled in or outside Hong Kong.

Unless otherwise noted, all translations from HK\$ to US\$ and from US\$ to HK\$ in this prospectus are made at a rate of US\$1.00 = HK\$7.8496, the exchange rate in effect as of September 30, 2022 and March 31, 2023. We make no representation that any HK\$ or US\$ amounts could have been, or could be, converted into US\$ or HK\$, as the case may be, at any particular rate, or at all.

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**The Offering**

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Shares being offered:	1,250,000 ordinary shares (or 1,437,500 ordinary shares if the underwriters exercise their option to purchase additional shares in full) on a firm commitment basis.
Initial offering price:	We currently estimate that the initial public offering price will be in the range of US\$4.00 to US\$5.00 per share.
Number of ordinary shares outstanding before the offering:	12,000,000 ordinary shares are outstanding.
Number of ordinary shares outstanding after the offering:	13,250,000 ordinary shares (or 13,437,500 ordinary shares if the underwriters exercise their option to purchase additional shares in full).
Option to purchase additional shares:	We have granted the underwriters an option for a period of up to 30 days from the effective date of this prospectus to purchase up to 187,500 additional ordinary shares.
Use of proceeds:	We expect that we will receive net proceeds of approximately US\$3.5 million from this offering, or approximately US\$4.3 million if the underwriters exercise their option to purchase additional shares in full, assuming an initial public

offering price of US\$4.50 per share, which is the midpoint of the estimated initial public offering price range set forth on the cover page of this prospectus, after deducting underwriting discounts and commissions and estimated offering expenses payable by us, assuming 100% investors in this offering are introduced by the underwriters.

We plan to use the net proceeds of this offering as follows:

- approximately 21.5% will be used for deepening our penetration of the security-related engineering services industry;
- approximately 6.0% will be used for strengthening our development capability and the enhancement of product offerings under our “SUNGATE” brand;
- approximately 13.5% will be used for the expansion of our security guarding services and the improvement of our operational efficiency and scalability;
- approximately 8.5% will be used to expand our related vocational training services;
- approximately 40.0% will be used to pursue strategic acquisitions and investment opportunities to strengthen our market position and further enhance our competitiveness in the security services industry; and
- approximately 10.5% will be used for general working capital.

See “*Use of Proceeds.*”

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Lock-up:

All of our directors and officers and 5% or greater shareholders have agreed with the underwriters not to sell, transfer or dispose of, directly or indirectly, any of our ordinary shares or securities convertible into or exercisable or exchangeable for our ordinary shares for a period of six (6) months from the closing of this

offering. See “*Shares Eligible for Future Sale*” and “*Underwriting*” for more information.

Listing: We have applied to have our ordinary shares listed on the Nasdaq Capital Market, or Nasdaq. We cannot guarantee that we will be successful in listing our ordinary shares on Nasdaq; however, we will not complete this offering unless we are so listed.

Proposed Nasdaq symbol: SUGP

Transfer agent and registrar: Transhare Corporation

Risk factors: **Investing in our ordinary shares is highly speculative and involves a significant degree of risk.** As an investor, you should be able to bear a complete loss of your investment. You should carefully consider the information set forth in the “*Risk Factors*” section beginning on page 18.

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## **RISK FACTORS**

*An investment in our ordinary shares involves a high degree of risk. Before deciding whether to invest in our ordinary shares, you should consider carefully the risks described below, together with all of the other information set forth in this prospectus, including the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and related notes. If any of these risks actually occurs, our business, financial condition, results of operations or cash flows could be materially and adversely affected, which could cause the trading price of our ordinary shares to decline, resulting in a loss of all or part of your investment. The risks described below are not the only ones that we face. Additional risks not presently known to us or that we currently deem immaterial may also affect our business. You should only consider investing in our ordinary shares if you can bear the risk of loss of your entire investment.*

### **Risks Related to Our Business and Industry**

***We rely heavily on the contracts from our recurring customers and any decrease or loss of business from any one of our recurring customers may adversely affect our business, results of operations and financial condition.***

Our current business strategies rely heavily on recurring customers. We track new and recurring customers. Customers are considered to be recurring if they engage us for more than one fiscal year or

period. For the fiscal years ended September 30, 2021 and 2022, and the six months ended March 31, 2023, we had 333, 319, and 281 recurring customers, respectively, representing approximately 87.4%, 72.7%, and 81.7% of the total number of our customers, respectively, for the corresponding fiscal year or period. Accordingly, approximately 93.5%, 80.9%, and 73.7% of our revenues from security-related engineering services, respectively, and approximately 98.6%, 74.2%, and 88.4% of our revenues from security guarding and screening services, respectively, was contributed by our recurring customers for the fiscal years ended September 30, 2021 and 2022, and the six months ended March 31, 2023.

Our contracts with our customers generally do not include long-term obligations requiring them to retain our services. As such, there is no guarantee that our customers will continue to engage us at the same volume of business in the future or that we will be able to replace, in a timely or effective manner, departing customers with potential customers that deliver a comparable level of revenues. If our recurring customers reduce their demand for our services, decrease their spending for our services, request more competitive fees, terminate our contracts prior to the expiry date, engage the services of our competitors or refuse to award new contracts to us, our business, results of operations and financial condition may be materially and adversely affected.

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

In addition, a certain portion of our revenues was derived from projects under security-related engineering services provided through one of our subsidiaries, Shine Union, part of which is non-recurring in nature. If we fail to secure new contracts for security-related engineering services, our business, results of operations and financial condition may be materially and adversely affected.

***Our preliminary financial results represent management's current estimates and are subject to change.***

The preliminary financial results contained in “*Prospectus Supplement — Recent Developments*” are only preliminary estimates and are based on information available to management as of the date of this prospectus and these estimates could change. Our actual financial results as of September 30, 2023 are subject to the completion of our audited financial statements as of and for such period. Such actual financial results will not be available until after this offering is completed and, consequently, will not be available to you prior to investing in this offering. Our actual financial results as of September 30, 2023 may differ materially from the preliminary financial results we have provided as a result of the completion of our final adjustments, audit by our independent registered public accountants and other developments arising between now and the time that our financial results for such period are finalized.

Our independent registered public accountants have not audited, reviewed or performed any procedures with respect to such preliminary estimates and accordingly do not express an opinion or any other form of assurance with respect thereto.

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***Our contracts were awarded after undergoing direct negotiation and quotation processes with our potential customers or through competitive tendering. There is no guarantee that new contracts will be awarded to us.***

We mainly secure our contracts through direct negotiation and quotation processes with our potential customers and through tendering. For the fiscal years ended September 30, 2021 and 2022, and the six months ended March 31, 2023, approximately 92.6%, 81.9%, and 68.1% of our revenues generated from security-related engineering services was generated from quotations, respectively, and approximately 7.4%, 18.1%, and 31.9% was generated from tendering, respectively. For the fiscal years ended September 30, 2021 and 2022, and the six months ended March 31, 2023, approximately 53.8%, 47.0%, and 43.2% of our revenues generated from security guarding services was generated from quotations, respectively, and approximately 46.2%, 53.0%, and 56.8% was generated from tendering, respectively. Our revenues generated from screening services was mainly generated from quotations for the fiscal years ended September 30, 2021 and 2022, and the six months ended March 31, 2023.

We cannot assure you that we will continue meeting the tendering requirements or that our overall score under the customers' evaluation system (if applicable) can be maintained. If we fail to secure new major contracts through quotation and tendering processes, or maintain comparable success rate for contracts secured through quotation or tendering processes in the future, our business, results of operations and financial condition may be materially and adversely affected.

***If we are unable to accurately estimate the risks, work progress, revenues or costs when we enter into contracts or fail to perform our contracts based on our estimates, or if we fail to agree on the pricing of work done pursuant to variation orders or otherwise, we may be unable to realize the anticipated profits or incur losses on the contracts.***

Since our contracts are normally awarded through invitation for quotations and a competitive tendering process, we need to estimate the risks of, and the time and costs required for, the potential projects to determine the quotation or tender prices to our customers. Our major contracts have pricing terms determined by reference to our bids and agreed at the time each contract is awarded to us. We are typically responsible for all of our own costs, and our ability to achieve our estimated profitability on any project is largely dependent on our ability to accurately estimate and control these costs. In addition, the duration of some of our contracts is more than one year, and once the price is fixed, we are obliged to complete the contract at the agreed price. Cost overruns, whether due to unfavorable construction conditions,



inefficiency of other parties involved in the project, inaccurate estimates or other factors such as delay in work progress due to disputes or in coordination among the parties involved, may result in a lower profit or even a loss on a project.

From time to time, we are required to perform variation works as directed by customers which are not in the original design specifications. Our customers will perform measurement and evaluation of the variation works and make adjustment to the contract sum. Variation orders or other changes may sometimes result in disputes about whether the work performed is in the scope of work, or the amount payable for the variation work. Even when our customers agree to pay for the variation work, we may be required to prefund the cost of such work until the variation order is approved and paid by the customers. In addition, any delay caused by the variation works may adversely impact the timely scheduling of other project work and our ability to meet specified contract stages.

The amount of total costs we incur on a project is affected by a variety of factors, including fluctuations in the price of parts and components, variations in labor and security systems costs over the term of a contract, changes in project scope or conditions, delay in or extension of construction period, disagreements on contract terms or works between the customers and the main contractors, adverse weather conditions, labor disputes, accidents and other unforeseen circumstances. If any changes in costs cause the revenues and gross profit realized from a contract to be lower than our originally estimated amounts, even if we may have built any buffer into our bids for any increase in labor, material and project management costs, our business, results of operations and financial condition may be adversely affected.

***We have limited control over the quality of security systems offered by us. Our reputation, business, results of operations and prospects may be adversely affected by material interruptions of our relationship with our suppliers and any quality issues in relation to our outsourced security systems.***

As we are not engaged in the production of security systems during the ordinary course of our business, we source security systems from and rely on the relationship with suppliers mainly from Malaysia, Belgium and Hong Kong. For the fiscal years ended September 30, 2021 and 2022, and the six months ended March 31, 2023, our cost of goods sold amounted to HK\$27.0 million, HK\$24.3 million, and HK\$27.3 million, representing approximately 22.9%, 17.8%, and 28.1% of our total revenues, respectively. We rely on our suppliers to continue to supply high quality security systems

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on a timely basis and at competitive prices to sustain our operations. Prices of products offered by our suppliers may be subject to fluctuation for reasons beyond our control, such as greater industry demand, shortage of supplies or change in their marketing strategies. We cannot assure you that our suppliers will not consolidate their businesses, such that they will be in a stronger bargaining position in their commercial negotiations with us. There is also no assurance that we as a distributor will be able to source

suitable security systems and desired brands for our customers. Failure to effectively maintain our business relationship with our suppliers may also impair our ability to secure competitive terms for our procurement. Any significant increase in our purchase prices and our failure to pass on the increased costs to our customers could have a material adverse effect on our business, results of operations and financial condition.

In the case where there are quality issues relating to these products, we may consequently be involved in legal or other proceedings initiated in relation to product liability. For instance, if there is a malfunction of the security system or if it fails to achieve the level of security that it claims to provide, our customer may be exposed to risks of personal or property damage, which in turn could expose us to litigation and damage claims from our customers. These proceedings would involve risk and any unexpected outcome that may have a material adverse impact on our financial results. Furthermore, if any security systems, parts and/or components are damaged in the course of transportation beyond our control, we cannot assure you that we would not be involved in any legal proceedings related to the quality of any single product sold by us.

Our business operations and financial performance may be materially affected if any product liability claim arises. We cannot assure you that the security systems offered by us for sale in the future will be free from any quality issues or that we will not be party to any legal proceedings, including matters involving product liability claims or other proceedings arising from our operations. If the security systems we sell are defective, our customers may lose confidence in us and/or our products and our reputation could be severely damaged, which in turn could lead to a decrease in demand for our products and cause adverse impact on our results of operations and financial condition.

Further, the success of our security-related engineering services, to a certain extent, depends on the effectiveness of our suppliers' pricing and marketing strategies, brand management, and market acceptance, quality control and commercial success of the security systems that we sourced from them. Any negative media coverage about our suppliers or their brands, incidents of product recall by our suppliers or the supply of poor quality or defective products by them may adversely impact our business performance and reputation.

***Various registrations, approvals, licenses and certifications are required to operate our businesses. The loss of, expiry, withdrawal, revocation or failure to obtain or renew any of such registrations, approvals, licenses and certifications could materially and adversely affect our results of operations and financial condition.***

In accordance with the laws and regulations of Hong Kong, we are required to maintain various approvals and licenses in order to operate our business. These registrations, licenses and certifications may only be valid for a limited period of time and may be subject to periodic reviews and renewal by the relevant authorities. Failure to comply with these laws and regulations, or the loss of or failure to renew our license or any change in Hong Kong government policies, could lead to temporary or permanent

suspension of some of our business operations or the imposition of penalties on us, which could adversely affect our results of operations and financial condition.

*We are on the approved lists of contractors and/or suppliers of various Hong Kong government departments and are subject to ongoing evaluation and appraisals. As certain invitations for tender are not open to the public and are only sent to contractors and suppliers on these approved lists, any loss of any or all of these customers or our failure to remain on such approved lists could materially and adversely affect our businesses.*

We identify potential projects through (i) undergoing direct negotiation and quotation process with our potential customers, or (ii) tendering, which may be open tenders or sent to a selected group of prequalified contractors on the customer's list of approved contractors. As of the date of this prospectus, we are on the lists of approved suppliers and/or contractors of more than 13 Hong Kong government departments. We keep track of tender notices by monitoring the Hong Kong government websites and gazette on which they are published. For some projects in the public sector, tenders are by invitation, and are sent to prequalified contractors/suppliers on the contractor or supplier lists maintained by the relevant Hong Kong government departments for selective tendering.

In addition, we are subject to ongoing evaluation and appraisals. If our capability, performance, tendering record or financial standing is found to be unsatisfactory by the relevant Hong Kong government department, or if we fail to implement sufficient safety measures and procedures at work sites which has resulted in any personal injuries or

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fatal accidents, the relevant Hong Kong government department may remove us from its approved list or take other regulatory actions against us such as suspension, extending probationary period, downgrading to probationary status, or demotion to a lower group in respect of all or any work category in which we are listed.

If defects are discovered in our works, including latent defects which maybe undiscovered for years after completion, we may be removed or suspended from the relevant list of approved contractors. Even if there has been no breach of the relevant contract terms, our reputation may still be adversely affected, and it might become more difficult for us to be selected for future projects. If we have violated any law or regulation, the relevant Hong Kong government department may take disciplinary actions against us, such as amendment, variation (including demotion of licenses to a lower grade), suspension and revocation of licenses. Furthermore, in awarding contracts to a contractor or a supplier, the Hong Kong government departments will take into account a contractor's or a supplier's performance and track record and whether disciplinary action has been taken against it. In the event of any such suspension, revocation or downgrading, there would be a detrimental impact on our operations and prospects.

In addition, any changes or alterations in the licensing requirements and/or standards for admission into the list of approved contractors or suppliers may require us to make necessary corresponding adjustments to meet any new requirements and/or standards resulting from such changes, thus requiring us to incur extra costs.

***We outsource certain parts of our security-related engineering works to subcontractors and are exposed to claims arising from latent defects that may be caused by us or our subcontractors in the past, the discovery of which may have material negative impact on our reputation, business and results of operations.***

During the fiscal years ended September 30, 2021 and 2022, and the six months ended March 31, 2023, we have outsourced certain parts of our security-related engineering works to subcontractors engaged by us. For the fiscal years ended September 30, 2021 and 2022, and the six months ended March 31, 2023, our subcontracting costs, which mainly represent the cost of services from third-party service providers, were HK\$14.1 million, HK\$15.6 million, and HK\$14.6 million, respectively, representing 17.3%, 16.0%, and 20.3% of our total cost of revenues, respectively.

We cannot assure you that work completed by our subcontractors is up to our standard. We are not able to monitor the performance of our subcontractors or their respective staff as directly and efficiently as with our own staff. If a subcontractor fails to provide services and/or products as required under a contract, we may be required to procure other companies to perform these services or provide these products on a delayed basis or at a higher price than anticipated, which could impact our profitability. If a subcontractor's performance does not meet our standards, the quality of the project may be affected, which could harm our reputation and potentially expose us to litigation and damage claims. We may also face claims arising from latent defects caused by our subcontractors which we did not discover in the past. In the event that we are unable to locate these subcontractors to rectify the defect, if it is rectifiable, or if we fail to hold them liable or obtain compensation from them, we may have to incur significant time and costs to carry out remedial actions. We may even face litigation against us.

In addition, we may not be able to engage suitable subcontractors for our new projects. As of the date of this prospectus, we have not entered into any long-term service agreement with our subcontractors. As such, our existing subcontractors have no obligation to be engaged by us in future projects. If we fail to find suitable alternative subcontractors to meet our new project needs and requirements, our results of operations and financial condition may be adversely affected.

***Security guarding and screening services and related vocational training services are highly labor intensive and we rely on a stable supply of labor to provide our services. Labor shortages or increases in labor costs could harm our business, reduce our profitability and slow our growth.***

Our security guarding and screening services and related vocational training services business operations are labor intensive and we rely heavily on our staff for providing these services. Our employee turnover rate in respect of the full-time employees for providing security guarding and screening services and

related vocational training services, calculated by dividing the number of relevant employees who left us by the total number of relevant full-time employees during the relevant period, was 61.8%, 57.0%, and 74.0% for the fiscal years ended September 30, 2021 and 2022 and the six months ended March 31, 2023, respectively. A relatively high employee turnover in respect of security guards and screeners is the nature of the security guarding and screening industry in Hong Kong. We cannot assure you that there will be a stable supply of labor in the future.

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We have, from time to time, experienced short-term shortages primarily in engineers and skilled workers for the provision of installation services, which we have addressed by (i) paying higher wages or (ii) engaging subcontractors to provide relevant labor.

In view of the above, we may experience labor shortages or an increase in labor costs in the future. Any future inability to recruit and retain qualified individuals may delay the completion of our works and could result in deduction from the contract sum payable to us as a form of penalty. Any such delays could have a material adverse effect on our business and results of operations.

Industry expertise and talents are important for the operation of our businesses, and therefore, our success depends in part on our ability to attract, retain and motivate a sufficient number of engineers, technicians, security guards and screeners and the engagement of subcontractors for certain labor-intensive works. According to the Frost & Sullivan Report, there is a mismatch between the demand and supply for skilled labor in the security-related engineering services industry. Combined with the growing demand for security-related engineering services and the shortage of skilled labor, qualified individuals in the relevant industries are in short supply and shortage of such workers may be a constraint for our growth in this market.

As some of the security guarding and screening services engagements may involve a relatively short term of service, the security guarding and screening services industries require flexible deployment of human resources. Work fragmentation in turn gives rise to the proliferation of casual labor, such as part-time employees and temporary workers. Competition for the pool of part-time security guards and screeners is commonplace among security services providers and more competitive remuneration packages may have to be adopted by us to attract sufficient labor.

In addition, competition for engineers, technicians, security guards and screeners or employees could also require us to pay higher wages, which could result in higher labor costs. Moreover, the minimum wage requirement in Hong Kong has increased and can continue to increase our labor costs in the future. See *“Industry — Overview of Hong Kong Security-Related Engineering Services Market — Cost Structure Analysis”* for the details of historical labor costs.

Our agreements do not contain labor cost adjustment mechanisms, and we may fail to anticipate or may be unable to transfer the full impact of any increase in labor cost to our customers. In such or other cases, we may not be able to increase our prices in order to pass these increased labor costs on to our customers for contracts without price adjustments, in which case our business and results of operations would be negatively affected.

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 labor shortage, we may be unable to deliver satisfactory services to our customers 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 customers 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.

***If the collection pattern of payment to us significantly deviates from our estimation, our business, results of operations and financial condition could be adversely affected.***

Our operations, including security-related engineering services and security guarding and screening services are mainly project-based. Our collection of payment depends significantly on various factors including without limitation, the terms of the work contracts, the length of the contractual period, the efficiency of implementation of the contractual works and the general progress of the relevant projects. As a result, our cash flows are subject to various factors beyond our control, and there is no assurance that the profitability of a project can be maintained or estimated at any particular level.

We generally receive periodic progress payments from our customers in respect of projects. The stages of payment are determined with reference to the milestones as specified in the contracts. In some instances, our customers may withhold 5% of the total contract value as retention money. There can be no assurance that progress payments or retention monies will be paid on time and in full. In the event that our customers fail to make such payments on time and in full due to disagreement on the payment sum, delay in the settlement process or otherwise, our business, results of operations and financial condition may be materially and adversely affected.

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***Our business depends heavily on major suppliers. Any shortage of, or delay in, the supply may significantly impact on our business and results of operations.***

Our business depends heavily on the supply of threat detection systems, which is the principal security system offered by us. For the fiscal years ended September 30, 2021 and 2022, and the six months ended

March 31, 2023, our largest supplier for our security-related engineering services accounted for approximately 36.6%, 20.2%, and 13.1% of our total cost of sales, respectively. Four suppliers accounted for 20.6%, 18.4%, 13.2%, and 13.2% of our trade and notes payables as of March 31, 2023. One supplier accounted for 54.1% of our trade and notes payables as of September 30, 2022. Two suppliers accounted for 31.5% and 13.5% of our trade and notes payables as of September 30, 2021. If the supply of threat detection systems by our largest supplier is disrupted, and we are not able to timely identify and engage a replacement supplier, our business operation may be subject to disruptions or security risks.

In addition, we generally do not enter into long-term contracts with our suppliers. If any of our major suppliers substantially reduce the amount of services or security systems and other related parts and components provided to us, or terminate their business relationship with us entirely, there can be no assurance that we would be able to identify replacement supplies in a timely fashion. There can be no assurance that the provision of goods and services from replacement suppliers, if any, would be on commercially comparable terms. As such, our business, results of operations and financial condition could be adversely affected.

***We are subject to restrictions or obligations imposed by some of our suppliers. Any failure to comply with such restrictions or obligations could adversely affect our relationship with our suppliers.***

Some of our major suppliers impose restrictions or obligations in relation to the purchase and distribution of security systems, parts and/or components, such as minimum purchase requirements and exclusive distribution provisions. Our failure to purchase a minimum purchase quantity may entitle suppliers to terminate the distribution agreements entered with us and/or terminate our exclusive right to market and sell one or more of their products as distributors, and failure to meet with other such restrictions or obligations could adversely affect our business relationships with our suppliers, thus our business and results of operations.

***Increase in our security systems costs may adversely affect our operations and financial performance.***

For the fiscal years ended September 30, 2021 and 2022, and the six months ended March 31, 2023, our cost of goods sold amounted to HK\$27.0 million, HK\$24.3 million, and HK\$27.3 million, respectively, representing approximately 33.0%, 24.9%, and 31.9% of our total cost of revenues. The prices of our security systems generally follow the price trends of, and vary with, market conditions. Supplies of these security systems may also be subject to a variety of factors that are beyond our control, including but not limited to the suppliers' business interruptions, government control and overall economic conditions, all of which may have an impact of their respective market prices from time to time.

We may not be able to shift any increase in our purchase costs to our customers, and in some cases there may be a delay before we are able to do so effectively. In the event that the increase in our purchase prices is more than our expectation, and if we fail to shift or there is a delay in shifting on cost increases to our customers, our operations and profitability may be adversely affected.

*Our corporate structure consists of multiple service segments and exposes us to risks relating to multiple industries. Failure to effectively manage all our segments may have adverse effect on our business, results of operations and financial condition.*

We have multiple service segments, namely security-related engineering services, security guarding and screening services and related vocational training services in Hong Kong. Due to the relatively diverse characteristics of us, 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, our successful operation requires us to place emphasis on 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 increases the difficulty in management.

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 effectively manage all our segments, our business, results of operations and financial condition may be adversely affected.

*We have a short operating history of providing security guarding and screening services and related vocational training services. We may experience difficulties in managing and integrating these types of business operations.*

Fortune Jet has considerable operations on security guarding and screening services and related vocational training services. Prior to July 2019 when we acquired Fortune Jet, we only focused on the provision of security-related engineering services. As such, we have a short operating history of providing security guarding and screening services and related vocational training services. We may fail to effectively manage the operations of Fortune Jet, integrate them effectively with our other operations or otherwise obtain the desired benefits from the acquisition. Any failure to manage or integrate the operations of Fortune Jet with our other operations or otherwise realize the desired benefits from the acquisition may have a material and adverse effect on our business, financial condition, results of operations and prospects.

*Any failure to maintain an effective quality assurance system 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 customers and secure contracts. We also believe that our “Shine Union” brand, “Fortune Jet” brand and “SUNGATE” brand have the market reputation of quality security services and that maintaining and promoting this brand recognition and good reputation is critical to our future success. The promotion and enhancement of our reputation and brand within the industries in which we operate depend largely on our ability to provide reliable, quality and timely services to our customers that appeal to their needs, patterns and preferences. If we fail to do so or our customers no longer perceive our services to be of high quality, our brand and reputation could be adversely affected, which will in turn materially and adversely affect our business, financial condition and results of operations.

As of March 31, 2023, we had 3 registered trademarks in Hong Kong, which we consider material to our business. However, we cannot guarantee you that the registration of our trademarks can completely protect us against any infringement or imitation. 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 misbehavior and misconduct by our employees, or if we fail to effectively protect our brand and trademarks, our reputation and brand could be damaged and our business and financial performance may be materially and adversely affected.

To maintain the quality of our services, we need to continue to maintain an effective quality assurance system. The effectiveness of our quality assurance system depends significantly on a number of factors, including (i) timely updates 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.

Any failure or deterioration of our quality assurance system could result in a decline in the quality of our services, which in turn may jeopardize our reputation, reduce demands for our services or even subject us to contractual liabilities, other claims or 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 are exposed to risks in relation to work safety and occurrences of accidents. We may also be involved in disputes and legal and other proceedings arising from our operations from time to time and may face significant liabilities as a result.***

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 installation and maintenance services of security systems and security guarding and screening services. We provide our services principally through our own employees and they may be

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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 threat detection systems and other electrical appliances in undertaking maintenance works; (iii) lifting heavy objects; (iv) working in new and unfamiliar environments; and (v) maintaining order in crowded events.

We may from time to time face miscellaneous litigation claims from our employees or third parties, who suffer personal injuries at premises where we provide our services, which may or may not be meritorious. 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 customer's perception of the quality of our services. If we are involved in any litigation or legal proceedings, the outcome of such proceedings 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 require significant time and attention of our management, diverting their attention from our operations, and result in negative publicity against us.

We cannot assure you that any incidents or accidents, which could result in property damage, personal injury or even death to the third parties (who may be residents, 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. 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 behavior on the part of our employees. We may also experience interruptions to our business operations and may be required by certain departments of the Hong Kong government 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, results of operations and financial condition.

***Our success and business operations are largely dependent on certain key personnel and our ability to attract and retain talented employees such as screeners with requisite skills, expertise and experience.***

Our success is, to a significant extent, attributable to the continued commitment, service and contributions of our directors and officers, including Mr. Chan Ming Dave, Mr. Kong Wing Fai, Mr. Koo Lon Tien and key personnel with requisite skills, expertise and experience. Our continued success is therefore dependent to a large extent on our ability to retain and motivate our directors, senior management and qualified key personnel.

Our directors, senior management and directors of our subsidiaries have extensive knowledge and are experienced in the security-related engineering services industry and security guarding and screening services industry, as applicable, and they have all significantly contributed to the development of our business. See “*Management.*” We cannot assure you that we will always be able to attract or retain our current senior management, that they will not leave our employment in the future or that we can continue to develop the experience and skills of our key personnel. Any unanticipated departures of members of the senior management team without any appropriate and timely replacement may result in loss of strategic leadership and disruption or delay to our business operations and expansion, which may have a material adverse effect on our business operations and profitability and future prospects.

During the course of provision of our services, certain tasks must be performed by employees with requisite qualifications and/or licenses, such as security personnel involved in the provision of security services, security guards and screeners. We cannot assure you that we will be able to attract and retain adequate talented employees with the requisite skills, expertise and experience. In addition, as we expand the scale of our business operations, it may become increasingly difficult for us to attract and retain an adequate number of qualified staff for our new projects. Our failure to recruit or retain qualified staff to our existing and future projects, or the loss of or increased costs in retaining such qualified staff, would have a material adverse effect on our business, financial condition and results of operations.

***Any security breach, theft, burglary, loss of property occurring at and/or damage to the properties or bodily harm or accident resulting in personal injury to the personnel secured, guarded, managed and/or served by us could adversely affect our business, results of operations, financial condition and reputation.***

Security breach, theft, burglary, loss or damage of property, bodily harm and accidents resulting in personal injury may occur during the course of operating our business. The properties or personnel that we secure, guard, screen, manage and/or serve may be subject to such incidents and may be damaged in a variety of ways that are beyond our control, including but not limited to natural disasters and intentional or unintentional human actions. We may be liable for loss

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suffered by our customers as a result of such incidents if the loss is caused by our negligence or breach of contract. If we are liable to pay damages to our customers for such loss, our business, results of operations, financial position and reputation 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 departments of the Hong Kong government in their investigations in connection with any incident that took place in the properties we secure. 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.

***We may not be able to collect payments from customers and as a result, may incur impairment losses on receivables.***

During our business operation, we may face difficulties in collecting payments from customers. We cannot assure you that our measures to collect overdue payments, such as by sending statement of accounts and reminder emails to customers, will be effective. Although some payments are paid to us through bank transfers, individual customers of the related vocational training services provided by us may make payments to us in cash. For the fiscal years ended September 30, 2021 and 2022, and the six months ended March 31, 2023, our related vocational training income amounted to HK\$4.9 million, HK\$3.8 million, and HK\$2.1 million, respectively, representing 4.2%, 2.8%, and 2.2% of our total revenues, respectively.

Our provision for impairment of trade receivables for the fiscal years ended September 30, 2021 and 2022, and the six months ended March 31, 2023, were HK\$3,000, HK\$30,000, and nil, respectively. In the event that the actual recoverability is lower than expected, or that our past loss allowance for impairment of trade receivables becomes insufficient in light of any new information, we may need to provide for an additional loss allowance for impairment of trade receivables, which may in turn materially and adversely affect our business, financial position and results of operations. Further, if we fail to collect cash payments from customers or experience a prolonged delay in receiving trade receivables, our cash flow position and our ability to meet our working capital requirements may be adversely affected.

***Failure to enter into formal written agreements in respect of our security systems maintenance services 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 condition may be adversely affected.***

Due to the nature of our services, our customers may sometimes require our security services urgently, such as for urgent parts replacement. In such circumstances, we may be required to procure or source parts and components and provide security maintenance services to satisfy the ad-hoc or urgent demand from our customers based on verbal agreements between the parties. We may only be able to issue an invoice to, receive a formal purchase order from or enter into written agreements with our customers after our services are rendered. Without a formal written agreement to document the respective rights and obligations of the parties before our provision of services, we face uncertainty relating to the terms and conditions of our engagement. Our customers 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, which may materially and adversely affect our results of operations and financial condition.

***We may face allegations, complaints or reports by our customers and third parties, and any failure to deal with such complaints or negative publicity could materially and adversely affect our reputation, business, and our prospects.***

We undertake works and provide services that are generally used by the general public as end users. There may be complaints or negative press reports regarding our works, operations or projects in which we are involved, and we may face allegations and complaints made by our customers or third parties and in media reports in relation to our operation, our works or compliance with applicable laws, such as the tendering procedure, our safety standards and procedures, the quality of our works and the security systems we use, and our treatment of subcontractors and employees. We can be adversely affected by the complaints or allegations relating to our works and services, our operations, the nonperformance or sub-standard performance of subcontractors, or negative media publicity thereof, whether meritorious or not.

Negative comments, complaints, negative publicity or claims against us, whether meritorious or not, will place a burden on us and divert management and other resources from other business operations, which may adversely affect our business operations. Any incidents, regulatory investigations or reports through the media or other third parties of possible work or service issues, or non-compliance with any laws or regulations involving us, our directors, officers,

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employees, or shareholders, could significantly damage our reputation, goodwill, and our corporate and brand image, or otherwise affect our ability to conduct or expand our business, and may therefore have a material adverse effect on our business, cash flow, financial condition, results of operations, and our prospects.

Our participation in government projects may, more likely than in the case of non-government projects, draw public attention. Such publicity may be adverse and overstated. For projects which are publicly funded, changes in government budgets and policy considerations could result in delays or changes to these projects. In addition, disputes with public bodies may last for considerably longer periods of time than for those that occur with non-government sector counterparties, and payments from the public bodies may be delayed as a result. All these risks may affect our performance of contracts with public bodies, and may have a material adverse effect on our business and results of operations.

***If we fail to meet the requirements of our contracts or quality standards of our services, we may be required to pay damages and additional costs, which may adversely affect our business and reputation.***

We are typically required to complete each project according to a fixed schedule by an agreed date as stated in the relevant contract. If we fail to complete a project in a timely manner resulting in a breach of our contractual obligations, we may be liable to compensate our customers for losses or damages caused by the delay. For the projects undertaken by us, it is common for a clause for payment of damages for non-completion of works to be included in the contract made between us and the customer involved. Such a clause usually provides that in case of delay in the completion of works, a sum of liquidated damages calculated on the basis of a fixed sum of money per day (as stated in the contracts) will have to be paid by us to the customer for the period during which the works remain incomplete due to our default. Alternatively, the contract may provide that the customer may recover from us any costs reasonably incurred for the procurement of work or services in replacement of incomplete works due to any delay or non-completion on our part. Any delay in the completion of a project, whether or not caused by us, could also lead to additional costs being incurred, including costs to hire additional manpower. During the fiscal years ended September 30, 2021 and 2022 and the six months ended March 31, 2023, we were not liable for losses or required to pay any damages for any delay in the completion or non-completion of any projects.

Any claims for liquidated damages will affect our profitability if no extension of time is granted, as the customer is entitled to deduct such liquidated damages from the contract sum under the relevant contract. The effect on us depends on the length of the delay in completion due to our default.

In addition, we may be liable to compensate our customers for any losses sustained by them if any of our employees or third-party service providers do not complete projects in accordance with the terms specified in the relevant contracts. These litigation costs, together with the payment of damages, could adversely affect our profitability and financial performance.

***Our business operations are located in Hong Kong, which renders us especially sensitive to local conditions and changes, such as those with respect to laws and regulations, economic and political environments, force majeure events, natural disasters or mass civil movements.***

Currently, our business operations are based in Hong Kong, and we have no plan to provide such services in other territories in the near future. Our business operations and the demand for our services are therefore exposed to any deterioration in the economic, social and/or political conditions, significant changes in laws and regulations governing the security-related engineering services industry and the security guarding and screening services and related vocational training services industries, such as those relating to civil aviation, the Hong Kong government's subsidy to customers for purchasing X-ray machines in October 2020, as well as any change of legal system, incidence of social movements, strike, riot, civil disturbances, mass civil movements, disobedience, recurrence of past outbreaks or epidemics, occurrence of any future epidemic outbreaks, natural disasters or other catastrophic events in Hong Kong. Since our business operations are limited to Hong Kong, the aforesaid adverse circumstances may materially and adversely disrupt operations of the provision of our security-

related engineering services and security guarding and screening services and related vocational training services, and in turn, our revenues and profitability, and consequently, our results of operations and financial condition.

***Any outbreak of communicable disease in Hong Kong, including but not limited to COVID-19, severe acute respiratory syndrome, swine influenza, etc. could have a material and adverse effect on our business.***

The outbreak of any severe communicable disease (or the escalation and/or intensification of any outbreak of any severe communicable disease), such as COVID-19, Severe Acute Respiratory Syndrome (SARS), Middle East Respiratory Syndrome (MERS), H5N1 avian flu, Ebola virus, as well as influenza caused by H7N9 and H3N2 or the human swine flu (H1N1), also known as influenza A virus, in Hong Kong, if uncontrolled, could have an adverse effect on our

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operations and the overall business sentiments and environment in Hong Kong. In addition, if any of our employees are affected by any severe communicable diseases outbreak, it could severely disrupt our business operations and adversely affect our results of operations as we may be required to temporarily shut down our offices and training centers and to prohibit our staff from going to work to circumvent the spread of the disease.

In addition, any outbreak of communicable disease in Hong Kong could also adversely affect our customers' 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 for security services. Therefore, our business, results of operations, and also our financial condition could be adversely affected.

Any outbreak of epidemics which may lead to serious disruption to the public in the affected areas, may have a material and adverse effect on our business, results of operations and financial condition. Any disruption to us, our employees, our customers and/or our suppliers, any of which could materially impact our revenues, the procurement of supplies, overall results of operations and financial condition. As a whole, any of such events may cause our business to suffer in ways that we cannot anticipate.

***The COVID-19 pandemic has adversely affected and may continue to adversely affect the economy in Hong Kong, although we have not been materially affected by the pandemic, our business growth may be adversely affected in the future.***

COVID-19 has caused market volatility and the suspension of some businesses, services and flights between Hong Kong and certain countries and cities. Additionally, the economy in Hong Kong has been

adversely affected by the COVID-19 pandemic. The unfavorable economic conditions of Hong Kong may discourage the Hong Kong government or project employer from initiating work orders or individual projects, thus reducing the number of new work orders or individual projects to be awarded to us. Our work orders or individual projects on hand may also be delayed or even cancelled.

With the ongoing COVID-19 pandemic, there is no assurance that our suppliers will be able to source and procure necessary security systems and parts or our subcontractors will be able to provide security-related engineering services, without delay or at all. In addition, we may not be able to identify suitable alternative suppliers and/or subcontractors on the same or similar terms or at all. Further, even if we could identify suitable alternative suppliers and/or subcontractors, there can be no assurance that the alternative suppliers and/or subcontractors would not encounter similar difficulties in sourcing and procuring security systems and parts or providing security-related engineering services on the same or similar terms at all.

The COVID-19 pandemic may also lead to a labor shortage and an interruption of our work progress. Our employees as well as employees of our subcontractors working at work sites or our premises and students receiving training at training center they have attended may be infected by COVID-19. We may incur extra costs in relation to various precautionary measures implemented at our premises and work sites to minimize the infection risk of our staff, the workers employed by our subcontractors and the students.

Furthermore, our customers may face similar financial difficulties and become unable to settle the payments due to us in time or at all and we may in turn incur a significant impairment loss. These adverse impacts, if they materialize and persist for a prolonged period, may significantly and adversely affect our results of operations and financial condition.

While it is unknown how long these conditions will continue to last and we have not been materially affected by the COVID-19 outbreak for the fiscal years ended September 30, 2021 and 2022, we are closely monitoring the impact of the COVID-19 pandemic. The full impact of the COVID-19 on our operations will depend on factors beyond our control. We may not be able to effectively and efficiently operate our business and implement our strategies as planned, we may not be able to grow our business and generate revenues as anticipated, and our results of operations, financial condition and prospects may subsequently be materially and adversely affected.

***We recorded certain one-off gains which may be non-recurring in the future.***

For the fiscal years ended September 30, 2021 and 2022, and the six months ended March 31, 2023, we received government grants of HK\$1.0 million, HK\$3.5 million, and HK\$0.6 million, respectively. To cushion the impact of COVID-19 on our operation of business, we have applied for subsidies under the Employment Support Scheme, an Anti-Epidemic Fund launched by the Hong Kong government. During the fiscal years ended September 30, 2021 and



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2022, and the six months ended March 31, 2023, we were granted subsidies from the aforementioned funds by the Hong Kong government in the amount of HK\$0.7 million, HK\$3.3 million, and HK\$0.4 million, respectively. Such government grants are non-recurring in nature and were recorded as an item in other income in our consolidated financial statements. We may not be able to generate the same amount of other income in the future. In the event of any changes in government measures or policies, resulting in any suspension, material reduction or termination of government grants we receive, our profitability, results of operations and financial condition may be materially and adversely affected.

*We make deposits or prepayments to our suppliers for our purchases in some cases. If our suppliers fail to perform their respective obligations, our business, results of operations and financial condition would be materially and adversely affected. Prepayment arrangements also expose us to the credit risks of our suppliers.*

Some of our suppliers require us to pay deposits or prepayments for the purchases of security systems, parts and/or components. In the event that our suppliers default on their contractual obligations, our suppliers may not refund the full amount paid by us. There can be no assurance that we will be able to limit or reduce any potential forfeiture of deposits or prepayments, and any material increase in any such forfeiture may have a material adverse effect on our results of operations and financial condition.

We make prepayments to our suppliers without receiving collateral to secure such payments. As a result, our claims for such payments would be ranked as unsecured claims and expose us to credit risks of our suppliers in the case of an insolvency or bankruptcy of such suppliers. Under those circumstances, our claims against the suppliers would rank below those of the secured creditors, which would undermine our chances of obtaining the return of the prepayments. Accordingly, a default by our suppliers may have a material adverse effect on our financial condition, results of operations and liquidity.

*Adverse developments affecting the financial services industry, including events or concerns involving liquidity, defaults or nonperformance by financial institutions, could adversely affect our business, results of operations, financial condition, and our prospects.*

Our funds are held in accounts at banks or other financial institutions. As of September 30, 2021 and 2022, and March 31, 2023, HK\$31.1 million, HK\$25.2 million, and HK\$23.8 million of the Group's cash was on deposit at financial institutions in Hong Kong, respectively. In accordance with the relevant regulations in Hong Kong, the maximum insured bank deposit amount is HK\$500,000 for each financial institution. Accordingly, the Group's total unprotected cash held in banks amounted to HK\$28.5 million, HK\$22.9 million, and HK\$22.1 million as of September 30, 2021 and 2022, and March 31, 2023, respectively.

Should events, including limited liquidity, defaults, nonperformance or other adverse developments occur with respect to the banks or other financial institutions that hold our funds, or that affect financial institutions or the financial services industry generally, or concerns or rumors about any events of these kinds or other similar risks, our liquidity may be adversely affected. For example, on March 10, 2023, the Federal Deposit Insurance Corporation of the United States announced that Silicon Valley Bank had been closed by the California Department of Financial Protection and Innovation. Although we did not have any funds in Silicon Valley Bank or other institutions that have been closed, we cannot guarantee that the banks or other financial institutions that hold our funds will not experience similar issues. In addition, investor concerns regarding the U.S. or international financial systems could result in less favorable commercial financing terms, including higher interest rates or costs and tighter financial and operating covenants, or systemic limitations on access to credit and liquidity sources, thereby making it more difficult for us to acquire financing on terms favorable to us in connection with a potential business combination, or at all, and could have material adverse impacts on our liquidity, our business, results of operations, financial condition, and our prospects.

***We may not have adequate insurance coverage and we are affected by the increasing insurance costs.***

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.*” However, we do not carry any insurance policies against certain risks, such as professional indemnity, business interruption, product liability, acts of terrorism, riot or public disorder. We may also be subject to liabilities against which we are not adequately insured and we would be required to make up for the shortfall of the awarded amount. With respect to losses which are covered by our insurance policies, it may be a difficult and lengthy process to recover such losses from insurers.

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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 us which are not covered by adequate insurance or at all, our business and financial performance may be materially and adversely affected. During the fiscal years ended September 30, 2021 and 2022, and the six months ended March 31, 2023, our insurance costs had continued to increase and the aggregate expenses of our insurance were approximately HK\$0.7 million, HK\$0.9 million, and HK\$0.6 million, respectively. We cannot control if there are reductions or limitations 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 results of operations and financial condition.

***We may not be able to implement our future plans successfully.***

Our future business plans are based on assumptions as to the occurrence of certain future events, which may or may not materialize, and the real situation might differ materially. Furthermore, our future business plans may be hindered by other factors beyond our control, such as competition within the security-related engineering services industry and security guarding and screening services and related vocational training services industry from other security-related engineering services and security guarding and screening services and related vocational training services providers. Therefore, there is no assurance that any of our future business plans will materialize, or result in the conclusion or execution of any agreement within the planned timeframe, or that our objectives will be fully or partially accomplished. For details of our future plans, see “*Business — Our Strategies.*”

In addition, our future plans involve recruiting additional staff, renting and setting up a workshop with showroom, renting and renovating a premises to be used as training center and central monitoring room, purchasing vehicles and renting carparking spaces and purchasing security systems and equipment, the implementation of which will increase our costs and expenses. If we are unable to increase our revenues from the implementation of our future plans, our financial performance may be materially and adversely affected.

***Our business development may be hindered if we are unable to obtain additional funding to expand our business.***

We did not have outstanding bank borrowings as of the date of this prospectus. We may need to raise funds in addition to our currently available cash resources through public or private financing, strategic relationships or other arrangements, in order to support more rapid expansion of our business. We cannot assure investors that additional funds will be available when needed on terms favorable to us, if available at all. If adequate funds are unavailable to us on acceptable terms, we may be unable to expand or enhance our security-related engineering services, take advantage of future opportunities or respond to competitive pressures or unanticipated events, any of which could have a material adverse effect on our business development.

***Fluctuations in foreign exchange rates may become material and adversely affect our business, financial condition and results of operations.***

We conduct business with customers, suppliers and subcontractors located in Hong Kong, the PRC and overseas. While most of our costs and expenses are denominated in USD, HKD, Euro (“EUR”) and Pound sterling (“GBP”), some are denominated in Renminbi, the legal currency of China (“RMB”) and other foreign currencies. We are therefore subject to risks associated with exchange rate fluctuations and changes in exchange rates could affect our results of operations. In relation to our security-related engineering services, we take into account fluctuations in foreign exchange rates when setting the prices for our quotations and tenders. We cannot assure you that our estimates of fluctuations in foreign exchange rates will be accurate. In the event that we fail to accurately estimate the fluctuations, we may experience net exchange losses. During the fiscal years ended September 30, 2021 and 2022, and the six

months ended March 31, 2023, we have recorded net exchange gains of HK\$13,794, net exchange loss of HK\$96,028, and net exchange gains of HK\$276,158, respectively, due to foreign exchange fluctuations.

Changes in exchange rates could increase our costs, or affect the prices of our imported security systems, parts and components any of which could adversely affect our results of operations. The change in value of the USD, EUR, GBP and RMB or other foreign currencies against the HKD may fluctuate and is affected by, among other things, changes in the political and economic conditions in the respective countries. The value of the USD, EUR, GBP and RMB is subject to changes in government policies of the respective countries and factors including international economic developments, political conditions and supply and demand for currencies. The value of the USD, EUR, GBP and RMB in international markets is determined by reference to a basket of currencies as part of a floating exchange rate

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policy. We cannot predict the future fluctuations of the USD, EUR, GBP and RMB. Respective national governments may adopt a more flexible currency policy, which could lead to the USD, EUR, GBP and RMB experiencing more substantial revaluation against the HKD or other currencies.

***Our financial performance during the reporting periods is not indicative of our future financial performance and our operating results may fluctuate significantly.***

For the fiscal years ended September 30, 2021 and 2022, and the six months ended March 31, 2023, our revenues amounted to HK\$117.6 million, HK\$136.4 million, and HK\$97.0 million, respectively, and our net income for the corresponding year or period was HK\$6.0 million, HK\$8.3 million, and HK\$10.1 million, respectively. Further, for the fiscal years ended September 30, 2021 and 2022, and the six months ended March 31, 2023, we incurred finance costs of HK\$0.2 million, HK\$0.1 million, and HK\$36,798, respectively. As of the date of this prospectus, we do not have outstanding bank borrowings. Our revenues, expenses and operating results may vary from period to period and may fluctuate due to a variety of factors, some of which are beyond our control, including changes in laws, regulations and industry practices in the security-related engineering services industry and security guarding and screening service and related vocational training service industry, increases in costs of labor, security systems and parts and components and conditions of the property market and construction industry in Hong Kong, as well as our ability to estimate and control costs, operating expenses and work progress for each project.

Our performance in the past may not be indicative that we will attain similar performance in the future. There is no assurance that our business will continue to attain similar performance as being comparable to that during the fiscal years ended September 30, 2021 and 2022 and the six months ended March 31,

2023 or we will be able to maintain continued growth through organic growth and implementation of our business strategies.

***We cannot assure you that we will declare and distribute any amount of dividends in the future.***

For the fiscal years ended September 30, 2021 and 2022, and the six months ended March 31, 2023, Shine Union declared dividends of HK\$16.5 million, HK\$25.3 million, and nil, respectively, and Fortune Jet declared dividends of HK\$0.5 million, HK\$0.4 million, and nil, respectively, totaling HK\$17.0 million, HK\$25.7 million, and nil, respectively, to their then respective shareholders, of which HK\$50,000, HK\$40,400, and nil, respectively, was attributable to a non-controlling interest. For the years ended September 30, 2021 and 2022, and the six months ended March 31, 2023, the Company declared dividends of HK\$17.0 million, HK\$8.0 million, and nil, respectively, to its then shareholders. For details, see Notes 14 and 16 in our audited consolidated financial statements included elsewhere in this prospectus. The entire amount of dividends of HK\$16.5 million declared by Shine Union during the fiscal years ended September 30, 2021 were settled in cash. Among the dividends of HK\$25.3 million declared by Shine Union during the fiscal year ended September 30, 2022, HK\$7.6 million was cash settled in the fiscal year ended September 30, 2022, while the remaining HK\$17.7 million was offset against the amount due from SU Investment. All dividends have been fully settled as of the date of this prospectus. As of the date of this prospectus, we did not have any dividend policy. Our dividend distribution records in the past may not be used as references or bases to determine the level of dividends that may be declared or paid by us in the future.

Following completion of the offering, our shareholders will be entitled to receive dividends only when declared by our board of directors. The payment and the amount of any future dividends will be at the discretion of our board of directors and will depend on, among others, our results of operations, cash flows and financial condition, operating and capital expenditure requirements, distributable profits, our articles of association then in effect, market conditions, our strategic plans and prospects for business development, contractual limits and obligations, payment of dividends to us by our operating subsidiaries, taxation, relevant laws and regulations and any other factors as our directors may deem relevant. As such, factors and the payment of dividends are at the discretion of our board of directors which reserves the right to change its plan on the payment of dividends. There can be no assurance whether, when and in what form we will pay dividends in the future. Prospective investors should note that historical dividend payments should not be regarded as an indication of our future dividends.

***Changes in the rules and regulations, industry standards and advanced technology innovation relating to the security-related engineering services and security guarding and screening services and related vocational training services may affect our operation.***

Our success will depend, in part, on our ability to keep up with the pace of changing regulatory regime, industry standards and technology innovation. There is no assurance that we will be able to adapt to proposed new regulatory

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requirements in the future in a timely manner or at all. Moreover, there is no assurance that the Hong Kong government will not impose additional or stricter laws or regulations on the security-related engineering services industry and the security guarding and screening services and related vocational training services industry in the future. Furthermore, if we do not respond successfully to evolving industry standards and technology innovation, our customers are likely to seek 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.

***We operate in a competitive industry and a highly competitive market may put downward pricing pressures on us.***

We face significant competition in the security-related engineering services industry and security guarding and screening services and related vocational training services industry in Hong Kong. According to the Frost & Sullivan Report, there were approximately 625 security-related engineering services providers in Hong Kong as of February 28, 2023, approximately 749 security guarding and screening services providers in Hong Kong as of February 28, 2023, and approximately 50 related vocational training course operators in Hong Kong as of February 28, 2023. Entry barriers and set up costs are considered to be moderate. Individuals providing security services and companies offering security services are regulated under a permit and license system.

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 customers 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 customers, range of ancillary services, 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 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. For further details, see “Regulations.”

***Our business could be affected by the Hong Kong government’s level of spending on public works as well as the constant supply of residential buildings and establishment of infrastructure facilities in Hong Kong.***

We generate revenues from both private and public sector projects, including those carried out in residential properties and infrastructure facilities. For the fiscal years ended September 30, 2021 and 2022, and the six months ended March 31, 2023, 90.5%, 86.8%, and 81.3% of our revenue was generated from private sector projects, respectively, and 9.5%, 13.2%, and 18.7% of our revenue was generated from public sector projects, respectively. Some public works projects are non-recurring in nature. Any change or significant delay in the level of spending on public works by the Hong Kong government may affect our business and results of operations. In the event that the Hong Kong government reduces its level of spending on public works and we fail to secure business from other sectors, our business and profitability could be adversely affected. There is no assurance that the rising supply of residential buildings and investment in infrastructure facilities can be constantly sustained in Hong Kong. In the event that there is a lesser supply of residential buildings and establishment of infrastructure facilities, our business and results of operations could be materially and adversely affected.

#### **Risks Related to Conducting Operations in Hong Kong**

***Potential political, economic and social instability in Hong Kong could have a significant impact upon the business we conduct in Hong Kong and the profitability of such business.***

Our operational activities are primarily conducted in Hong Kong. Accordingly, political and economic conditions in Hong Kong and the surrounding regions may directly affect our business.

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Political, economic or social unrest occurring in Hong Kong could lead to the disruption of the economic, political and social conditions in Hong Kong. If such events persist for a prolonged period of time or the economic, political and social conditions in Hong Kong are disrupted, our overall business and results of operations may be adversely affected.

In addition, economic, political and legal developments and social conditions in the PRC may significantly affect our business, financial condition, results of operations and prospects. The PRC economy is in transition from a planned economy to a market-oriented economy subject to plans adopted by the government that set national economic development goals. Policies of the PRC government can have significant effects on economic conditions in the PRC and Hong Kong. While we believe that the PRC will continue to strengthen its economic and trading relationships with foreign countries and that

business development in the PRC will continue to follow market forces, we cannot assure you that this will be the case. Our business operations and prospects, financial condition, and results of operations may be adversely affected by changes in policies by the PRC government, including:

- changes in laws, regulations or their interpretation;
- confiscatory taxation;
- restrictions on currency conversion, imports or sources of supplies, or ability to continue as a for-profit enterprise;
- expropriation or nationalization of private enterprises; and
- the allocation of resources.

***The PRC legal system is evolving rapidly and the PRC government exerts substantial influence and discretion over the manner in which companies incorporated under the laws of PRC must conduct their business activities in accordance with applicable laws and regulations. We are based in Hong Kong with no substantive operations in mainland China. However, if we were to become subject to such direct influence and discretion, it may result in a material change in our operations and/or the value of our ordinary shares, which would materially affect the interest of the investors.***

We primarily operate in Hong Kong with no substantive operations in mainland China. In addition, we do not provide any security-related engineering services, security guarding and screening services or related vocational training services or solicit any customer in mainland China, and are not regulated by any regulator in mainland China. The PRC government currently does not exert direct influence and discretion over the manner in which we conduct our business activities outside of mainland China, however, there is no guarantee that we will not be subject to such direct influence and discretion in the future due to changes in laws or other unforeseeable reasons or as a result of our expansion or acquisition of operations in mainland China. See “— *Our business, financial condition and results of operations, and/or the value of our ordinary shares or our ability to offer or continue to offer securities to investors may be materially and adversely affected by existing or future laws and regulations of the PRC which may become applicable to a company such as us.*”

The PRC legal system is evolving rapidly and the PRC laws, regulations, and policies may change quickly with little advance notice. In particular, because these laws, rules and regulations are relatively new, and because of the limited number of published decisions and the non-precedential nature of these decisions, the interpretation and enforcement of these laws, rules and regulations may involve uncertainties.

If we were to become subject to the direct influence and discretion of the PRC government at any time due to changes in laws or other unforeseeable reasons or as a result of our development, expansion or acquisition of operations in mainland China, it may require material changes in our operations and/or



result in increased costs necessary to comply with existing and newly adopted laws and regulations or penalties for any failure to comply. In addition, the market prices of our ordinary shares could be adversely affected as a result of anticipated negative impacts of any such government actions, as well as negative investor sentiment towards Hong Kong-based companies subject to direct PRC government oversight and regulation, regardless of our actual operating performance. There can be no assurance that the PRC government would not exert more oversight over our operations at any time.

We are not currently required to obtain permission from the PRC government for the trading of our ordinary shares on Nasdaq or this offering or for the offering of our ordinary shares to foreign investors outside of mainland China, however there is no guarantee that this will continue to be the case in the future, or even when such permission is obtained, it will

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not be subsequently denied or rescinded. Any actions by the PRC government to exert more oversight and control over offerings (including businesses whose primary operations are in Hong Kong) that are conducted overseas and/or foreign investments in Hong Kong-based issuers could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of our ordinary shares to significantly decline or be worthless.

Recently, the PRC government initiated a series of regulatory actions and statements to regulate business operations in China with little advance notice, including cracking down on illegal activities in the securities market, enhancing supervision over China-based companies listed overseas using VIE structure, adopting new measures to extend the scope of cybersecurity reviews, and expanding the efforts in anti-monopoly enforcement. Based solely on documents and representations received from the Company and their understanding of the current PRC laws and as of the date of this prospectus, nothing comes to the attention of our PRC counsel, Han Kun Law Offices, that suggests we meet both of the explicit conditions set out in the Article 15 of the Trial Measures which stipulates whether an indirect offering and listing of a PRC domestic company shall fulfil the filing procedure with the CSRC, and thus, based on the opinion of our PRC counsel, we believe that we are not required to obtain the approval from or complete the filing with the CSRC for this offering, based on the facts (1) we do not have any subsidiaries or business operation in the PRC; (2) none of our operating revenues, total profits, total assets or net assets is accounted for by any subsidiaries based in the PRC; and (3) no issuance or sale of the ordinary shares has been or will be made directly or indirectly within the PRC. Based on the opinion of our PRC counsel, Han Kun Law Offices, we have determined that we are not subject to cybersecurity review with the CAC, given that: (i) we do not possess a large amount of personal information in our business operations originated from mainland China; and (ii) data processed in our business does not have a bearing on national security and thus may not be classified as core or important data by the authorities. In addition, as advised by our PRC counsel, Han Kun Law Offices, we have determined that

we are not subject to merger control review by China's anti-monopoly enforcement agency due to the level of our revenues, and the fact that we currently do not expect to propose or implement any acquisition of control of, or decisive influence over, any company with revenues within China of more than RMB400 million. Currently, these statements and regulatory actions have had no impact on our daily business operation, the ability to accept foreign investments, or the ability to list our ordinary shares on a U.S. or other foreign exchange. Since these statements and regulatory actions are new, it is highly uncertain how soon legislative or administrative regulation making bodies will respond and what existing or new laws or regulations or detailed implementations and interpretations will be modified or promulgated, if any, and the potential impact such modified or new laws and regulations will have on our daily business operation, the ability to accept foreign investments, or the ability to list our ordinary shares on a U.S. or other foreign exchange.

***Substantial uncertainties and restrictions with respect to the political and economic policies of the PRC government, as well as PRC laws and regulations, could have a significant impact on the business that we conduct in Hong Kong. Any actions by the PRC government to exert more oversight and control over overseas offerings could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of such securities to significantly decline or become worthless.***

Our business operations may be adversely affected by the current and future political environment in the PRC. The interpretations of many laws, regulations and rules may not always be uniform and the enforcement of these laws, regulations and rules may involve uncertainties. Our ability to operate in Hong Kong or conduct overseas offerings may be harmed by these changes in its laws and regulations, including those relating to taxation, import and export tariffs, healthcare regulations, environmental regulations, land use and property ownership rights, and other matters. Accordingly, government actions in the future, including any decision not to continue to support recent economic reforms and to return to a more centrally planned economy or regional or local variations in the implementation of economic policies, could have a significant effect on economic conditions in Hong Kong or particular regions thereof, and could limit or completely hinder our ability to offer or continue to offer securities to investors or require us to divest ourselves of any interest we then hold in Hong Kong properties or joint ventures. Any actions by the PRC government to exert more oversight and control over overseas offerings (including divestiture or similar actions) could limit or completely hinder our ability to offer or continue to offer securities to investors, resulting in a material adverse effect on us and on your investment in us and could render our ordinary shares and your investment in our ordinary shares to significantly decline or become worthless.

There are substantial uncertainties regarding the interpretation and application of PRC laws and regulations. Although the influence of the law has been increasing, China has not developed a fully integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. Also, because these laws and regulations are relatively new, and because

of the limited volume of published cases and their lack of force as precedents, interpretation and enforcement of these laws and regulations involve significant uncertainties.

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New laws and regulations that affect existing and proposed future businesses may also be applied retroactively. In addition, there have been constant changes and amendments of laws and regulations over the past 30 years in order to keep up with the rapidly changing society and economy in China. Because the interpretation or enforcement of laws and regulations of the PRC may change very rapidly with little advance notice at any time, we cannot predict the future direction of Chinese legislative activities with respect to either businesses with foreign investment or the effectiveness on enforcement of laws and regulations in China. The uncertainties, including new laws and regulations and changes of existing laws, may cause possible problems to foreign investors.

Although the PRC government has been pursuing economic reform policies for more than two decades, the PRC government continues to exercise significant control over economic growth in the PRC through the allocation of resources, controlling payments of foreign currency, setting monetary policy and imposing policies that impact particular industries in different ways. We cannot assure you that the PRC government will continue to pursue policies favoring a market-oriented economy or that existing policies will not be significantly altered, especially in the event of a change in leadership, social or political disruption, or other circumstances affecting political, economic and social life in the PRC.

***The future development of national security laws and regulations in Hong Kong could materially impact our business by possibly triggering sanctions and other measures which can cause economic harm to our business.***

On May 28, 2020, the National People's Congress of the PRC approved a proposal to impose a new national security law for Hong Kong and authorized the SCNPC to proceed to work out details of the legislation to be implemented in Hong Kong (the "Decision"). The Decision states that the new law will target secession, subversion of state power, terrorism activities and foreign interference. The stated objective of the Decision is to protect the national security of China as a whole (including Hong Kong and Macau) and is not intended to have a direct commercial bearing on commercial and economic activities. The government believes the new law may bring about more stability to Hong Kong, which in turn may lay the foundation for commercial and economic activities to flourish. On June 30, 2020, SCNPC passed the national security law for Hong Kong. The Hong Kong Chief Executive promulgated it in Hong Kong later the same day. Among other things, it criminalizes separatism, subversion, terrorism and foreign interference in Hong Kong. We cannot rule out the possibility that the Decision and the implementation of the national security law may trigger sanctions or other forms of penalties by foreign governments, which may cause economic and other hardship for Hong Kong, including companies like

us that do business in Hong Kong. It is difficult for us to predict the impact of, if any, the implementation of the national security law will have on our business, as such impact will depend on future developments, which are highly uncertain and cannot be predicted.

***Uncertainties in the interpretation and enforcement of PRC laws and regulations, which could change with little advance notice, could limit the legal protections available to us and materially affect our business operations and the value of our ordinary shares.***

The PRC legal system is based on written statutes and prior court decisions have limited value as precedents. Since these laws and regulations are relatively new and the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules, which could change with little advance notice, are not always uniform and enforcement of these laws, regulations and rules involves uncertainties.

We may have to resort to administrative and court proceedings to enforce our legal rights from time to time. However, since PRC administrative and court authorities are authorized by laws and regulations to have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy, which could materially affect our business operations. Furthermore, the PRC legal system is based partly on government policies and internal rules (some of which are not published in a timely manner or at all) that may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until sometime after the violation. Such uncertainties, including uncertainty over the scope and effect of our contractual, property (including intellectual property) and procedural rights, could materially and adversely affect our business and impede our ability to continue our operations.

***The recent spate of government interference by the PRC government into business activities of U.S. listed Chinese companies may negatively impact our operations, value of our securities and/or significantly limit or completely hinder our ability to offer future securities to investors and cause the value of such securities to significantly decline or be worthless.***

Recently, the PRC government announced that it would step up supervision of Chinese firms listed offshore. Under the new measures, China will increase regulation of cross-border data flows and security, crack down on illegal activity in the securities market and punish fraudulent securities issuance, market manipulation and insider trading. China will also

check sources of funding for securities investment and control leverage ratios. The CAC has also opened a cybersecurity probe into several large U.S.-listed technology companies focusing on anti-monopoly, financial technology regulation and more recently, with the passage of the Data Security Law, how

companies collect, store, process and transfer data. If we are subject to such a probe or if we are required to comply with stepped-up supervisory requirements, valuable time from our management and money may be expended in complying and/or responding to the probe and requirements, thus diverting valuable resources and attention away from our operations. This may, in turn, negatively impact our operations.

Further, given the PRC government's significant oversight and discretion over the conduct of our business operations in Hong Kong and the PRC, the PRC government may intervene or influence our operations at any time, which could result in a material change in our operations and consequently, the value of our ordinary shares. The PRC government could also significantly limit or completely hinder our ability to offer future securities to investors and cause the value of such securities to significantly decline or be worthless.

***We may be subject to laws and regulations regarding data protection in Hong Kong, and any failure to comply with applicable laws and obligations could have a material and adverse effect on our business, financial condition and results of operations.***

We may be subject to a variety of laws and other obligations regarding data protection in Hong Kong. The Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) (the "PDPO") came into force on December 20, 1996. The PDPO states that any person who controls the collection, holding, processing or use of personal data (the "data user") shall not do any act, or engage in a practice, that contravenes any of the data protection principles set out in Schedule 1 to the PDPO (the "Data Protection Principles") unless the act or practice, as the case may be, is required or permitted under the PDPO. Personal data means any data (a) relating directly or indirectly to a living individual; (b) from which it is practicable for the identity of the individual to be directly or indirectly ascertained; and (c) in a form in which access to or processing of the data is practicable.

The Data Protection Principles set out that (1) personal data must be collected in a lawful and fair way, for a purpose directly related to a function or activity of the data user. Data subjects must be notified of the purpose for which the data is to be used and the classes of persons to whom the data may be transferred. Data collected should be adequate but not excessive; (2) personal data must be accurate and should not be kept for a period longer than necessary for the fulfillment of the purpose for which the data is or is to be used; (3) personal data must be used for the purpose for which the data is collected or for a directly related purpose unless voluntary and explicit consent with a new purpose is obtained from the data subject; (4) a data user shall take practicable steps to safeguard any personal data held against unauthorized or accidental access, processing, erasure, loss or use; (5) a data user shall take practicable steps to ensure that its policies and practices in relation to personal data, the kind of personal data it holds and the main purposes for which the personal data is or is to be used for are made known to the public; and (6) a data shall be entitled to request access to personal data and must be allowed to correct the personal data if it is inaccurate.

Moreover, the Personal Data (Privacy) (Amendment) Ordinance 2021 (the “PDPAO”) came into effect on October 8, 2021. It amends the PDPO, particularly to: (i) criminalize doxing, i.e., unconsented disclosure of personal information of targeted individuals and groups; (ii) introduce a cessation notice regime to tackle doxing with extra-territorial reach; and (iii) substantially expand the investigation and enforcement powers of the Privacy Commissioner for Personal Data, in contexts beyond doxing.

Our directors are of the view that we are not likely to be in breach of the PDPO and the PDPAO, for the following reasons: (i) using our products and services do not require providing users’ personal information and (ii) we possess a minimum amount of personal information, if any, in our business operations. Nonetheless, we are subject to laws and regulations relating to the collection, storage, use, processing, transmission, retention, security and transfer of personal information and other data. The interpretation and application of laws, regulations and standards on data protection and privacy are still uncertain and evolving. We cannot assure you that the governmental authorities will not interpret or implement the laws or regulations in ways that negatively affect us. We may be subject to investigations and inspections by government authorities regarding our compliance with laws and regulations on data privacy, and we cannot assure you that our practices will always fully comply with all applicable rules and regulatory requirements. In addition, laws, regulations and standards on data protection and privacy continue to develop and may vary from jurisdiction to jurisdiction. Complying with emerging and changing international requirements may cause us to incur substantial costs or require us to change our business practices.

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***Our Hong Kong subsidiaries may be subject to restrictions on paying dividends or making other payments to us, which may restrict their ability to satisfy liquidity requirements, fund operations or for other use outside of Hong Kong, conduct business and pay dividends to holders of our ordinary shares. Dividends payable to our foreign investors and gains on the sale of our shares of ordinary shares by our foreign investors may become subject to tax by the PRC.***

SU Group is a holding company incorporated in Cayman Islands with its operating subsidiaries located in Hong Kong. Accordingly, most of our cash is maintained in HK\$. We conduct no other business and, as a result, we depend entirely upon our Hong Kong operating subsidiaries’ earnings and cash flow. If we decide in the future to pay dividends, as a holding company, our ability to pay dividends and meet other obligations depends upon the receipt of dividends or other payments from our operating subsidiaries. There are currently no restrictions on transferring funds between our Cayman Islands holding company and our operating subsidiaries in Hong Kong or limitations on the ability of our Hong Kong subsidiaries to issue dividends or other distributions to their overseas shareholders. However, we cannot assure you that the oversight of the PRC government will not be extended to companies operating in Hong Kong like our Hong Kong operating subsidiaries. If certain PRC laws and regulations,

including existing laws and regulations and those enacted or promulgated in the future, were to become applicable to our operating subsidiaries in Hong Kong, and to the extent our cash or assets in the business is in Hong Kong or a Hong Kong entity, such funds or assets may not be available to fund operations or for other use outside of Hong Kong due to interventions in or the imposition of restrictions and limitations by the PRC government on our and our operating subsidiaries' ability to transfer funds or assets. Any such restrictions and limitations may adversely affect our ability to finance our cash requirements, service debt or make dividends or other distributions to our shareholders and could result in a material adverse change to our business operations, our prospects, financial condition, and results of operations, and could cause our ordinary shares to significantly decline in value or become worthless.

***Our business, financial condition and results of operations, and/or the value of our ordinary shares or our ability to offer or continue to offer securities to investors may be materially and adversely affected to the extent the laws and regulations of the PRC become applicable to a company such as us.***

We do not provide any security-related engineering services, security guarding and screening services or related vocational training services in mainland China or solicit customers or collect, store or process any personal data of any customer in mainland China, and are not regulated by any regulator in mainland China. As a result, the laws and regulations of the PRC do not currently have any material impact on our business, financial condition and results of operations. However, as we operate in Hong Kong, there is no guarantee that if certain existing or future laws of the PRC become applicable to a company such as us, it will not have a material adverse impact on our business, financial condition and results of operations and/or our ability to offer or continue to offer securities to investors, any of which may cause the value of our ordinary shares to significantly decline or be worthless.

The Basic Law provides that national laws of the PRC do not apply in Hong Kong unless they are listed in Annex III of the Basic Law and applied locally by promulgation or local legislation. National laws that may be listed in Annex III are currently limited under the Basic Law to those which fall within the scope of defense and foreign affairs as well as other matters outside the limits of the autonomy of Hong Kong. National laws relating to data protection, cybersecurity and the anti-monopoly have not been listed in Annex III and so do not apply directly to Hong Kong. While the National People's Congress of the PRC has the power to amend the Basic Law, the Basic Law also expressly provides that no amendment to the Basic Law shall contravene the established basic policies of the PRC regarding Hong Kong.

The laws and regulations in the PRC are evolving, and their enactment timetable, interpretation and implementation involve significant uncertainties. There is no assurance that certain laws of the PRC, including existing laws and regulations and those enacted or promulgated in the future, will not be applicable to our Hong Kong subsidiaries due to change in the current political arrangements between mainland China and Hong Kong or other reasons whether foreseeable or not presently foreseeable. To the extent any PRC laws and regulations become applicable to us, we may be subject to the risks and

uncertainties associated with the legal system in the PRC, including with respect to the enforcement of laws and the possibility of changes of rules and regulations with little or no advance notice.

We may also become subject to the laws and regulations of the PRC to the extent we commence business and customer facing operations in mainland China as a result of any future acquisition, expansion or organic growth.

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***Under the HFCAA, our ordinary shares may be prohibited from being traded on any U.S. securities exchange, including the New York Stock Exchange and Nasdaq, or through any other trading method within the SEC's regulatory jurisdiction, if our auditor is not inspected by the PCAOB for three consecutive years, and this ultimately could result in trading in our ordinary shares being prohibited. Furthermore, the AHFCAA amends the HFCAA and requires the SEC to prohibit an issuer's securities from trading on any U.S. stock exchanges if its auditor is not subject to PCAOB inspections for two consecutive years instead of three.***

As part of a continued regulatory focus in the United States on access to audit and other information currently protected by national law, in particular China's, in June 2019, a bipartisan group of lawmakers introduced bills in both houses of Congress that would require the SEC to maintain a list of issuers for which the PCAOB is not able to inspect or investigate an auditor report issued by a foreign public accounting firm. The Ensuring Quality Information and Transparency for Abroad-Based Listings on our Exchanges (EQUITABLE) Act prescribes increased disclosure requirements for such issuers and, beginning in 2025, the delisting from national securities exchanges of issuers included for three consecutive years on the SEC's list. On May 20, 2020, the U.S. Senate passed S. 945, the HFCAA. The HFCAA was approved by the U.S. House of Representatives on December 2, 2020. On December 18, 2020, the former U.S. president signed into law the HFCAA. In essence, the HFCAA requires the SEC to prohibit foreign companies from listing securities on U.S. securities exchanges or trading through any other trading method within the SEC's regulatory jurisdiction, if a company retains a foreign accounting firm that cannot be inspected by the PCAOB for three consecutive years, beginning in 2021. The enactment of the HFCAA and any additional rulemaking efforts to increase U.S. regulatory access to audit information could cause investor uncertainty for affected issuers, including us, and the market price of our ordinary shares could be adversely affected, and our ordinary shares could be prohibited from being traded on any U.S. national securities exchange, or through any other trading method within the SEC's regulatory jurisdiction, if it is unable to cure the situation to meet the PCAOB inspection requirement in time. On March 24, 2021, the SEC adopted interim final rules relating to the implementation of certain disclosure and documentation requirements of the HFCAA. We will be required to comply with these rules if the SEC identifies it as having a "non-inspection" year under a process to be subsequently established by the SEC. The SEC is assessing how to implement other



requirements of the HFCAA, including the listing and trading prohibition requirements described above. If we fail to meet the new rules before the deadline specified thereunder, we could face possible prohibition from trading on Nasdaq, deregistration from the SEC and/or other risks, which may materially and adversely affect, or effectively terminate, our ordinary shares trading in the United States. On December 2, 2021, the SEC issued amendments to finalize rules implementing the submission and disclosure requirements in the HFCAA. The rules apply to registrants that the SEC identifies as having filed an annual report with an audit report issued by a registered public accounting firm that is located in a foreign jurisdiction and that PCAOB is unable to inspect or investigate completely because of a position taken by an authority in foreign jurisdictions.

Furthermore, on June 22, 2021, the U.S. Senate passed the AHFCAA, which, if enacted, would amend the HFCAA and require the SEC to prohibit an issuer's securities from trading on any U.S. stock exchanges if its auditor is not subject to PCAOB inspections for two consecutive years instead of three. On September 22, 2021, the PCAOB adopted a final rule implementing the HFCAA, which provides a framework for the PCAOB to use when determining, as contemplated under the HFCAA, whether the PCAOB is unable to inspect or investigate completely registered public accounting firms located in a foreign jurisdiction because of a position taken by one or more authorities in that jurisdiction. On December 16, 2021, the PCAOB issued a Determination Report which found that the PCAOB is unable to inspect or investigate completely registered public accounting firms headquartered in: (i) China, and (ii) Hong Kong. On August 26, 2022, the PCAOB announced that it had signed the Statement of Protocol with the CSRC and the Ministry of Finance of China. The terms of the Statement of Protocol would grant the PCAOB complete access to audit work papers and other information so that it may inspect and investigate PCAOB-registered accounting firms headquartered in mainland China and Hong Kong. On December 15, 2022, the PCAOB announced that it has secured complete access to inspect and investigate registered public accounting firms headquartered in mainland China and Hong Kong and voted to vacate the previous 2021 determination report to the contrary. Notwithstanding the foregoing, in the future, if there is any regulatory change or step taken by PRC regulators that does not permit our auditor to provide audit documentations located in China to the PCAOB for inspection or investigation, investors may be deprived of the benefits of such inspection. Any audit reports not issued by auditors that are completely inspected by the PCAOB, or a lack of PCAOB inspections of audit work undertaken in mainland China that prevents the PCAOB from regularly evaluating our auditors' audits and their quality control procedures, could result in a lack of assurance that our financial statements and disclosures are adequate and accurate, then such lack of inspection could cause our ordinary shares to be delisted from the stock exchange. On December 29,

consecutive non-inspection years required for triggering the prohibitions under the HFCAA from three years to two.

The audit report included in this prospectus was issued by Marcum Asia, a U.S. based accounting firm that is registered with the PCAOB and has been inspected by the PCAOB on a regular basis, with the last inspection in 2020. Marcum Asia was not subject to the determinations announced by the PCAOB on December 16, 2021. We have no intention of dismissing Marcum Asia in the future or engaging any auditor not based in the U.S. and not subject to regular inspection by the PCAOB. There is no guarantee, however, that any future auditor engaged by us would remain subject to full PCAOB inspection during the entire term of our engagement. If it is later determined that the PCAOB is unable to inspect or investigate our auditor completely, investors may be deprived of the benefits of such inspection. Any audit reports not issued by auditors that are completely inspected by the PCAOB, or a lack of PCAOB inspections of audit work undertaken in mainland China or Hong Kong that prevents the PCAOB from regularly evaluating our auditors' audits and their quality control procedures, could result in a lack of assurance that our financial statements and disclosures are adequate and accurate.

The SEC may propose additional rules or guidance that could impact us if our auditor is not subject to PCAOB inspection. For example, on August 6, 2020, the President's Working Group on Financial Markets, or the PWG, issued the Report on Protecting United States Investors from Significant Risks from Chinese Companies to the then President of the United States. This report recommended the SEC implement five recommendations to address companies from jurisdictions that do not provide the PCAOB with sufficient access to fulfil its statutory mandate. Some of the concepts of these recommendations were implemented with the enactment of the HFCAA. However, some of the recommendations were more stringent than the HFCAA. For example, if a company's auditor was not subject to PCAOB inspection, the report recommended that the transition period before a company would be delisted would end on January 1, 2022.

The SEC has announced that the SEC staff is preparing a consolidated proposal for the rules regarding the implementation of the HFCAA and to address the recommendations in the PWG report. It is unclear when the SEC will complete its rulemaking and when such rules will become effective and what, if any, of the PWG recommendations will be adopted. The implications of this possible regulation in addition to the requirements of the HFCAA are uncertain. Such uncertainty could cause the market price of our ordinary shares to be materially and adversely affected, and our ordinary shares could be delisted and prohibited from being traded on the national securities exchange earlier than would be required by the HFCAA. If our ordinary shares are unable to be listed on another securities exchange by then, such a delisting would substantially impair your ability to sell or purchase our ordinary shares when you wish to do so, and the risk and uncertainty associated with a potential delisting would have a negative impact on the price of our ordinary shares. Furthermore, new laws, regulations, and policies, or changes in laws, regulations, and policies, in both the United States and China could affect our ability to list our securities on Nasdaq, which could materially impair the market for and the market price of our securities.

*If we become directly subject to the recent scrutiny, criticism and negative publicity involving U.S.-listed Chinese companies, we may have to expend significant resources to investigate and resolve the matter, which could harm our business operations and our reputation and could result in a loss of your investment in our shares, especially if such matter cannot be addressed and resolved favorably.*

U.S. public companies that have substantially all of their operations in China have been the subject of intense scrutiny, criticism and negative publicity by investors, financial commentators and regulatory agencies, such as the SEC. Much of the scrutiny, criticism and negative publicity has centered around financial and accounting irregularities, a lack of effective internal controls over financial accounting and reporting, inadequate corporate governance policies or a lack of adherence thereto and, in many cases, allegations of fraud. As a result of the scrutiny, criticism and negative publicity, the publicly traded securities of many U.S.-listed Chinese companies have sharply decreased in value and, in some cases, have become virtually worthless. Many of these companies are now subject to shareholder lawsuits and SEC enforcement actions and are conducting internal and external investigations into the allegations. It is not clear what effect this sector-wide scrutiny, criticism and negative publicity will have on our company and our business. If we become the subject of any unfavorable allegations, whether such allegations are proven to be true or untrue, we may have to expend significant resources to investigate such allegations and/or defend us. This situation may be a major distraction to our management. If such allegations are not proven to be groundless, our company and business operations will be severely hampered and your investment in our ordinary shares could be rendered worthless. In addition, major issues with other U.S.-listed Chinese companies in the future, could have a negative effect on the value of your investment, even though we are not involved.

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Because our operations are based in Hong Kong, we are subject to the laws, regulations and policies of the Hong Kong government as well as the influence of the PRC government. Our ability to operate in Hong Kong may be harmed by changes in its laws and regulations, including those relating to taxation, environmental regulations, land use rights, property and other matters.

As such, our business may be subject to various government and regulatory interference. We could be subject to regulation by various political and regulatory entities, including various local and municipal agencies and government sub-divisions. We may incur increased costs necessary to comply with existing and newly adopted laws and regulations or penalties for any failure to comply. Our business operations could be adversely affected, directly or indirectly, by existing or future laws and regulations relating to our business or industry. Given that the PRC government may intervene or influence over our operations at any time with little to no advanced notice, it could result in a material change in our operation and the value of our ordinary shares. Given recent statements by the PRC government indicating an intent to exert more oversight and control over offerings that are conducted overseas, any such action could

significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of our ordinary shares to significantly decline or be worthless.

Furthermore, it is uncertain when and whether we will be required to obtain permission from the PRC government for this offering or any future application to have our ordinary shares list on a U.S. stock exchange, and even when such permission is obtained, whether it will be denied or rescinded. Although we are currently not required to obtain permission from any PRC regulatory authorities and has not received any denial to list on a U.S. exchange, our operations could be adversely affected, directly or indirectly, by existing or future laws and regulations relating to its business or industry. As a result, our ordinary shares may decline in value dramatically or even become worthless should we become subject to new requirement to obtain permission from the PRC government to list on a U.S. exchange in the future.

Recently, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council jointly issued the Opinions on Severe and Lawful Crackdown on Illegal Securities Activities, which were available to the public on July 6, 2021. These opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies. These opinions proposed to take effective measures, such as promoting the construction of relevant regulatory systems, to deal with the risks and incidents facing China-based overseas-listed companies and the demand for cybersecurity and data privacy protection. On February 17, 2023, the CSRC promulgated the Trial Measures and five supporting guidelines, which became effective on March 31, 2023. According to the Trial Measures, among other requirements, any domestic companies that seek to offer or list securities overseas, including those indirect overseas offerings and listings which meet certain conditions, should fulfil the filing procedures with the CSRC. On June 10, 2021, the SCNPC promulgated the PRC Data Security Law, which took effect in September 2021. The PRC Data Security Law imposes data security and privacy obligations on entities and individuals carrying out data activities and introduces a data classification and hierarchical protection system. The PRC Data Security Law also provides for a national security review procedure for data activities that may affect national security and imposes export restrictions on certain data and information. On November 14, 2021, the CAC released the Data Security Management Regulations Draft for public comments, which stipulates that data handlers that process the personal information of more than one million users listing in a foreign country should apply for a cybersecurity review. The comment period expired on December 13, 2021. On December 28, 2021, the CAC, together with 12 other governmental departments of the PRC, jointly promulgated the Measures for Cybersecurity Review (2021), which became effective on February 15, 2022. The Measures for Cybersecurity Review (2021) provides that, in addition to operators of critical information infrastructure that intend to purchase Internet products and services, data handlers engaging in data processing activities that affect or may affect national security must be subject to cybersecurity review by the Cybersecurity Review Office of the PRC. The Measures for Cybersecurity Review (2021) further requires that critical information infrastructure operators and data processing operators that possess personal data of at least one million users must apply for a review

by the Cybersecurity Review Office of the PRC before conducting listings in foreign countries. While we believe that our operations are not affected by this, as these laws, regulations and opinions were recently issued, official guidance and interpretation of the opinions remain unclear in several respects at this time. Therefore, we cannot assure you that we will remain fully compliant with all new regulatory requirements of these opinions or any future implementation rules on a timely basis, or at all.

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***It may be difficult for shareholders to enforce any judgment obtained in the United States against us, which may limit the remedies otherwise available to our shareholders.***

Substantially all of our assets are located in Hong Kong. Moreover, five out of six of our current and proposed directors and officers following the effectiveness of our registration statement on Form F-1 will be Chinese nationals/Hong Kong residents. All or a substantial portion of their assets are located outside the United States. As a result, it may be difficult for our shareholders to effect service of process within the United States upon our subsidiaries or any individuals. In addition, there is uncertainty as to whether the courts of Hong Kong or the PRC would recognize or enforce judgments of U.S. courts obtained against us or our directors and/or officers predicated upon the civil liability provisions of Hong Kong against us or such persons predicated upon the securities laws of the United States or any state thereof. It is unclear if extradition treaties now in effect between the United States and the PRC would permit effective enforcement against us or our directors and/or officers of criminal penalties under the United States federal securities laws or otherwise.

In addition, the recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedures Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law based either on treaties between China and the country where the judgment is made or on principles of reciprocity between jurisdictions. China does not have any treaties or other forms of written arrangement with the United States that provide for the reciprocal recognition and enforcement of foreign judgments. In addition, according to the PRC Civil Procedures Law, the PRC courts will not enforce a foreign judgment against us or our directors and/or officers if they decide that the judgment violates the basic principles of PRC laws or national sovereignty, security, or public interest. As a result, it is uncertain whether and on what basis a PRC court would enforce a judgment rendered by a court in the United States.

It may also be difficult for you or overseas regulators to conduct investigations or collect evidence within China. For example, in China, there are significant legal and other obstacles to obtaining information needed for shareholder investigations or litigation outside China or otherwise with respect to foreign entities. Although the authorities in China may establish a regulatory cooperation mechanism with its counterparts of another country or region to monitor and oversee cross-border securities activities, such

regulatory cooperation with the securities regulatory authorities in the United States may not be efficient in the absence of a practical cooperation mechanism. Furthermore, according to Article 177 of the PRC Securities Law, or “Article 177,” which became effective in March 2020, no overseas securities regulator is allowed to directly conduct investigations or evidence collection activities within the territory of the PRC. Article 177 further provides that Chinese entities and individuals are not allowed to provide documents or materials related to securities business activities to foreign agencies without prior consent from the securities regulatory authority of the State Council and the competent departments of the State Council. While detailed interpretation of or implementing rules under Article 177 have yet to be promulgated, the inability for an overseas securities regulator to directly conduct investigation or evidence collection activities within China may further increase difficulties faced by you in protecting your interests.

***The market price for our ordinary shares could be adversely affected by increased tensions between the United States and China.***

There have been heightened tensions in the economic and political relations between the United States and China. On June 30, 2020, the SCNPC issued the Law of the People’s Republic of China on Safeguarding National Security in the Hong Kong Special Administrative Region. This law defines the duties and government bodies of Hong Kong for safeguarding national security and four categories of offences: secession, subversion, terrorist activities and collusion with a foreign country or external elements to endanger national security and their corresponding penalties. On July 14, 2020, U.S. President Donald Trump signed the Hong Kong Autonomy Act, or HKAA, into law, authorizing the U.S. administration to impose blocking sanctions against individuals and entities who are determined to have materially contributed to the erosion of Hong Kong’s autonomy. On August 7, 2020, the U.S. government imposed HKAA-authorized sanctions on 11 individuals, including then Hong Kong Chief Executive Carrie Lam. The HKAA further authorizes secondary sanctions, including the imposition of blocking sanctions, against foreign financial institutions that knowingly conduct a significant transaction with foreign persons sanctioned under this authority. The imposition of sanctions such as those provided in the HKAA is in practice discretionary and highly political, especially in a relationship as extensive and complex as that between the United States and China. It is difficult to predict the full impact of the HKAA on Hong Kong and companies like us. Furthermore, legislative or administrative actions in respect of Sino-U.S. relations could cause investor uncertainty for affected issuers, including us, and the market price of our ordinary shares could be adversely affected.

***The trading price of our ordinary shares may be volatile, which could result in substantial losses to investors.***

The trading price of our ordinary shares may be volatile and could fluctuate widely due to factors beyond our control. The market price for our ordinary shares may be subject to wide fluctuations in response to factors including the following:

- regulatory developments affecting us or our industry;
- actual or anticipated fluctuations in our results of operations and changes or revisions of our expected results;
- changes in financial estimates by securities research analysts;
- conditions in the market for intermediary services;
- announcements by us or our competitors of new product and/or service offerings, acquisitions, strategic relationships, joint ventures, capital raisings or capital commitments;
- additions to or departures of our senior management;
- fluctuations of exchange rates;
- release or expiry of lock-up or other transfer restrictions on our outstanding shares;
- political or legal actions taken or restrictions imposed by the government in mainland China and Hong Kong; and
- sales or perceived potential sales of additional ordinary shares.

Any of these factors may result in large and sudden changes in the volume and price at which our ordinary shares will trade.

In the past, shareholders of public companies have often brought securities class action suits against those companies following periods of instability in the market price of their securities. If we were involved in a class action suit, it could divert a significant amount of our management's attention and other resources from our business and operations and require us to incur significant expenses to defend the suit, which could harm our results of operations. Any such class action suit, whether or not successful, could harm our reputation and restrict our ability to raise capital in the future. In addition, if a claim is successfully made against us, we may be required to pay significant damages, which could have a material adverse effect on our financial condition and results of operations.

***There is no active trading market for our ordinary shares and there can be no assurance any market will develop or that the trading price will not decline below the price paid by investors.***

We have applied to have our ordinary shares listed on Nasdaq under the symbol "SUGP." Prior to the completion of this offering, there has been no public market for our ordinary shares, and we cannot assure

you that a liquid public market for our ordinary shares will develop. If an active public market for our ordinary shares does not develop following the completion of this offering, the market price and liquidity of our ordinary shares may be materially and adversely affected. The initial public offering price for our ordinary shares was determined by negotiation between us and the underwriters based upon several factors, and we can provide no assurance that the trading price of our ordinary shares after this offering will not decline below the initial public offering price. As a result, investors in our ordinary shares may experience a significant decrease in the value of their securities.

***As a “controlled company” under the rules of Nasdaq, we may choose to exempt our company from certain corporate governance requirements that could have an adverse effect on our public shareholders.***

Our directors and officers beneficially own a majority of the voting power of our issued and outstanding ordinary shares. Under Nasdaq Rule 4350(c), a company of which more than 50% of the voting power is held by an individual, group or another company is a “controlled company” and may elect not to comply with certain corporate governance requirements, including the requirement that a majority of our directors be independent, as defined in the Nasdaq

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Rules, and the requirement that our compensation and nominating and corporate governance committees consist entirely of independent directors. Although we do not intend to rely on the “controlled company” exemption under the Nasdaq listing rules, we could elect to rely on this exemption in the future. If we elect to rely on the “controlled company” exemption, a majority of the members of our board of directors might not be independent directors and our nominating and corporate governance and compensation committees might not consist entirely of independent directors. Accordingly, during any time while we remain a controlled company relying on the exemption and during any transition period following a time when we are no longer a controlled company, you would not have the same protections afforded to shareholders of companies that are subject to all of the Nasdaq corporate governance requirements. Our status as a “controlled company” could cause our ordinary shares to look less attractive to certain investors or otherwise harm our trading price.

***Our directors and officers will collectively own an aggregate of 72.91% of the total voting power of our outstanding ordinary shares immediately after the completion of this offering, assuming the underwriters do not exercise their option to purchase additional shares.***

Our directors and officers will collectively own an aggregate of 72.91% of the total voting power of our outstanding ordinary shares immediately after the completion of this offering, assuming the underwriters do not exercise their option to purchase additional shares. These beneficial owners could have significant influence on determining the outcome of any corporate transaction or other matter submitted to the



shareholders for approval, including mergers, consolidations, the election of directors and other significant corporate actions. In cases where their interests are aligned and they vote together, these beneficial owners will also have the power to prevent or cause a change in control. Without the consent of some or all of these shareholders, we may be prevented from entering into transactions that could be beneficial to us or our minority shareholders. The interests of these beneficial owners may differ from the interests of our other shareholders. The concentration in the ownership of our ordinary shares may cause a material decline in the value of our ordinary shares. For more information regarding our beneficial owners and their affiliated entities, see “*Principal Shareholders.*”

***Because we do not expect to pay dividends in the foreseeable future after this offering, you must rely on price appreciation of our ordinary shares for return on your investment.***

We currently intend to retain all of our available funds and any future earnings after this offering to fund the development and growth of our business. As a result, we do not expect to pay any cash dividends in the foreseeable future. Therefore, you should not rely on an investment in our ordinary shares as a source for any future dividend income.

Our board of directors has complete discretion as to whether to distribute dividends. Even if our board of directors decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on, among other things, our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our board of directors. Accordingly, the return on your investment in our ordinary shares will likely depend entirely upon any future price appreciation of our ordinary shares. There is no guarantee that our ordinary shares will appreciate in value after this offering or even maintain the price at which you purchased our ordinary shares. You may not realize a return on your investment in our ordinary shares and you may even lose your entire investment.

***Nasdaq may apply additional and more stringent criteria for our initial and continued listing because we plan to have a small public offering and insiders will hold a large portion of our listed securities.***

Nasdaq Listing Rule 5101 provides Nasdaq with broad discretionary authority over the initial and continued listing of securities in Nasdaq and Nasdaq may use such discretion to deny initial listing, apply additional or more stringent criteria for the initial or continued listing of particular securities, or suspend or delist particular securities based on any event, condition, or circumstance that exists or occurs that makes initial or continued listing of the securities on Nasdaq inadvisable or unwarranted in the opinion of Nasdaq, even though the securities meet all enumerated criteria for initial or continued listing on Nasdaq. In addition, Nasdaq has used its discretion to deny initial or continued listing or to apply additional and more stringent criteria in the instances, including but not limited to: (i) where the company engaged an auditor that has not been subject to an inspection by PCAOB, an auditor that PCAOB cannot inspect, or an auditor that has not demonstrated sufficient resources, geographic reach, or experience to

adequately perform the company's audit; (ii) where the company planned a small public offering, which would result in insiders holding a large

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portion of the company's listed securities. Nasdaq was concerned that the offering size was insufficient to establish the company's initial valuation, and there would not be sufficient liquidity to support a public market for the company; and (iii) where the company did not demonstrate sufficient nexus to the U.S. capital market, including having no U.S. shareholders, operations, or members of the board of directors or management. Our initial public offering will be relatively small and the insiders of our company will hold a large portion of the company's listed securities following the consummation of the offering. Nasdaq might apply the additional and more stringent criteria for our initial and continued listing, which might cause delay or even denial of our listing application.

***Certain recent initial public offerings of companies with public floats comparable to our anticipated public float have experienced extreme volatility that was seemingly unrelated to the underlying performance of the respective company. We may experience similar volatility, which may make it difficult for prospective investors to assess the value of our ordinary shares.***

In addition to the risks addressed above in “— *The trading price of our ordinary shares may be volatile, which could result in substantial losses to investors,*” our ordinary shares may be subject to extreme volatility that is seemingly unrelated to the underlying performance of our business. Recently, companies with comparable public floats and initial public offering sizes have experienced instances of extreme stock price run-ups followed by rapid price declines, and such stock price volatility was seemingly unrelated to the respective company's underlying performance. Although the specific cause of such volatility is unclear, our anticipated public float may amplify the impact the actions taken by a few shareholders have on the price of our ordinary shares, which may cause our share price to deviate, potentially significantly, from a price that better reflects the underlying performance of our business. Should our ordinary shares experience run-ups and declines that are seemingly unrelated to our actual or expected operating performance and financial condition or prospects, prospective investors may have difficulty assessing the rapidly changing value of our ordinary shares. In addition, investors of our ordinary shares may experience losses, which may be material, if the price of our ordinary shares declines after this offering or if such investors purchase shares of our ordinary shares prior to any price decline.

***If securities or industry analysts do not publish research or reports about our business, or if they adversely change their recommendations regarding our ordinary shares, the market price for our ordinary shares and trading volume could decline.***

The trading market for our ordinary shares will be influenced by research or reports that industry or securities analysts publish about our business. If one or more analysts who cover us downgrade our

ordinary shares, the market price for our ordinary shares would likely decline. If one or more of these analysts cease to cover us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause the market price or trading volume for our ordinary shares to decline.

***Because the initial public offering price is substantially higher than the pro forma net tangible book value per share, you will experience immediate and substantial dilution.***

If you purchase ordinary shares in this offering, you will pay more for each share than the corresponding amount paid by existing shareholders for their ordinary shares. As a result, you will experience immediate and substantial dilution of US\$3.79, or 84%, per share, representing the difference between our net tangible book value per share of US\$0.71 as of March 31, 2023, after giving effect to this offering and an assumed initial public offering price of US\$4.50 per share, which is the midpoint of the estimated range of the initial public offering price. See “*Dilution*” for a more complete description of how the value of your investment in our ordinary shares will be diluted upon the completion of this offering.

***You must rely on the judgment of our management as to the use of the net proceeds from this offering, and such use may not produce income or increase our share price.***

We plan to use a significant portion of the net proceeds of this offering for strategic acquisitions. See “*Use of Proceeds*.” However, our management will have considerable discretion in the application of the net proceeds received by us. You will not have the opportunity, as part of your investment decision, to assess whether proceeds are being used appropriately. The net proceeds may be used for corporate purposes that do not improve our efforts to achieve or maintain profitability or increase our share price, or placed in investments that do not produce income or that lose value.

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***If we are classified as a passive foreign investment company, U.S. taxpayers who own our ordinary shares may have adverse U.S. federal income tax consequences.***

A non-U.S. corporation such as us will be classified as a passive foreign investment company, which is known as a PFIC, for any taxable year if, for such year, either:

- At least 75% of our gross income for the year is passive income; or
- The average percentage of our assets (determined at the end of each quarter) during the taxable year which produces passive income or which are held for the production of passive income is at least 50%.

Passive income generally includes dividends, interest, rents, royalties (other than rents or royalties derived from the active conduct of a trade or business) and gains from the disposition of passive assets.

If we are determined to be a PFIC for any taxable year (or portion thereof) that is included in the holding period of a U.S. taxpayer who holds our ordinary shares, the U.S. taxpayer may be subject to increased U.S. federal income tax liability and may be subject to additional reporting requirements.

Depending on the amount of cash we raise in this offering, together with any other assets held for the production of passive income, it is possible that, for our current taxable year or for any subsequent year, more than 50% of our assets may be assets which produce passive income. We will make this determination following the end of any particular tax year. Although the law in this regard is unclear, we treat our consolidated affiliated entities as being owned by us for U.S. federal income tax purposes, not only because we exercise effective control over the operation of such entities but also because we are entitled to substantially all of their economic benefits, and, as a result, we consolidate their operating results in our consolidated financial statements. For purposes of the PFIC analysis, in general, a non-U.S. corporation is deemed to own its pro rata share of the gross income and assets of any entity in which it is considered to own, directly or indirectly, at least 25% of the equity by value.

Our status as a PFIC is a fact-intensive determination made on an annual basis. Accordingly, our U.S. counsel expresses no opinion with respect to our PFIC status and also expresses no opinion with regard to our expectations regarding our PFIC status.

For a more detailed discussion of the application of the PFIC rules to us and the consequences to U.S. taxpayers who own our ordinary shares if we were determined to be a PFIC, see “*Taxation — Certain U.S. Federal Income Tax Considerations — Passive Foreign Investment Company Rules.*”

***The amended and restated memorandum and articles of association that we intend to adopt contain anti-takeover provisions that could have a material adverse effect on the rights of holders of our ordinary shares.***

Some provisions of our amended and restated memorandum and articles of association which will become effective immediately prior to the completion of this offering may discourage, delay or prevent a change in control of our company or management that shareholders may consider favorable, including provisions that authorize our board of directors to issue shares at such times and on such terms and conditions as the board of directors may decide without any further vote or action by our shareholders.

***Our Chairman of the board of directors and Chief Executive Officer, Mr. Chan Ming Dave, has a substantial influence over our company. His interests may not be aligned with the interests of our other shareholders, and he could prevent or cause a change of control or other transactions.***

As of the date of this prospectus, Mr. Chan Ming Dave, our Chairman of the board of directors and our Chief Executive Officer, beneficially owns an aggregate of approximately 75.1% of our outstanding ordinary shares. Upon the completion of this offering, Mr. Chan will beneficially own approximately 9,016,800 ordinary shares, or approximately 68.1% of our outstanding ordinary shares.

Accordingly, Mr. Chan could have significant influence in determining the outcome of any corporate transaction or other matter submitted to the shareholders for approval, including mergers, consolidations, the appointment of directors and other significant corporate actions. Mr. Chan will also have the power to prevent or cause a change in control. Without the consent of Mr. Chan, we may be prevented from entering into transactions that could be beneficial to us or our minority shareholders. In addition, Mr. Chan could violate his fiduciary duties by diverting

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business opportunities from us to himself or others. The interests of Mr. Chan may differ from the interests of our other shareholders. The concentration in the ownership of our ordinary shares may cause a material decline in the value of our ordinary shares. For more information regarding Mr. Chan and his affiliated entity, see “*Principal Shareholders.*”

***You may face difficulties in protecting your interests, and your ability to protect your rights through U.S. courts may be limited, because we are incorporated under Cayman Islands law.***

We are an exempted company incorporated under the laws of the Cayman Islands with limited liability. As a result, it may be difficult for investors to effect service of process within the United States upon our directors or officers, or enforce judgments obtained in the U.S. courts against our directors or officers.

Our corporate affairs are governed by our memorandum and articles of association, the Companies Act and the common law of the Cayman Islands. The rights of shareholders to take action against the directors, actions by minority shareholders and the fiduciary duties of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from the common law of England, the decisions of whose courts are of persuasive authority, but are not binding, on a court in the Cayman Islands. The rights of our shareholders and the fiduciary duties of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedent in some jurisdictions in the United States. In particular, the Cayman Islands has a less developed body of securities laws than the United States. Some U.S. states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law than the Cayman Islands. In addition, Cayman Islands companies may not have the standing to initiate a shareholder derivative action in a federal court of the United States.

Shareholders of Cayman Islands exempted companies like us have no general rights under Cayman Islands law to inspect corporate records or to obtain copies of the register of members of these companies. Our amended and restated memorandum and articles of association that will become effective immediately prior to completion of this offering has provisions that provide our shareholders the right to inspect our register of members without charge, and to receive our annual audited financial statements.

Subject to the foregoing, our directors have discretion to determine whether or not, and under what conditions, corporate records may be inspected by our shareholders, but are not obliged to make them available to our shareholders. This may make it more difficult for you to obtain the information needed to establish any facts necessary for a shareholder motion or to solicit proxies from other shareholders in connection with a proxy contest.

As a result of all of the above, public shareholders may have more difficulty in protecting their interests in the face of actions taken by our management, members of the board of directors or controlling shareholders than they would as public shareholders of a company incorporated in the United States. For a discussion of significant differences between the provisions of the Companies Act and the laws applicable to companies incorporated in the United States and their shareholders, see “*Description of Securities — Differences in Corporate Law.*”

***You may be unable to present proposals before annual general meetings or extraordinary general meetings.***

The Cayman Islands does not provide shareholders with any right to requisition a general meeting or to put any proposal before a general meeting. Further, shareholders have no right under the post-offering amended and restated memorandum and articles of association to requisition and convene general meetings of shareholders or to put any proposal before general meetings of shareholders.

***Economic Substance Legislation in the Cayman Islands may have an impact on the Company.***

The Cayman Islands, together with several other non-European Union jurisdictions, have introduced legislation aimed at addressing concerns raised by the Council of the European Union as to offshore structures engaged in certain activities which attract profits without real economic activity. The International Tax Co-operation (Economic Substance) Act (As Revised) (the “Substance Act”) came into force in the Cayman Islands in January 2019 introducing certain economic substance requirements for in-scope Cayman Islands entities which are engaged in certain “relevant activities.” As we are a Cayman Islands company, compliance obligations including filing annual notifications, which need to state whether our Company is carrying out any relevant activities and if so, whether our Company has satisfied economic substance tests to the extent required by the Substance Act. Failure to satisfy these requirements may subject us to penalties under the Substance Act.

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***We are an “emerging growth company” within the meaning of the Securities Act and may take advantage of certain reduced reporting requirements.***

We are an “emerging growth company,” as defined in the JOBS Act, and we may take advantage of certain exemptions from requirements applicable to other public companies that are not emerging growth

companies including, most significantly, not being required to comply with the auditor attestation requirements of Section 404 for so long as we are an emerging growth company.

The JOBS Act also provides that an emerging growth company does not need to comply with any new or revised financial accounting standards until such date that a private company is otherwise required to comply with such new or revised financial accounting standards. In other words, an “emerging growth company” can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to take advantage of the extended transition period. As a result of this election, our future financial statements may not be comparable to other public companies that comply with the public company effective dates for these new or revised accounting standards.

***We are a foreign private issuer within the meaning of the rules under the Exchange Act, and as such we are exempt from certain provisions applicable to U.S. domestic public companies.***

Because we are a foreign private issuer under the Exchange Act, we are exempt from certain provisions of the securities rules and regulations in the United States that are applicable to U.S. domestic issuers, including:

- the rules under the Exchange Act requiring the filing of quarterly reports on Form 10-Q or current reports on Form 8-K with the SEC;
- the sections of the Exchange Act regulating the solicitation of proxies, consents, or authorizations in respect of a security registered under the Exchange Act;
- the sections of the Exchange Act requiring insiders to file public reports of their share ownership and trading activities and liability for insiders who profit from trades made in a short period of time; and
- the selective disclosure rules by issuers of material non-public information under Regulation FD.

We will be required to file an annual report on Form 20-F within four months of the end of each fiscal year. In addition, we intend to publish our results on a quarterly basis through press releases, distributed pursuant to the rules and regulations of Nasdaq. Press releases relating to financial results and material events will also be furnished to the SEC on Form 6-K. However, the information we are required to file with or furnish to the SEC will be less extensive and less timely compared to that required to be filed with the SEC by U.S. domestic issuers. As a result, you may not be afforded the same protections or information, which would be made available to you, were you investing in a U.S. domestic issuer.

***We will incur significantly increased costs and devote substantial management time as a result of the listing of our ordinary shares.***

We will incur additional legal, accounting and other expenses as a public reporting company, particularly after we cease to qualify as an emerging growth company. For example, we will be required to comply

with the additional requirements of the rules and regulations of the SEC and the Nasdaq rules, including applicable corporate governance practices. We expect that compliance with these requirements will increase our legal and financial compliance costs and will make some activities more time-consuming and costly. In addition, we expect that our management and other personnel will need to divert attention from operational and other business matters to devote substantial time to these public company requirements. We cannot predict or estimate the number of additional costs we may incur as a result of becoming a public company or the timing of such costs.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time-consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidelines are provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest

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resources to comply with evolving laws, regulations and standards, and this investment may result in increased selling, general and administrative expenses and a diversion of management's time and attention from revenues-generating activities to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to their application and practice, regulatory authorities may also initiate legal proceedings against us and our business may be adversely affected.

***If we fail to implement and maintain an effective system of internal controls or fail to remediate the material weaknesses in our internal control over financial reporting that have been identified, we may fail to meet our reporting obligations or be unable to accurately report our results of operations or prevent fraud, and investor confidence and the market price of our ordinary shares may be materially and adversely affected.***

Prior to this offering, we have been a private company with limited accounting personnel and other resources with which to address our internal controls and procedures. Our independent registered public accounting firm has not conducted an audit of our internal control over financial reporting. However, in preparing our consolidated financial statements as of and for the years ended September 30, 2021 and 2022, and our unaudited condensed consolidated financial statements as of and for the six months ended March 31, 2022 and 2023, we have identified material weaknesses in our internal control over financial reporting, as defined in the standards established by the PCAOB and other control deficiencies. The material weaknesses identified included (i) a lack of accounting staff and resources with appropriate



knowledge of U.S. GAAP and SEC reporting and compliance requirements as well as the lack in formal accounting policies and procedures manual to ensure proper financial reporting in accordance with U.S. GAAP and SEC reporting requirements and (ii) a lack of audit committee and independent directors to establish formal risk assessment process and internal control framework. Following the identification of the material weaknesses and control deficiencies, we plan to continue to take remedial measures including (i) hiring more qualified accounting personnel with relevant U.S. GAAP and SEC reporting experience and qualifications to strengthen the financial reporting function and to set up a financial and system control framework; (ii) implementing regular and continuous U.S. GAAP accounting and financial reporting training programs for our accounting and financial reporting personnel; (iii) engaging an external consulting firm to assist us with assessment of Sarbanes-Oxley compliance requirements and improvement of overall internal control; and (iv) appointing independent directors, establishing an audit committee, and strengthening corporate governance. However, the implementation of these measures may not fully address the material weaknesses in our internal control over financial reporting. Our failure to correct the material weaknesses or our failure to discover and address any other material weaknesses or control deficiencies could result in inaccuracies in our financial statements and could also impair our ability to comply with applicable financial reporting requirements and related regulatory filings on a timely basis. As a result, our business, financial condition, results of operations and prospects, as well as the trading price of our ordinary shares, may be materially and adversely affected. Moreover, ineffective internal control over financial reporting significantly hinders our ability to prevent fraud.

Upon completion of this offering, we will become a public company in the United States subject to the Sarbanes-Oxley Act of 2002. Section 404 of the Sarbanes-Oxley Act of 2002 will require that we include a report of management on our internal control over financial reporting in our annual report on Form 20-F beginning with our annual report for the fiscal year ending September 30, 2024. In addition, once we cease to be an “emerging growth company,” as such term is defined in the JOBS Act, our independent registered public accounting firm must attest to and report on the effectiveness of our internal control over financial reporting. Our management may conclude that our internal control over financial reporting is not effective. Moreover, even if our management concludes that our internal control over financial reporting is effective, our independent registered public accounting firm, after conducting its own independent testing, may issue a report that is qualified if it is not satisfied with our internal controls or the level at which our controls are documented, designed, operated, or reviewed, or if it interprets the relevant requirements differently from us. In addition, after we become a public company, our reporting obligations may place a significant strain on our management, operational, and financial resources and systems for the foreseeable future. We may be unable to complete our evaluation testing and any required remediation in a timely manner.

***If a limited number of participants in this offering purchase a significant percentage of the offering, the effective public float may be smaller than anticipated and the price of our ordinary shares may be***

***volatile which could subject us to securities litigation and make it more difficult for you to sell your shares.***

As a company conducting a relatively small public offering, we are subject to the risk that a small number of investors will purchase a high percentage of the offering. While the underwriters are required to sell shares in this offering to at least 300 round lot shareholders (a round lot shareholder is a shareholder who purchases at least 100 shares) in

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order to ensure that we meet the Nasdaq initial listing standards, we have not otherwise imposed any obligations on the underwriters as to the maximum number of shares they may place with individual investors. If, in the course of marketing the offering, the underwriters were to determine that demand for our shares was concentrated in a limited number of investors and such investors determined to hold their shares after the offering rather than trade them in the market, other shareholders could find the trading and price of our shares affected (positively or negatively) by the limited availability of our shares. If this were to happen, investors could find our shares to be more volatile than they might otherwise anticipate. Companies that experience such volatility in their share price may be more likely to be the subject of securities litigation. In addition, if a large portion of our public float were to be held by a few investors, smaller investors may find it more difficult to sell their shares.

***Nasdaq may delist our securities from trading on its exchange, which could limit investors' ability to make transactions in our securities and subject us to additional trading restrictions.***

We have applied to have our ordinary shares listed on Nasdaq under the symbol "SUGP." We cannot guarantee that our securities will be approved for listing on Nasdaq; however, we will not complete this offering unless we are so listed. Although after giving effect to this offering we expect to meet, on a pro forma basis, the minimum initial listing standards set forth in the Nasdaq listing standards, we cannot assure you that our securities will be, or will continue to be, listed on Nasdaq in the future. In order to continue listing our securities on Nasdaq, we must maintain certain financial, distribution and stock price levels. Generally, we must maintain a minimum amount in shareholders' equity (generally US\$2,500,000) and a minimum number of holders of our securities (generally 300 public holders). Additionally, we will be required to demonstrate compliance with Nasdaq's initial listing requirements after this offering, which are more rigorous than Nasdaq's continued listing requirements, in order to continue to maintain the listing of our securities on Nasdaq. For instance, our share price would generally be required to be at least US\$4.00 per share, our shareholders' equity would generally be required to be at least US\$5.0 million and we would be required to have a minimum of 300 round lot holders of our securities (with at least 50% of such round lot holders holding securities with a market value of at least US\$2,500). We cannot assure you that we will continue to meet those initial listing requirements.

If Nasdaq delists our securities from trading on its exchange and we are not able to list our securities on another national securities exchange, we expect our securities could be quoted on an over-the-counter market. If this were to occur, we could face significant material adverse consequences, including:

- a limited availability of market quotations for our securities;
- reduced liquidity for our securities;
- a determination that our ordinary shares come within the definition of “penny stock” which will require brokers trading in our ordinary shares to adhere to more stringent rules and possibly result in a reduced level of trading activity in the secondary trading market for our securities;
- a limited amount of news and analyst coverage; and
- a decreased ability to issue additional securities or obtain additional financing in the future.

The National Securities Markets Improvement Act of 1996, which is a federal statute, prevents or pre-empts the states from regulating the sale of certain securities, which are referred to as “covered securities.” Because we expect that our ordinary shares will be listed on Nasdaq, our ordinary shares will be covered securities. Although the states are pre-empted from regulating the sale of our securities, the federal statute does allow the states to investigate companies if there is a suspicion of fraud, and, if there is a finding of fraudulent activity, then the states can regulate or bar the sale of covered securities in a particular case.

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#### **SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This prospectus contains forward-looking statements that reflect our current expectations and views of future events. The forward-looking statements are contained principally in the sections entitled “*Prospectus Summary*,” “*Risk Factors*,” “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*,” “*Business*” and “*Regulations*.” Known and unknown risks, uncertainties and other factors, including those listed under “*Risk Factors*,” may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements.

You can identify some of these forward-looking statements by words or phrases such as “may,” “will,” “expect,” “anticipate,” “aim,” “estimate,” “intend,” “plan,” “believe,” “is/are likely to,” “potential,” “continue” or other similar expressions. We have based these forward-looking statements largely on our current expectations and projections about future events that we believe may affect our financial condition, results of operations, business strategies and financial needs. These forward-looking statements include statements relating to:

- our dependence on the contracts from our recurring customers;
- our dependence on introducing new products and services on a timely basis;
- our dependence on growth in the demand for our products;
- our ability to win new contracts;
- our ability to manage relationship with our suppliers and any quality issues;
- our ability to estimate the risks, work progress, revenues or costs when we enter into contracts;
- our ability to manage labor shortage and labor costs;
- our ability to successfully manage our capacity expansion and allocation in response to changing industry and market conditions;
- implementation of our expansion plans and our ability to obtain capital resources for our planned growth;
- our ability to obtain or renew governmental registrations, approvals and licenses;
- our dependence on key personnel;
- our ability to expand into new businesses or industries and to undertake mergers, acquisitions, investments or divestments;
- changes in technology and competing products;
- general economic and political conditions, including those related to the integrated security-related services industry;
- possible disruptions in commercial activities caused by events such as natural disasters and terrorist activities;
- fluctuations in foreign currency exchange rates; and
- other factors in the “*Risk Factors*” section in this prospectus.

These forward-looking statements are subject to various and significant risks and uncertainties, including those which are beyond our control. Although we believe that our expectations expressed in these forward-looking statements are reasonable, our expectations may later be found to be incorrect. The forward-looking statements made in this prospectus relate only to events or information as of the date on which the statements are made in this prospectus. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should thoroughly read this prospectus and the documents that we refer to herein with the understanding that our actual future results may be materially different from and worse

than what we expect. We qualify all of our forward-looking statements by these cautionary statements. We disclaim any obligation to update our forward-looking statements, except as required by law.

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This prospectus includes statistical and other industry and market data that we obtained from industry publications and research reports, surveys and studies conducted by third parties. Industry publications and third-party research reports, surveys and studies generally indicate that their information has been obtained from sources believed to be reliable, although they do not guarantee the accuracy or completeness of such information. Statistical data in these publications also include projections based on a number of assumptions. While we believe these industry publications and third-party research reports, surveys and studies are reliable, you are cautioned not to give undue weight to this information.

In addition, the new and rapidly changing nature of the integrated security-related services industry results in significant uncertainties for any projections or estimates relating to the growth prospects or future condition of our industry. Furthermore, if any one or more of the assumptions underlying the market data are later found to be incorrect, actual results may differ from the projections based on these assumptions. You should not place undue reliance on these forward-looking statements.

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**USE OF PROCEEDS**

We expect that we will receive net proceeds of approximately US\$3.5 million from this offering (or approximately US\$4.3 million if the underwriters exercise their option to purchase additional shares in full), assuming an initial public offering price of US\$4.50 per share, which is the midpoint of the estimated initial public offering price range set forth on the cover page of this prospectus, after deducting underwriting discounts and commissions and estimated offering expenses payable by us. A US\$1.00 increase (decrease) in the assumed initial public offering price would increase (decrease) the net proceeds to us from this offering by approximately US\$1.2 million, after deducting the estimated underwriting discounts, non-accountable expense allowance and estimated aggregate offering expenses payable by us and assuming no change to the number of ordinary shares offered by us as set forth on the cover page of this prospectus.

We plan to use the net proceeds of this offering as follows:

- approximately 21.5% will be used for deepening our penetration of the security-related engineering services industry;

- approximately 6.0% will be used for strengthening our development capability and the enhancement of product offerings under our “SUNGATE” brand;
- approximately 13.5% will be used for the expansion of our security guarding services and the improvement of our operational efficiency and scalability;
- approximately 8.5% will be used to expand our related vocational training services;
- approximately 40.0% will be used to pursue strategic acquisitions and investment opportunities to strengthen our market position and further enhance our competitiveness in the security services industry; and
- approximately 10.5% will be used for general working capital.

The foregoing represents our current intentions to use and allocate the net proceeds of this offering based upon our present plans and business conditions. The precise amounts and percentage of proceeds we devote to particular categories of activity, and their priority of use, will depend on prevailing market and business conditions as well as on the nature of particular opportunities that may arise from time to time. Our management will have significant flexibility and discretion to apply the net proceeds of this offering. If an unforeseen event occurs or business conditions change, we may use the proceeds of this offering differently than as described in this prospectus.

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## **CAPITALIZATION**

The following tables set forth our cash and cash equivalents and capitalization as of March 31, 2023:

- on an actual basis;
- on an as adjusted basis to reflect the issuance and sale of 1,250,000 shares (without exercise of the underwriters’ over-allotment option), at an assumed initial public offering price of US\$4.50 per share, which is the midpoint of the estimated initial public offering price range set forth on the cover page of this prospectus, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us; and
- on an as adjusted basis to reflect the issuance and sale of 1,437,500 shares (with full exercise of the underwriters’ over-allotment option) at an assumed initial public offering price of US\$4.50 per share, which is the midpoint of the estimated initial public offering price range set forth on the cover page of this prospectus, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

You should read the tables together with our consolidated financial statements and the related notes included elsewhere in this prospectus and the information under “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

	<b>As of March 31, 2023</b>		
	<b>Actual</b>	<b>As Adjusted with No Exercise of Over-Allotment Option<sup>(1)</sup></b>	<b>As Adjusted with Full Exercise of Over-Allotment Option<sup>(2)</sup></b>
	<b>(in US\$)</b>		
Cash and cash equivalents	2,902,763	6,451,597	7,236,284
<b>Shareholders’ equity</b>			
Ordinary shares (par value of HK\$0.01 per share; 75,000,000 ordinary shares authorized and 12,000,000 ordinary shares issued and outstanding as of March 31, 2023.)	15,287	16,879	17,118
Shares subscription receivables	(15,286)	(15,286)	(15,286)
Additional paid-in capital	1,233,274	4,780,516	5,564,964
Retained earnings	5,361,177	5,361,177	5,361,177
Total shareholders’ equity and capitalization	<u>6,594,452</u>	<u>10,143,286</u>	<u>10,927,973</u>

- (1) We estimate that such net proceeds will be approximately US\$3.5 million based on the assumed offering price of US\$4.50 per ordinary share (the mid-point of the estimated public offering price range shown on the cover page of this prospectus), after deducting the estimated underwriting discounts and estimated offering expenses payable by us.
- (2) If the over-allotment option is exercised in full, based on an assumed initial public offering price of US\$4.50 per share (the mid-point of the estimated public offering price range shown on the cover page of this prospectus), the net proceeds to us from this offering will be approximately US\$4.3 million, after deducting the underwriting discounts and estimated offering expenses payable by us.

If you invest in our ordinary shares, your interest will be diluted to the extent of the difference between the initial public offering price per ordinary share and the as adjusted net tangible book value per ordinary share after this offering. Dilution results from the fact that the per ordinary share offering price is substantially in excess of the net tangible book value per ordinary share attributable to the existing shareholders for our presently outstanding ordinary shares. Our net tangible book value attributable to shareholders as of March 31, 2023 was approximately US\$5.9 million or approximately US\$0.49 per ordinary share. Our net tangible book value as of March 31, 2023 represents total tangible assets less total tangible liability. Total tangible assets represents the amount of total assets minus intangible assets, goodwill, deferred offering expenses, right-of-use assets, and deferred tax assets. Total tangible liability is calculated as total liability. Net tangible book value per ordinary share as of March 31, 2023 represents net tangible book value divided by the number of ordinary shares outstanding.

We will have 13,250,000 ordinary shares outstanding upon completion of the offering (or 13,437,500 ordinary shares assuming the full exercise of the underwriters' option to purchase additional shares) based on the assumed offering price of US\$4.50 per ordinary share, which is the midpoint of the estimated range of the initial public offering price. Our as adjusted net tangible book value, which gives effect to receipt of the net proceeds from the offering and issuance of additional shares in the offering, but does not take into consideration any other changes in our net tangible book value after March 31, 2023, will be approximately US\$0.71 per ordinary share. This would result in dilution to investors in this offering of approximately US\$3.79 per ordinary share or approximately 84.2% from the assumed offering price of US\$4.50 per ordinary share, which is the midpoint of the estimated range of the initial public offering price. Net tangible book value per ordinary share would increase to the benefit of present shareholders by US\$0.22 per share attributable to the purchase of the ordinary shares by investors in this offering.

The following table sets forth the estimated net tangible book value per ordinary share after the offering and the dilution to investors purchasing ordinary shares in the offering.

	<b>Offering With No Exercise of Option to Purchase Additional Shares</b>		<b>Offering With Full Exercise of Option to Purchase Additional Shares</b>	
Assumed offering price per ordinary share	US\$	4.50	US\$	4.50
Net tangible book value per ordinary share as of March 31, 2023	US\$	0.49	US\$	0.49
Increase per ordinary share attributable to payments by new investors	US\$	0.22	US\$	0.27
As adjusted net tangible book value per ordinary share after the offering	US\$	0.71	US\$	0.76
Dilution per ordinary share to new investors	US\$	3.79	US\$	3.74



Assuming the underwriters' option to purchase additional shares is not exercised, each US\$1.00 increase or decrease in the assumed initial public offering price of US\$4.50 per ordinary share, which is the midpoint of the estimated range of the initial public offering price, would increase or decrease the as adjusted amount of total capitalization by US\$1.2 million, assuming that the number of ordinary shares offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting underwriting discounts and estimated offering expenses payable by us.

The following table summarizes on the as adjusted basis described above, the differences between the number of shares purchased from us, the total consideration paid and the weighted-average price per share paid by existing shareholders and by investors purchasing shares in this offering at the assumed initial public offering price of US\$4.50 per share, the midpoint of the price range set forth on the cover page on this prospectus, before deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us:

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	Shares Purchased		Total Consideration		Average Price
	Number	Percent	Amount	Percent	Per Share
		%	US\$	%	US\$
Existing shareholders	12,000,000	90.6%	1,233,275	18.0%	0.10
New investors	1,250,000	9.4%	5,625,000	82.0%	4.50
<b>Total</b>	<b>13,250,000</b>	<b>100.0%</b>	<b>6,858,275</b>	<b>100.0%</b>	<b>0.52</b>

A US\$1.00 increase or decrease in the assumed initial public offering price of US\$4.50 per share, the midpoint of the price range set forth on the cover page of this prospectus, would increase or decrease the total consideration paid by new investors by US\$1.3 million and, in the case of an increase, would increase the percentage of total consideration paid by new investors to 84.8% and, in the case of a decrease, would decrease the percentage of total consideration paid by new investors to 78.0%, assuming that the number of shares offered by us, as set forth on the cover page of this Prospectus, remains the same. Similarly, an increase or decrease of 1 million ordinary shares offered by us would increase or decrease the total consideration paid by new investors by US\$4.5 million and, in the case of an increase, would increase the percentage of total consideration paid by new investors to 89.1% and, in the case of a decrease, would decrease the percentage of total consideration paid by new investors to 47.7%, assuming that the assumed initial public offering price remains the same.

If the underwriters exercise their option to purchase additional shares in full, our existing shareholders would own 89.3% and our new investors would own 10.7% of the total number of shares of our ordinary shares outstanding upon the completion of this offering.

The foregoing discussion and table above gives effect to the transactions described. To the extent that we issue additional shares in the future, there will be further dilution to new investors participating in this offering.

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**ENFORCEABILITY OF CIVIL LIABILITIES**

We are incorporated under the laws of the Cayman Islands as an exempted company with limited liability in order to enjoy the following benefits:

- political and economic stability;
- an effective judicial system;
- a favorable tax system;
- the absence of foreign exchange control or currency restrictions; and
- the availability of professional and support services.

However, certain disadvantages accompany incorporation in the Cayman Islands. These disadvantages include, but are not limited to, the following:

- the Cayman Islands has a less developed body of securities laws as compared to the United States and these securities laws provide significantly less protection to investors; and
- Cayman Islands companies may not have standing to sue before the federal courts of the United States.

Currently, substantially all of our operations are conducted outside the United States, and substantially all of our assets are located outside the United States. Our directors and officers are nationals or residents of Hong Kong and Canada. All of our directors and officers, including Mr. Chan Ming Dave, our CEO and Chairman of the board of directors, Mr. Kong Wing Fai, our director, Company Secretary, and Chief Financial Officer, Mr. Koo Lon Tien, our Chief Operating Officer, and our director nominees, Mr. To Hoi Pan, Mr. Mark Allen Brisson, and Ms. Tse Sui Man, are located in Hong Kong. As all of our directors and officers are nationals or residents of jurisdictions other than the United States, a substantial portion of their assets are located outside the United States. As a result, it may be difficult for a shareholder to effect service of process within the United States upon these persons, or to enforce against us or them judgments obtained in U.S. courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States.

We have appointed Puglisi & Associates, located at 850 Library Avenue, Suite 204, Newark, DE 19711, as our agent upon whom process may be served in any action brought against us under the securities laws of the United States.

Conyers Dill & Pearman, our counsel as to Cayman Islands law, and Watson Farley & Williams LLP, our counsel as to Hong Kong law, have advised us, respectively, that there is uncertainty as to whether the courts of the Cayman Islands and Hong Kong, respectively, would:

- recognize or enforce judgments of U.S. courts obtained against us or our directors or officers predicated upon the civil liability provisions of securities laws of the United States or any state in the United States; or
- entertain original actions brought in each respective jurisdiction against us or our directors or officers predicated upon the securities laws of the United States or any state in the United States.

Conyers Dill & Pearman has informed us that there is currently no statutory enforcement or treaty between the United States and the Cayman Islands providing for enforcement of judgments. A judgment obtained in the United States, however, may be recognized and enforced in the courts of the Cayman Islands at common law, without any re-examination on the merits of the underlying dispute, by an action commenced on the foreign judgment debt in the Grand Court of the Cayman Islands, provided such judgment: (i) is given by a foreign court of competent jurisdiction; (ii) imposes on the judgment debtor a liability to pay a liquidated sum for which the judgment has been given; (iii) is final; (iv) is not in respect of taxes, a fine or a penalty; and (v) was not obtained in a manner and is not of a kind the enforcement of which is contrary to natural justice or public policy of the Cayman Islands. Furthermore, it is uncertain that Cayman Islands courts would enforce: (1) judgments of U.S. courts obtained in actions against us or other persons that are predicated upon the civil liability provisions of the U.S. federal securities laws; or (2) original actions brought against us or other persons predicated upon the Securities Act. Conyers Dill & Pearman has informed us that there is uncertainty with regard to Cayman Islands law relating to whether a judgment obtained from the U.S. courts under civil liability provisions of the securities laws will be determined by the courts of the Cayman Islands as penal or punitive in nature.

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Our Hong Kong counsel, Watson Farley & Williams LLP, has advised us that Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, there is uncertainty as to the enforceability in Hong Kong, in original actions or in actions for enforcement, of judgments of U.S. courts of civil liabilities predicated solely upon the federal securities laws of the United States or the securities laws of any State or territory within the United States.

A judgment of a court in the United States predicated upon U.S. federal or state securities laws may be enforced in Hong Kong at common law by bringing an action in a Hong Kong court on that judgment for the amount due thereunder, and then seeking summary judgment on the strength of the foreign judgment, provided that the foreign judgment, among other things, is (1) for a debt or a definite sum of money (not being taxes or similar charges to a foreign government taxing authority or a fine or other penalty) and (2) final and conclusive on the merits of the claim, but not otherwise. Such a judgment may not, in any event, be so enforced in Hong Kong if: (a) it was obtained by fraud; (b) the proceedings in which the judgment was obtained were opposed to natural justice; (c) its enforcement or recognition would be contrary to the public policy of Hong Kong; (d) the court of the United States was not jurisdictionally competent; or (e) the judgment was in conflict with a prior Hong Kong judgment.

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## **CORPORATE STRUCTURE**

On March 11, 2021, SU Group was incorporated as an exempted company with limited liability in the Cayman Islands as our holding company. SU Group directly holds all the share capital of SU Investment, a company incorporated in the BVI with limited liability on November 21, 2019. SU Investment directly holds (1) all the share capital of Shine Union, a company incorporated in Hong Kong with limited liability on January 2, 1998, and (2) all the share capital of Fortune Jet, a company incorporated in Hong Kong with limited liability on February 13, 2015. As described below, SU Group, through a series of transactions which is accounted for as a reorganization of entities under a common control (the “Reorganization”), became the ultimate parent entity of its subsidiaries. Our principal executive offices are located at Unit 01 – 03, 3/F, Billion Trade Centre, 31 Hung To Road, Kwun Tong, Kowloon, Hong Kong and our phone number is +852 2341-8183. We maintain a corporate website at [www.sugroup.com.hk](http://www.sugroup.com.hk). The information contained in, or accessible from, our website or any other website does not constitute a part of this prospectus.

The history of our Group can be traced back to 1998 when Shine Union was incorporated in Hong Kong. Mr. Chan Ming Dave, our founder, has over 38 years of experience in the security engineering industries and business management.

The Reorganization involved: (i) the incorporation of SU Group under the laws of the Cayman Islands on March 11, 2021; (ii) the incorporation of SU Group’s wholly-owned subsidiary, SU Investment, under the laws of the BVI on November 21, 2019; (iii) the incorporation of Exceptional Engineering Limited on March 2, 2021, a limited liability company established under the laws of BVI; and (iv) the transfer of all equity ownership of SU Investment to SU Group from Mr. Chan Ming Dave on April 16, 2021.

On July 26, 2019, the then sole shareholder of Fortune Jet transferred 10,000 shares of Fortune Jet, representing the entire issued share capital of Fortune Jet, to Shine Union, for consideration of HK\$1,400,000.

Immediately before the Reorganization, (i) Mr. Chan Ming Dave legally and beneficially owned the entire issued share capital of SU Investment, (ii) SU Investment legally and beneficially owned the entire issued share capital of Shine Union and (iii) SU Investment legally and beneficially owned 90.0% of the issued share capital of Fortune Jet.

On December 9, 2019, Shine Union transferred 9,000 shares of Fortune Jet, representing 90.0% of the issued share capital of Fortune Jet, to SU Investment, an investment holding company of our Group which was then wholly owned by Mr. Chan Ming Dave, for consideration of HK\$9,000. At the time of the above transfer, both Shine Union and SU Investment were wholly beneficially owned by Mr. Chan Ming Dave. On the same day, Shine Union also transferred 1,000 shares of Fortune Jet, representing 10.0% of the issued share capital of Fortune Jet, to Mr. Chu Hon Wai, a director of Fortune Jet, who is mainly responsible for assisting with our business of provision of security guarding and screening services and related vocational training services.

On December 11, 2019, Mr. Chan Ming Dave transferred approximately 99.9998% of the issued share capital of Shine Union to SU Investment for aggregate consideration of HK\$569,999, and the one share of Shine Union held in the name of Mr. Chan Wang Chung (who passed away in July 2012) in trust for Mr. Chan Ming Dave, representing approximately 0.0002% of the issued share capital of Shine Union, was transferred to SU Investment, an investment holding company which was then wholly owned by Mr. Chan Ming Dave to unwind the trust arrangement between Mr. Chan Wang Chung and Mr. Chan Ming Dave. The transfer document in respect of the transfer of the one share of Shine Union held in the name of Mr. Chan Wang Chung to SU Investment was validly executed. Upon completion of the above transfers, all of the trust arrangements in respect of Mr. Chan Ming Dave's interests in Shine Union were unwound and Shine Union was wholly owned by SU Investment.

On April 16, 2021, Mr. Chan Ming Dave transferred the entire issued share capital of SU Investment to our company, in consideration for 949 shares to Exceptional Engineering Limited, a company wholly-owned by Mr. Chan Ming Dave, at the direction of Mr. Chan Ming Dave.

Upon completion of the above transfer of shares of SU Investment and allotment and issue of Shares, (i) SU Investment became a direct wholly-owned subsidiary of our company, (ii) Shine Union became an indirect wholly-owned subsidiary of our company, and (iii) Fortune Jet became an indirect subsidiary of our company.

On April 29, 2021, SU Group, Mr. Koo Lon Tien (our Chief Operating Officer) and Ms. Chan Wai Ling (the elder sister of Mr. Chan Ming Dave) entered into a subscription agreement, whereby Mr. Koo Lon Tien and Ms. Chan Wai Ling each agreed to invest HK\$4,000,000 for 2.5% of our company. Upon completion of the transaction, our company was owned as to 95.0%, and 5.0% by Exceptional Engineering Limited and minority shareholders, respectively.

On February 27, 2023, SU Group issued 8,550 ordinary shares to Exceptional Engineering Limited and 450 ordinary shares to Mr. Koo Lon Tien. On the same day, Ms. Chan Wai Ling transferred her entire interest in the Company to Mr. Koo Lon Tien. In February and March 2023, Exceptional Engineering Limited and Mr. Koo Lon Tien also effectuated a series of share transfers. Upon completion of the transactions, Mr. Chan Ming Dave owns 75.14% of our company, through Exceptional Engineering Limited and DC & Partners Incorporation Limited, a British Virgin Islands company also wholly-owned by Mr. Chan Ming Dave. The remaining shareholders own 24.86% of the Company in aggregate.

On March 1, 2023, Mr. Chu Hon Wai transferred 1,000 shares of Fortune Jet, representing 10.0% of the issued share capital of Fortune Jet, to SU Investment. Upon the completion of such transfer, Fortune Jet became an indirect wholly-owned subsidiary of our company.

On June 20, 2023, SU Group issued an aggregate of 11,990,000 ordinary shares to its existing shareholders. Upon completion of the share issuance, there is no change in shareholding.

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## **SELECTED CONSOLIDATED FINANCIAL DATA**

The following selected statements of income data for the years ended September 30, 2021 and 2022, and the six months ended March 31, 2022 and 2023, selected balance sheets data as of September 30, 2021 and 2022, and March 31, 2023, and selected statements of cash flows data for the years ended September 30, 2021 and 2022, and the six months ended March 31, 2022 and 2023 have been derived from our audited consolidated financial statements and unaudited condensed consolidated financial statements included elsewhere in this prospectus. Our consolidated financial statements and unaudited condensed consolidated financial statements are prepared and presented in accordance with U.S. GAAP. Our historical results are not necessarily indicative of results expected for future periods. You should read this section together with our consolidated financial statements, unaudited condensed consolidated financial statements, and the related notes and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” included elsewhere in this prospectus.

### **Selected Statements of Income Data**

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**For the Six Months Ended  
March 31,**

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	2022	2023
	HK\$	HK\$
Revenues	69,902,840	97,043,825
Cost of revenues	(48,608,333)	(71,545,676)
<b>Gross profit</b>	<b>21,294,507</b>	<b>25,498,149</b>
Total operating expenses	(17,190,536)	(14,637,342)
Income from operations	4,103,971	10,860,807
<b>Net income</b>	<b>2,926,131</b>	<b>10,103,735</b>
<b>Net income attributable to SU Group Holdings Limited's ordinary shareholders</b>	<b>2,783,544</b>	<b>9,997,960</b>
<b>Basic and diluted earnings per ordinary share*</b>	<b>0.23</b>	<b>0.83</b>

	For the Years Ended	
	September 30,	
	2021	2022
	HK\$	HK\$
Revenues	117,565,797	136,447,442
Cost of revenues	(81,595,840)	(97,220,327)
<b>Gross profit</b>	<b>35,969,957</b>	<b>39,227,115</b>
Total operating expenses	(27,826,418)	(32,401,859)
Income from operations	8,143,539	6,825,256
<b>Net income</b>	<b>6,022,146</b>	<b>8,250,174</b>
<b>Net income attributable to SU Group Holdings Limited's ordinary shareholders</b>	<b>5,799,176</b>	<b>7,762,677</b>
<b>Basic and diluted earnings per ordinary share*</b>	<b>0.48</b>	<b>0.65</b>

\* Retrospectively restated for effect of the reorganization in October 2020 and share issuances on February 27, 2023 and June 20, 2023.

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#### Selected Balance Sheets Data

	As of
	March 31,
	2023

	HK\$
Cash and cash equivalents	22,785,529
Trade receivables, net	42,977,883
Inventories	17,519,158
<b>Total current assets</b>	<b>91,861,981</b>
Property and equipment, net	9,566,024
Goodwill	1,271,160
Operating lease right-of-use assets, net	2,206,551
Investment in key management insurance policy	1,157,520
<b>Total assets</b>	<b>108,027,646</b>
Trade payables	17,776,138
Other payables	2,515,607
Accrued payroll and welfare	9,094,474
Income tax payable	360,915
Contract liabilities	18,670,883
Operating lease liabilities – current	541,118
<b>Total current liabilities</b>	<b>52,129,315</b>
Operating lease liabilities – non-current	461,468
Other payables – non-current	1,118,529
Deferred tax liabilities	1,571,600
<b>Total liabilities</b>	<b>56,263,834</b>
<b>Shareholders' equity</b>	<b>51,763,812</b>

	As of September 30,	
	2021	2022
	HK\$	HK\$
Cash and cash equivalents	31,080,973	25,185,630
Trade receivables, net	30,376,096	23,696,180
Inventories	17,949,372	22,692,161
Amounts due from related parties	10	22,810
<b>Total current assets</b>	<b>82,360,502</b>	<b>77,223,597</b>
Property and equipment, net	12,734,914	10,723,617
Goodwill	1,271,160	1,271,160
Operating lease right-of-use assets, net	1,839,494	1,449,859



Investment in key management insurance policy	979,680	1,065,480
<b>Total assets</b>	<b>99,363,726</b>	<b>93,536,089</b>
Trade payables	5,550,378	3,174,806
Other payables	3,320,665	2,365,624
Amount due to a related party	204,518	195,958
Accrued payroll and welfare	7,281,476	8,797,841
Income tax payable	4,097,767	2,446,138
Contract liabilities	30,068,653	27,225,278
Operating lease liabilities – current	851,803	541,118
<b>Total current liabilities</b>	<b>53,356,253</b>	<b>47,678,697</b>
Operating lease liabilities – non-current	94,750	38,000
Other payables – non-current	1,376,640	1,433,190
Deferred tax liabilities	2,198,066	1,768,737
<b>Total liabilities</b>	<b>57,912,423</b>	<b>51,875,012</b>
<b>Shareholders' equity</b>	<b>41,451,303</b>	<b>41,661,077</b>

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**Selected Statements of Cash Flows Data**

	<b>For the Six Months Ended</b>	
	<b>March 31,</b>	
	<b>2022</b>	<b>2023</b>
	<b>HK\$</b>	<b>HK\$</b>
Net cash provided by (used in) operating activities	467,680	(727,994)
Net cash used in investing activities	(248,000)	(1,664,000)
Net cash provided by (used in) financing activities	223,740	(173,148)
Effect of exchange rate changes	10,812	165,041
Cash and cash equivalents at beginning of the period	31,080,973	25,185,630
<b>Cash and cash equivalents at end of the period</b>	<b>31,535,205</b>	<b>22,785,529</b>

	<b>For the Years Ended</b>	
	<b>September 30,</b>	
	<b>2021</b>	<b>2022</b>
	<b>HK\$</b>	<b>HK\$</b>

Net cash provided by operating activities	18,583,165	4,453,913
Net cash (used in) provided by investing activities	14,869,866	(2,250,000)
Net cash used in financing activities	(16,552,193)	(8,071,760)
Effect of exchange rate changes	(20,302)	(27,496)
Cash and cash equivalents at beginning of the year	14,200,437	31,080,973
<b>Cash and cash equivalents at end of the year</b>	<b>31,080,973</b>	<b>25,185,630</b>

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**MANAGEMENT’S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this prospectus. This discussion and analysis and other parts of this prospectus contain forward-looking statements based upon current beliefs, plans and expectations that involve risks, uncertainties and assumptions. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of several factors, including those set forth under “Risk Factors” and elsewhere in this prospectus. You should carefully read the “Risk Factors” section of this prospectus to gain an understanding of the important factors that could cause actual results to differ materially from our forward-looking statements. See “Special Note Regarding Forward-Looking Statements.” All amounts included herein with respect to the fiscal years ended September 30, 2021 and 2022 are derived from our audited consolidated financial statements included elsewhere in this prospectus. All amounts included herein with respect to the six months ended March 31, 2022 and 2023 are derived from our unaudited condensed consolidated financial statements included elsewhere in this prospectus. Our financial statements have been prepared in accordance with U.S. GAAP.*

**OVERVIEW**

Through our subsidiaries, Shine Union and Fortune Jet, we are an integrated security-related services company that primarily provides security-related engineering services, and to a lesser extent, security guarding and screening services, in Hong Kong.

Established in 1998, Shine Union is an engineering company that provides turnkey services to the existing infrastructure or planned development of our customers through the design, supply, installation and maintenance of security systems. The security systems our services encompass can be broadly categorized into threat detection systems, traffic and pedestrian control systems and ELV systems. Shine Union is one of the few providers in the Hong Kong security-related engineering services market authorized to distribute over 10 brands of security systems, according to Frost & Sullivan Report. Shine

Union is also the exclusive distributor to market and sell two brands of threat detection systems, which includes X-ray machines, trace detection products, metal detectors and mail screening machines.

With more than two decades of industry experience, Shine Union acts as both a contractor and a subcontractor and has completed various security-related engineering projects in both the private and public sectors, which were carried out in commercial properties, public facilities and residential properties in Hong Kong. Some notable projects undertaken by Shine Union include the design, supply, installation and/or maintenance of X-ray machines at a rail link terminus and the air cargo terminal based at the Hong Kong International Airport, the traffic control system and ELV system at the bridge-tunnel system connecting Hong Kong, Macau and Zhuhai, pedestrian control system at the headquarters office building of a Hong Kong-based banking and financial services company and the Hong Kong office building of a French cosmetics company, and the parking system at a mixed-use complex located on the Kwun Tong Promenade. Shine Union obtains its contracts either through direct invitation for quotation from customers, or through a competitive tendering process of the project employers or their main contractors.

As part of our strategy to provide a comprehensive suite of security-related service offerings to our customers, and in view of the capabilities of Fortune Jet in the provision of security guarding services as a holder of the Security Company Licence (Type I) issued by the Security and Guarding Services Industry Authority in Hong Kong and seeing the potential opportunities in light of the introduction of new policies by the ICAO in September 2016 and the RACSF introduced by the CAD in October 2018, which require all outgoing air cargo in Hong Kong to be subject to security screening by June 2021, we acquired Fortune Jet in July 2019, which is principally engaged in the provision of security guarding and screening services and, to a lesser extent, related vocational training services in Hong Kong. Since the acquisition, we have evolved from an engineering company providing services in respect of security systems to an integrated security-related provider, with our businesses also covering security guarding and screening services. We believe that the acquisition has brought synergy to our development by enabling us to market ourselves as a one-stop security-related services provider and identify cross-selling opportunities among our business segments, thereby increasing our market share.

Our principal businesses comprise (i) the provision of security-related engineering services which includes income from the supply and installation of security systems and related maintenance services; and (ii) the provision of security guarding and screening services in Hong Kong.

## **KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS**

Our business and operating results are affected by the general factors that impact our total addressable market, including, among others, overall economic growth in Hong Kong and globally, the continued

relationship with recurring customers, costs of supplies, regulatory, tax and geopolitical environments, the level of cross-border investment, and the competitive landscape for our services. Changes in any of these general factors could affect the demand for our principal businesses and our results of operations.

Despite the general factors mentioned above, we believe that our results of operations have been and will continue to be affected more directly by a number of factors, including those set out below.

### **Demand for our services**

Our business and results of operations are highly affected by the demand for our different services offered. Changes in economic activities in Hong Kong, including expansion and development of private and public infrastructure, the number of events and exhibitions or ad-hoc or emergency situations that raise the public's willingness to invest in security systems arising from the social movements in Hong Kong, would affect the business of our customers, which in turn may affect demand for our security services, and therefore our business and results of operations.

The demand for our services may also be influenced by the change of government policies, such as the change in policies of the CAD. Moreover, with the government policies on promotion of Smart City, which involve the development of a city-wide network of sensors and data analytics tools to monitor and manage traffic and transportation, the demand for security and safety services is expected to rise, thereby driving the growth of security systems and services in Hong Kong. However, we cannot assure you that any favorable policies will continue, or at all.

Thus, our results of operations are highly dependent on the demand for our services and may be influenced by the changes of government policies, which are in turn driven by a variety of factors.

### **Ability to secure new contract and maintain our backlog**

Our current business strategies rely heavily on recurring customers. We track new and recurring customers. Customers are considered to be recurring if they engage us for more than one fiscal year or period. For the fiscal years ended September 30, 2021 and 2022, and the six months ended March 31, 2023, we had 333, 319, and 281 recurring customers, respectively, representing approximately 87.4%, 72.7%, and 81.7% of the total number of our customers, respectively, for the corresponding fiscal year or period. Accordingly, approximately 93.5%, 80.9%, and 73.7% of our revenues from security-related engineering services, respectively, and approximately 98.6%, 74.2%, and 88.4% of our revenues from security guarding and screening services, respectively, was contributed by our recurring customers for the fiscal years ended September 30, 2021 and 2022, and the six months ended March 31, 2023. While we devote resources to maintain or improve the relationships with our recurring customers, we also make efforts to source new customers. Although such expansion would reduce the proportion of revenues generated from recurring customers, it diversifies our clientele to reduce the potential impact in a case where the recurring customers cease to engage us to provide services.

Our customers operate across a wide variety of applications for our services. Our major customers include system integrators, logistics companies and an air cargo terminal operator in Hong Kong. We mainly secure our contracts through direct negotiation and quotation process with our potential customers. For the fiscal years ended September 30, 2021 and 2022, and the six months ended March 31, 2023, approximately 92.6%, 81.9%, and 68.1% of our revenues generated from security-related engineering services was generated from quotations, respectively, and approximately 7.4%, 18.1%, and 31.9% was generated from tendering, respectively. For the fiscal years ended September 30, 2021 and 2022, and the six months ended March 31, 2023, approximately 53.8%, 47.0%, and 43.2% of our revenues generated from security guarding services was generated from quotations, respectively, and approximately 46.2%, 53.0%, and 56.8% was generated from tendering, respectively. Our revenues generated from screening services were mainly generated from quotations for the fiscal years ended September 30, 2021 and 2022, and the six months ended March 31, 2023. Our results of operations will be adversely affected if we are unable to secure a sufficient number of sizable contracts in the future.

There can be no assurance that our customers will continue to engage us in future projects. In the event that our customers cease to engage us to provide services and we fail to replace such customers, or if we fail to secure new contracts, our business, results of operations, and financial condition may be materially and adversely affected.

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### **Service mix**

Our business comprises mainly the provision of security-related engineering services, and to a lesser extent, the provision of security guarding and screening services in Hong Kong. The fluctuation of gross profit margin of provision of security-related engineering services and security guarding and screening services is highly driven by the types of projects undertaken, including a mix of factors such as the labor supply during a specific period of time, the composition of the work force for respective projects, the types and sizes of projects or events and the timing of events.

Consequently, our gross profit margins are impacted by our service mix in our services and hence the revenues from each revenues stream. Going forward, we will continue to evaluate and adjust our portfolio of service offerings from time to time and strive to maintain or increase profitability.

### **Supply and costs of labor**

Our security guarding and screening services are labor-intensive and we rely heavily on our staff for providing these services. We commenced the provision of our security guarding and screening services in July 2019.

As some of the security guarding and screening services engagements may involve a relatively short term of service, the security guarding and screening services industries require flexible deployment of human resources. Work fragmentation gives rise to the proliferation of casual labor, such as part-time employees and temporary workers. Competition for the pool of part-time security guards and screeners has become commonplace among security services providers and more competitive remuneration packages may have to be adopted by us to attract sufficient labor. The factors affecting our total employee benefit expenses include, but are not limited to, the labor supply during a specific period of time, the composition of the work force for respective projects, the types of projects or events and the timing of events. According to the Frost & Sullivan Report, the monthly salary of security guarding personnel increased from HK\$12,570 in 2017 to HK\$14,987 in 2022, representing a CAGR of approximately 3.6% from 2017 to 2022. The average monthly salary of trainers also recorded growth from HK\$27,500 in 2017 to HK\$32,000 in 2022, at a CAGR of 3.1%. If there is a shortage of labor in the security guarding and screening services industries, particularly personnel with specialized qualifications, our business operations may be negatively affected. See *“Risk Factors — Risks Related to Our Business and Industry — Security guarding and screening services and related vocational training services are highly labor intensive and we rely on a stable supply of labor to provide our services. Labor shortages or increases in labor costs could harm our business, reduce our profitability and slow our growth.”*

### **Competition**

We face significant competition in the security-related engineering industry and security guarding and screening and related vocational training industry in Hong Kong. Entry barriers and setup costs are considered to be moderate. Individuals providing security services and companies offering security services are regulated under a permit and license system.

As such, we face potential competition with various industry providers in the same industry. In 2022, our Group recorded revenues of HK\$68.5 million for the provision of security-related engineering services (comprising project income and maintenance income), accounting for 0.8% of the market share. In 2022, our Group recorded revenues of HK\$55.4 million for the provision of related security guarding and screening services, accounting for 0.2% of the market share. The competition in related vocational training is fierce, while some market participants could increase their market share by providing more training courses. We believe that we have differentiated our services with our comprehensive range of security system solutions with high flexibility, established reputation with proven track record and strong access to skilled professionals. Should we fail to compete with our competitors, maintain our competitive advantage or keep pace with industry changes, our results of operations could be adversely affected.

### **IMPACT OF COVID-19 ON OUR OPERATIONS**

The Hong Kong economy has been affected by the COVID-19 outbreak as it hindered economic activities. The Hong Kong government has launched relief measures of unprecedented scale, including the two rounds of measures under the Anti-Epidemic Fund, which should provide some cushioning

effects to the economy and the labor market. To cushion the impact of the COVID-19 on the operation of our business, we have applied for subsidies under the Employment Support Scheme, an Anti-Epidemic Fund, and the Construction Industry Anti-Epidemic Fund launched

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by the Hong Kong government. During the years ended September 30, 2021 and 2022, and the six months ended March 31, 2023, we were granted subsidies from the aforementioned funds by the Hong Kong government in the amount of approximately HK\$0.7 million, HK\$3.3 million, and HK\$0.4 million, respectively. Such government grants are non-recurring in nature and were recorded as an item in other income in our consolidated financial statements. See *“Risk Factors — Risks Related to Our Business and Industry — We recorded certain one-off gains which may be non-recurring in the future.”*

During the years ended September 30, 2021 and 2022, and the six months ended March 31, 2023, we mainly sourced our security systems from Malaysia, Belgium and Hong Kong (i.e., places where our security systems are shipped from). To the best of our knowledge, we were not aware of any material disruption to the supply of security systems from our suppliers due to any operation suspension or transportation restrictions, nor were we aware of any material disruption to the provision of services by our subcontractors as of September 30, 2021 and 2022, and the six months ended March 31, 2023. Since the outbreak of the COVID-19 and up to September 30, 2021 and 2022, and March 31, 2023, these suppliers and subcontractors had not expressed any difficulties in meeting our delivery schedules or service demands.

Except as noted above, our directors confirm that the outbreak of COVID-19 has not resulted in any material adverse impact on our business operations and financial performance up to September 30, 2021 and 2022, and the six months ended March 31, 2023, such that (i) there is no loss or cancellation of our contracts or purchase orders after the years ended September 30, 2021 and 2022, and the six months ended March 31, 2023 and our contracts in the pipeline are ongoing as planned; (ii) none of our customers have, or have expressed their intention to, (a) delay, suspend or terminate their existing contracts or purchase orders, or (b) reduce their demand for our services; (iii) we have not experienced any instance of material labor shortage or suspension of works of our subcontractors in security-related engineering projects; and (iv) we have not experienced any instance of material labor shortage in security guarding and screening services. We will continue to assess the impact of the COVID-19 outbreak on our business operations and financial performance and closely monitor our exposure to the risks and uncertainties in this regard.

## **KEY COMPONENTS OF RESULTS OF OPERATIONS**

### **Revenues**

We generate our revenues from (i) the provision of security-related engineering services; and (ii) the provision of security guarding and screening services.

The table below sets out the breakdown of our revenues by service line for the periods presented:

	For the six months ended March 31,			Variances	
	2022	2023		Amount	%
	HK\$	HK\$	US\$	HK\$	
<b>Security-related engineering services</b>	<b>41,839,740</b>	<b>65,126,874</b>	<b>8,296,840</b>	<b>23,287,134</b>	<b>55.7</b>
Project and maintenance	37,727,569	61,139,954	7,788,926	23,412,385	62.1
Equipment leasing	4,112,171	3,986,920	507,914	(125,251)	(3.0)
<b>Security guarding and screening services</b>	<b>28,063,100</b>	<b>31,916,951</b>	<b>4,066,061</b>	<b>3,853,851</b>	<b>13.7</b>
<b>Total revenues</b>	<b>69,902,840</b>	<b>97,043,825</b>	<b>12,362,901</b>	<b>27,140,985</b>	<b>38.8</b>

	For the years ended September 30,			Variances	
	2021	2022		Amount	%
	HK\$	HK\$	US\$	HK\$	
<b>Security-related engineering services</b>	<b>81,547,141</b>	<b>77,244,502</b>	<b>9,840,565</b>	<b>(4,302,639)</b>	<b>(5.3)</b>
Project and maintenance	68,929,525	68,528,142	8,730,144	(401,383)	(0.6)
Equipment leasing	12,617,616	8,716,360	1,110,421	(3,901,256)	(30.9)
<b>Security guarding and screening services</b>	<b>36,018,656</b>	<b>59,202,940</b>	<b>7,542,160</b>	<b>23,184,284</b>	<b>64.4</b>
<b>Total revenues</b>	<b>117,565,797</b>	<b>136,447,442</b>	<b>17,382,725</b>	<b>18,881,645</b>	<b>16.1</b>

#### *Security-related engineering services*

The provision of security-related engineering services is one of our principal businesses. We provide security-related engineering services primarily in Hong Kong.

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##### *(i) Project and maintenance*

Project income in relation to security-related engineering services includes income from the supply and/or installation of security systems and related maintenance services. Our project income is generally driven by the number, size and types of projects involved, and nature of services provided.



We also provide standalone maintenance service to our customers in respect of (i) security systems and products supplied and installed by us but falling outside of or without a defects liability period; and (ii) security systems and products for which the supply and installation work were not handled by us.

*(ii) Equipment leasing*

Income derived from equipment leasing comprises rental income received from the leasing of security systems under operating leases. Rental income from operating leases is recognized in the consolidated statements of income on a straight-line basis over the lease term. The rental income under the standalone equipment leasing arrangements with our lessees is determined by taking into account various factors, including the price and condition of the security systems and the period of the lease.

***Security guarding and screening services***

Since the acquisition of Fortune Jet in July 2019, we commenced our provision of security guarding and screening services in Hong Kong.

We secure and guard both individuals and physical properties by, among other things, conducting patrols, entrance guarding, access control and alarm monitoring through our dispatched employees. We provide screening services by dispatching certified screeners who are our employees to the premises of our customers.

We also offer various types of related vocational training courses (i.e., QASRS, Mandatory Basic Safety Training Course (Construction Work), and Mandatory Basic Safety Training Revalidation Course (Construction Work)).

**Cost of revenues**

Our cost of revenues consists of (i) costs of material in relation to security-related engineering services; (ii) employee benefit expenses for our staff which are attributable to the provision of services; (iii) subcontracting fees which mainly represent the cost of services from third-party service providers; and (iv) other costs directly attributable to our revenue-generating activities, such as depreciation of security systems leased to our customers under operating leases, freight charges and other miscellaneous expenses.

The following table sets forth a breakdown of our cost of revenues by service line for the periods indicated:

	For the six months ended March 31,			Variances	
	2022	2023		Amount	%
	HK\$	HK\$	US\$	HK\$	
<b>Security-related engineering services</b>	<b>27,053,268</b>	<b>44,817,879</b>	<b>5,709,575</b>	<b>17,764,611</b>	<b>65.7</b>

Project and maintenance	25,947,165	43,726,152	5,570,494	17,778,987	68.5
Equipment leasing	1,106,103	1,091,727	139,081	(14,376)	(1.3)
<b>Security guarding and screening services</b>	<b>21,555,065</b>	<b>26,727,797</b>	<b>3,404,988</b>	<b>5,172,732</b>	<b>24.0</b>
<b>Total cost of revenues</b>	<b>48,608,333</b>	<b>71,545,676</b>	<b>9,114,563</b>	<b>22,937,343</b>	<b>47.2</b>

	For the years ended September 30,			Variances	
	2021	2022		Amount	%
	HK\$	HK\$	US\$	HK\$	
<b>Security-related engineering services</b>	<b>53,444,991</b>	<b>50,395,302</b>	<b>6,420,111</b>	<b>(3,049,688)</b>	<b>(5.7)</b>
Project and maintenance	50,450,683	48,075,308	6,124,555	(2,375,374)	(4.7)
Equipment leasing	2,994,308	2,319,994	295,556	(674,314)	(22.5)
<b>Security guarding and screening services</b>	<b>28,150,849</b>	<b>46,825,025</b>	<b>5,965,275</b>	<b>18,674,176</b>	<b>66.3</b>
<b>Total cost of revenues</b>	<b>81,595,840</b>	<b>97,220,327</b>	<b>12,385,386</b>	<b>15,624,487</b>	<b>19.1</b>

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**Gross profit and gross profit margin**

Our gross profit equals our revenues less our cost of revenues. Our gross profit and gross profit margin are dependent on various factors, including, the nature of the projects that were undertaken by us and the size of such projects during the respective financial year.

**Selling, general and administrative expenses**

Our selling, general and administrative expenses mainly consist of (i) employee benefit expenses for our directors, and sales and administrative staff; (ii) legal and professional fees; (iii) office expenses primarily including motor vehicle expenses for our operations, repair and maintenance expenses, insurance fees, computer accessories expenses, utilities and postage and courier and other communication expenses; (iv) depreciation of right-of-use (“ROU”) assets for our offices; (v) expenses relating to short-term leases and low-value assets; (vi) business development expenses which mainly consist of entertainment expenses, travelling expenses for business trips and advertising and promotion expenses for our brand; and (vii) other miscellaneous expenses.

**Gains (losses) on disposal of property and equipment**

Gains (losses) on disposal of property and equipment represent the proceeds from disposal of property and equipment, net of the carrying amount of the property and equipment disposed of.

#### **Other income**

Other income mainly consists of (i) government grants received in relation to COVID-19; (ii) net gains on foreign exchange arising from the fluctuation of US\$, EUR, GBP, and RMB in relation to our procurement and bank and trade payables balances denominated in foreign currencies; (iii) interest income from bank deposits; and (iv) fair value gain on revaluation of the investment in our key management insurance policy.

#### **Finance expenses**

Finance expenses represent interest expenses on bank borrowings, lease liabilities and notes payables.

#### **Other expenses**

Other expenses mainly consist of net losses on foreign exchange arising from the fluctuation of US\$, EUR, GBP, and RMB in relation to our procurement and bank and trade payables balances denominated in foreign currencies.

#### **Income tax expenses**

The profits of a group entity in Hong Kong not qualifying for the two-tiered profits tax rates regime will be taxed at the flat rate of 16.5%. Accordingly, Hong Kong profits tax is calculated at 8.25% on the first HK\$2.0 million of the estimated assessable profits for Shine Union and at 16.5% on the estimated assessable profits above HK\$2.0 million.

We are not subject to any income tax in the Cayman Islands and the BVI pursuant to the rules and regulations in those jurisdictions.

We have fulfilled all our income tax obligations and have not had any unresolved income tax issues or disputes with the relevant tax authorities.

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## **RESULTS OF OPERATIONS**

The following table sets forth a summary of our unaudited condensed consolidated results of operations for the six months ended March 31, 2022 and 2023. This information should be read together with our unaudited condensed consolidated financial statements and related notes included elsewhere in this prospectus. The results of operations in any period are not necessarily indicative of the results that may be expected for any future period.

	For the six months ended March 31,					Variances	
	2022		2023		US\$	Amount	%
	HK\$	%	HK\$	%		HK\$	
Revenues	69,902,840	100.0	97,043,825	100.0	12,362,901	27,140,985	38.8
Cost of revenues	(48,608,333)	(69.5)	(71,545,676)	(73.7)	(9,114,563)	22,937,343	47.2
<b>Gross profit</b>	<b>21,294,507</b>	<b>30.5</b>	<b>25,498,149</b>	<b>26.3</b>	<b>3,248,338</b>	<b>4,203,642</b>	<b>19.7</b>
<b>Operating expenses</b>							
Selling, general and administrative expenses	(16,565,629)	(23.7)	(13,835,332)	(14.3)	(1,762,553)	(2,730,297)	(16.5)
Losses on disposal of property and equipment	(624,907)	(0.9)	(802,010)	(0.8)	(102,172)	177,103	28.3
<b>Income from operations</b>	<b>4,103,971</b>	<b>5.9</b>	<b>10,860,807</b>	<b>11.2</b>	<b>1,383,613</b>	<b>6,756,836</b>	<b>164.6</b>
<b>Other income (expenses)</b>							
Other income	223,295	0.3	1,053,080	1.1	134,157	829,785	371.6
Finance expenses	(45,339)	(0.1)	(36,798)	(0.1)	(4,688)	(8,541)	(18.8)
<b>Total other income, net</b>	<b>177,956</b>	<b>0.2</b>	<b>1,016,282</b>	<b>1.0</b>	<b>129,469</b>	<b>838,326</b>	<b>471.1</b>
<b>Income before income tax expenses</b>							
<b>tax expenses</b>	<b>4,281,927</b>	<b>6.1</b>	<b>11,877,089</b>	<b>12.2</b>	<b>1,513,082</b>	<b>7,595,162</b>	<b>177.4</b>
Income tax expenses	(1,355,796)	(1.9)	(1,773,354)	(1.8)	(225,916)	417,558	30.8
<b>Net income</b>	<b>2,926,131</b>	<b>4.2</b>	<b>10,103,735</b>	<b>10.4</b>	<b>1,287,166</b>	<b>7,177,604</b>	<b>245.3</b>

### Comparison of Six Months Ended March 31, 2022 and 2023

#### Revenues

Our revenues increased by HK\$27.1 million, or 38.8%, from HK\$69.9 million for the six months ended March 31, 2022 to HK\$97.0 million for the six months ended March 31, 2023 mainly due to (i) an increase in revenues from provision of security-related engineering services of HK\$23.3 million; and (ii) an increase in revenues from provision of security guarding and screening services of HK\$3.8 million.

Our revenues from the provision of security-related engineering services increased by HK\$23.3 million, or 55.7%, from HK\$41.8 million for the six months ended March 31, 2022 to HK\$65.1 million for the six months ended March 31, 2023. The increase was mainly attributable to the business growth of the

security-related engineering services segment. Certain revenues for the six months ended March 31, 2023 were contributed by several projects with larger revenues recognized, including one project of over HK\$6 million, one project of over HK\$4 million, three projects of over HK\$3 million, four projects of over HK\$2 million, and two projects of over HK\$1 million. Comparatively, certain revenues for the six months ended March 31, 2022 were contributed by less projects with larger revenues recognized, including two projects of over HK\$2 million, and six projects of over HK\$1 million.

Our revenues from the provision of security guarding and screening services increased by HK\$3.8 million, or 13.7%, from HK\$28.1 million for the six months ended March 31, 2022 to HK\$31.9 million for the six months ended March 31, 2023. The increase was mainly attributable to the newly secured security guarding contracts during the six months ended March 31, 2023.

#### *Cost of revenues*

Our cost of revenues increased by HK\$22.9 million, or 47.2%, from HK\$48.6 million for the six months ended March 31, 2022 to HK\$71.5 million for the six months ended March 31, 2023 mainly due to (i) an increase in cost of revenues from provision of security-related engineering services of HK\$17.8 million; and (ii) an increase in cost of revenues from provision of security guarding and screening services of HK\$5.1 million. The increase in cost of revenues was in line with the business growth of security-related engineering services and security guarding and screening services.

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#### *Gross profit and gross profit margin*

	For the six months ended March 31,			Variances	
	2022	2023		Amount	%
	HK\$	HK\$	US\$	HK\$	
<b>Security-related engineering services</b>					
Project and maintenance					
Gross profit	11,780,404	17,413,802	2,218,432	5,633,398	47.8%
Gross profit margin	31.2%	28.5%	28.5%	(2.7)%	
Equipment leasing					
Gross profit	3,006,068	2,895,193	368,833	(110,875)	(3.7)%
Gross profit margin	73.1%	72.6%	72.6%	(0.5)%	
<b>Security guarding and screening services</b>					

Gross profit	6,508,035	5,189,154	661,073	(1,318,881)	(20.3)%
Gross profit margin	23.2%	16.3%	16.3%	(6.9)%	
<b>Total</b>					
Gross profit	21,294,507	25,498,149	3,248,338	4,203,642	19.7%
Gross profit margin	30.5%	26.3%	26.3%	(4.2)%	

Our gross profit increased by HK\$4.2 million, or 19.7%, from HK\$21.3 million for the six months ended March 31, 2022 to HK\$25.5 million for the six months ended March 31, 2023, mainly resulting from the increase in revenues. The gross profit margin decreased from 30.5% for the six months ended March 31, 2022 to 26.3% for the six months ended March 31, 2023. The decrease was due to a lower gross profit margin of security guarding services contracts resulting from an increasing labor cost, triggered by a general reduction in labor supply in Hong Kong.

Gross profit margin of project and maintenance income under security-related engineering services slightly decreased from 31.2% for the six months ended March 31, 2022 to 28.5% for the six months ended March 31, 2023.

Gross profit margin of equipment leasing income under security-related engineering services slightly decreased from 73.1% for the six months ended March 31, 2022 to 72.6% for the six months ended March 31, 2023.

Gross profit margin of security guarding and screening services decreased from 23.2% for the six months ended March 31, 2022 to 16.3% for the six months ended March 31, 2023.

#### ***Selling, general and administrative expenses***

Our selling, general and administrative expenses decreased by HK\$2.7 million, or 16.5%, from HK\$16.5 million for the six months ended March 31, 2022 to HK\$13.8 million for the six months ended March 31, 2023. The decrease was mainly due to the net impact of (i) a decrease in legal and professional fees from HK\$5.0 million for the six months ended March 31, 2022 to HK\$0.1 million for the six months ended March 31, 2023 due to the decrease of professional service fees relating to our planned Hong Kong public listing efforts which were terminated in July 2022; (ii) a decrease in depreciation of operating lease ROU assets from HK\$0.8 million for the six months ended March 31, 2022 to HK\$0.5 million for six months ended March 31, 2023 due to expiry of several tenancy agreements as of March 31, 2022; and (iii) an increase in employee benefit expenses for administrative staff from HK\$7.5 million for the six months ended March 31, 2022 to HK\$10.6 million for the six months ended March 31, 2023 triggered by an increase in headcount and salary increment.

#### ***Other income***

Our other income increased by HK\$0.8 million, or 371.6%, from HK\$0.2 million for the six months ended March 31, 2022 to HK\$1.0 million for the six months ended March 31, 2023. The increase was

mainly due to the increase in government grants received, including the subsidies in relation to COVID-19 from nil for the six months ended March 31, 2022 to HK\$0.4 million for the six months ended March 31, 2023.

### ***Finance expenses***

Our finance expenses decreased by HK\$8,541, or 18.8%, from HK\$45,339 for the six months ended March 31, 2022 to HK\$36,798 for the six months ended March 31, 2023.

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### ***Income tax expenses***

Our income tax expenses increased by HK\$0.4 million, or 30.8%, from HK\$1.4 million for the six months ended March 31, 2022 to HK\$1.8 million for the six months ended March 31, 2023. The increase was mainly due to the increase in assessable profits for the purpose of Hong Kong Profits Tax triggered by increase in income before income tax.

### ***Net income***

As a result of the foregoing, our net income increased by HK\$7.2 million, or 245.3%, from HK\$2.9 million for the six months ended March 31, 2022 to HK\$10.1 million for the six months ended March 31, 2023. Our net income margin increased from 4.2% for the six months ended March 31, 2022 to 10.4% for the six months ended March 31, 2023.

The following table sets forth a summary of our consolidated results of operations for the fiscal years ended September 30, 2021 and 2022. This information should be read together with our consolidated financial statements and related notes included elsewhere in this prospectus. The results of operations in any period are not necessarily indicative of the results that may be expected for any future period.

	For the years ended September 30,					Variances	
	2021		2022		US\$	Amount	%
	HK\$	%	HK\$	%		HK\$	
Revenues	117,565,797	100.0	136,447,442	100.0	17,382,725	18,881,645	16.1
Cost of revenues	(81,595,840)	(69.4)	(97,220,327)	(71.3)	(12,385,386)	15,624,487	19.1
<b>Gross profit</b>	<b>35,969,957</b>	<b>30.6</b>	<b>39,227,115</b>	<b>28.7</b>	<b>4,997,339</b>	<b>3,257,158</b>	<b>9.1</b>

### **Operating expenses**

Selling, general and administrative expenses	(31,759,057)	(27.0)	(30,539,155)	(22.4)	(3,890,536)	(1,219,902)	(3.8)
Gains (losses) on disposal of property and equipment	3,932,639	3.3	(1,862,704)	(1.4)	(237,300)	(5,795,343)	(147.4)
<b>Income from operations</b>	<b>8,143,539</b>	<b>6.9</b>	<b>6,825,256</b>	<b>5.0</b>	<b>869,503</b>	<b>(1,318,283)</b>	<b>(16.2)</b>
<b>Other income (expenses)</b>							
Other income	1,207,336	1.0	3,576,366	2.7	455,611	2,369,030	196.2
Finance expenses	(244,202)	(0.2)	(82,843)	(0.1)	(10,554)	(161,359)	(66.1)
Other expenses	—	—	(96,028)	(0.1)	(12,233)	96,028	N/A
<b>Total other income, net</b>	<b>963,134</b>	<b>0.8</b>	<b>3,397,495</b>	<b>2.5</b>	<b>432,824</b>	<b>2,434,361</b>	<b>252.8</b>
<b>Income before income tax expenses</b>	<b>9,106,673</b>	<b>7.7</b>	<b>10,222,751</b>	<b>7.5</b>	<b>1,302,327</b>	<b>1,116,078</b>	<b>12.3</b>
Income tax expenses	(3,084,527)	(2.6)	(1,972,577)	(1.5)	(251,296)	(1,111,950)	(36.0)
<b>Net income</b>	<b>6,022,146</b>	<b>5.1</b>	<b>8,250,174</b>	<b>6.0</b>	<b>1,051,031</b>	<b>2,228,028</b>	<b>37.0</b>

### Comparison of Years Ended September 30, 2021 and 2022

#### Revenues

Our revenues increased by HK\$18.8 million, or 16.1%, from HK\$117.6 million for the fiscal year ended September 30, 2021 to HK\$136.4 million for the fiscal year ended September 30, 2022 mainly due to (i) an increase in revenues from provision of security guarding and screening services of HK\$23.2 million; and (ii) a decrease in revenues from equipment leasing income of HK\$3.9 million.

Our revenues from the provision of security guarding and screening services increased by HK\$23.2 million, or 64.4%, from HK\$36.0 million for the fiscal year ended September 30, 2021 to HK\$59.2 million for the fiscal year ended September 30, 2022. The increase was mainly attributable to the business growth of the security guarding and screening services segment. The number of customers requesting our security guarding and screening services increased from 101 during the fiscal year ended September 30, 2021 to 152 during the fiscal year ended September 30, 2022.



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Our revenues from equipment leasing decreased by HK\$3.9 million, or 30.9%, from HK\$12.6 million for the fiscal year ended September 30, 2021 to HK\$8.7 million for the fiscal year ended September 30, 2022. The decrease was mainly attributable to a reduced number of equipment leasing agreements in effect during the fiscal year ended September 30, 2022. 27 existing lessees under equipment leasing agreements chose to purchase the equipment being leased during the fiscal year ended September 30, 2021, which resulted in early termination of said agreements. Such termination imposed a full-year impact on the revenues from equipment leasing during the fiscal year ended September 30, 2022. This change was triggered by the launch of the Pilot Subsidy Scheme for Third-party Logistics Service Providers on October 12, 2020, which subsidizes the procurement of screening equipment including X-ray machines and explosive trace detection equipment adopted under the RACSF purchased between October 30, 2018 and June 30, 2021 to encourage the adoption of technology by the logistics sector for enhancing efficiency and productivity, together with the fact that the policies introduced by the ICAO in September 2016 and the RACSF introduced by the CAD in October 2018, which require all outgoing air cargo in Hong Kong to be subject to security screening by June 2021, has become effective during the fiscal year ended September 30, 2021. Accordingly, we believe that this change is a one-time event.

### *Cost of revenues*

Our cost of revenues increased by HK\$15.6 million, or 19.1%, from HK\$81.6 million for the fiscal year ended September 30, 2021 to HK\$97.2 million for the fiscal year ended September 30, 2022. The increase was mainly due to an increase in employee benefit expenses for direct labor from HK\$35.6 million for the fiscal year ended September 30, 2021 to HK\$52.9 million for the fiscal year ended September 30, 2022, mainly attributable to the increase in security guarding and screening services contracts obtained during the fiscal year ended September 30, 2022. The increase was in line with the business growth of security guarding and screening services.

### *Gross profit and gross profit margin*

	For the years ended September 30,			Variances	
	2021	2022		Amount	%
	HK\$	HK\$	US\$	HK\$	
<b>Security-related engineering services</b>					
Project and maintenance					
Gross profit	18,478,842	20,452,834	2,605,589	1,973,991	10.7%
Gross profit margin	26.8%	29.8%	29.8%	3.0%	
<b>Equipment leasing</b>					
Gross profit	9,623,308	6,396,366	814,865	(3,226,942)	(33.5)%

Gross profit margin	76.3%	73.4%	73.4%	(2.9)%	
<b>Security guarding and screening services</b>					
Gross profit	7,867,807	12,377,915	1,576,885	4,510,108	57.3%
Gross profit margin	21.8%	20.9%	20.9%	(0.9)%	
<b>Total</b>					
Gross profit	35,969,957	39,227,115	4,997,339	3,257,158	9.1%
Gross profit margin	30.6%	28.7%	28.7%	(1.8)%	

Our gross profit increased by HK\$3.2 million, or 9.1%, from HK\$36.0 million for the fiscal year ended September 30, 2021 to HK\$39.2 million for the fiscal year ended September 30, 2022, mainly resulting from the increase in revenues. The gross profit margin decreased from 30.6% in the fiscal year ended September 30, 2021 to 28.7% for the fiscal year ended September 30, 2022. The decrease was due to a reduction in revenues generated from equipment leasing, for which gross profit margin is higher than that of other revenue streams. It was also triggered by a lower gross profit margin of security guarding services contracts resulting from an increasing labor cost. According to the Frost & Sullivan Report, the monthly salary of security guarding personnel increased from HK\$14,405 in 2021 to HK\$14,987 in 2022.

Gross profit margin of project income under security-related engineering services slightly increased from 26.8% for the fiscal year ended September 30, 2021 to 29.8% for the fiscal year ended September 30, 2022.

Gross profit margin of equipment leasing income under security-related engineering services slightly decreased from 76.3% for the fiscal year ended September 30, 2021 to 73.4% for the fiscal year ended September 30, 2022.

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Gross profit margin of security guarding and screening services slightly decreased from 21.8% for the fiscal year ended September 30, 2021 to 20.9% for the fiscal year ended September 30, 2022.

***Selling, general and administrative expenses***

Our selling, general and administrative expenses decreased by HK\$1.2 million, or 3.8%, from HK\$31.7 million for the fiscal year ended September 30, 2021 to HK\$30.5 million for the fiscal year ended September 30, 2022. The decrease was mainly due to the net impact of the decrease in legal and professional fees from HK\$11.4 million for the fiscal year ended September 30, 2021 to HK\$5.2 million for the fiscal year ended September 30, 2022 due to the decrease of professional service fees relating to our planned Hong Kong public listing efforts which were terminated in July 2022, and an increase in employee benefit expenses for administrative staff from HK\$15.1 million for the fiscal year ended

September 30, 2021 to HK\$17.5 million for the fiscal year ended September 30, 2022 triggered by an increase in headcount.

***Gains (losses) on disposal of property and equipment***

Our gains on disposal of property and equipment amounted to HK\$3.9 million for the fiscal year ended September 30, 2021. Our losses on disposal of property and equipment amounted to HK\$1.9 million for the fiscal year ended September 30, 2022.

***Other income***

Our other income increased by HK\$2.4 million, or 196.2%, from HK\$1.2 million for the fiscal year ended September 30, 2021 to HK\$3.6 million for the fiscal year ended September 30, 2022. The increase was mainly due to the increase in government grants received in relation to COVID-19 from HK\$0.7 million for the fiscal year ended September 30, 2021 to HK\$3.3 million for the fiscal year ended September 30, 2022.

***Finance expenses***

Our finance expenses decreased by HK\$0.1 million, or 66.1%, from HK\$0.2 million for the fiscal year ended September 30, 2021 to HK\$0.1 million for the fiscal year ended September 30, 2022. The decrease was mainly due to full repayment of bank borrowings during the fiscal year ended September 30, 2021.

***Other expenses***

Our other expenses were nil and HK\$0.1 million for the years ended September 30, 2021 and 2022, respectively.

***Income tax expenses***

Our income tax expenses decreased by HK\$1.1 million, or 36.0%, from HK\$3.1 million for the fiscal year ended September 30, 2021 to HK\$2.0 million for the fiscal year ended September 30, 2022. The decrease was mainly due to a balancing charge imposed upon the disposal of equipment for leasing during the fiscal year ended September 30, 2021. According to the Inland Revenues Ordinance in Hong Kong, a balancing charge arises when machinery or plant is sold and the disposal proceeds exceed the reducing value for the purpose of Hong Kong Profits Tax.

***Net income***

As a result of the foregoing, our net income increased by HK\$2.2 million, or 37.0%, from HK\$6.0 million for the fiscal year ended September 30, 2021 to HK\$8.2 million for the fiscal year ended September 30, 2022. Our net income margin increased from 5.1% for the fiscal year ended September 30, 2021 to 6.0% for the fiscal year ended September 30, 2022.

## LIQUIDITY AND CAPITAL RESOURCES

Our use of cash primarily related to operating activities and capital expenditure. We have historically financed our operations primarily through a combination of cash flows generated from our operations and proceeds from bank borrowings.

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We had cash and cash equivalents of HK\$22.8 million as of March 31, 2023. Our working capital was approximately HK\$39.7 million as of March 31, 2023. The cash and cash equivalents disaggregated by currency denomination are as follows:

	As of March 31, 2023	
	Amount	HK\$ equivalent
Cash and cash equivalents:		
HK\$	20,830,698	20,830,698
EUR	164,963	1,411,954
US\$	11,989	94,110
GBP	46,158	448,767
<b>Total</b>		<b>22,785,529</b>

We had cash and cash equivalents of HK\$31.1 million and HK\$25.2 million as of September 30, 2021 and 2022, respectively. Our working capital was approximately HK\$29.5 million as of September 30, 2022. The cash and cash equivalents disaggregated by currency denomination are as follow:

	As of September 30, 2021		As of September 30, 2022	
	Amount	HK\$ equivalent	Amount	HK\$ equivalent
Cash and cash equivalents:				
HK\$	28,696,780	28,696,780	23,094,209	23,094,209
EUR	163,811	1,520,950	99,766	769,721
US\$	4,137	32,142	16,127	126,587
GBP	12,145	129,288	54,110	474,305
RMB	587,815	701,192	654,211	720,221
Others	73	621	73	587

**Total** 31,080,973 25,185,630

In managing our liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance our operations and mitigate the effects of unexpected fluctuations in cash flows. We regularly monitor the repayment dates of financial liabilities, including trade and notes payables, other payables and accrued charges, etc. to match with financial resources available to us from time to time. We manage liquidity risk by maintaining adequate financial resources, including existing cash and bank balances and operating cash flows.

We currently expect that there will not be any material change in the sources and uses of cash, except that we would have additional cash outflow for payment of listing expenses.

### Cash flows

The following table sets forth a summary of our unaudited condensed consolidated cash flows for the fiscal periods indicated:

	For the six months ended March 31,			Change	
	2022	2023	2023	Amount	%
	HK\$	HK\$	US\$	HK\$	
Net cash provided by (used in) operating activities	467,680	(727,994)	(92,742)	(1,195,674)	(255.7)
Net cash used in investing activities	(248,000)	(1,664,000)	(211,985)	1,416,000	571.0
Net cash provided by (used in) financing activities	223,740	(173,148)	(22,058)	(396,888)	(177.4)
Effects of exchange rate changes on cash and cash equivalents	10,812	165,041	21,024	154,229	1,426.5
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>454,232</b>	<b>(2,400,101)</b>	<b>(305,761)</b>	<b>(2,854,333)</b>	<b>(628.4)</b>
Cash and cash equivalents at beginning of the periods presented	31,080,973	25,185,630	3,208,524	(5,895,343)	(19.0)
<b>Cash and cash equivalents at end of the periods presented</b>	<b>31,535,205</b>	<b>22,785,529</b>	<b>2,902,763</b>	<b>(8,749,676)</b>	<b>(27.7)</b>

For the six months ended March 31, 2022, our net cash provided by operating activities of HK\$0.5 million was primarily attributable to (i) net income of HK\$2.9 million, adjusted for depreciation of property and equipment and ROU assets of HK\$1.1 million and HK\$0.8 million, respectively, losses on disposal of property and equipment of HK\$0.6 million, and deferred taxes of HK\$0.2 million; (ii) a decrease of inventories of HK\$1.0 million, due to utilization of inventories triggered by an increase in sales activities; (iii) a decrease of contract liabilities of HK\$8.5 million, due to utilization of contract liabilities upon completion of projects; and (iv) a decrease of income tax payable of HK\$2.0 million, due to settlement of Hong Kong Profits Tax during the six months ended March 31, 2022, net off with (v) an increase of trade receivables of HK\$9.0 million due to recognition of revenues; and (vi) an increase of trade and notes payables of HK\$2.5 million due to recognition of costs of sales triggered by revenues.

For the six months ended March 31, 2023, our net cash used in operating activities of HK\$0.7 million was primarily attributable to (i) net income of HK\$10.1 million, adjusted for depreciation of property and equipment and ROU assets of HK\$1.0 million and HK\$0.5 million respectively, losses on disposal of property and equipment of HK\$0.8 million, and deferred taxes of HK\$0.2 million; (ii) a decrease of trade receivables of HK\$19.1 million; (iii) a decrease of contract assets of HK\$1.1 million, due to certain projects completed near year end being unbilled as of March 31, 2023; (iv) a decrease of contract liabilities of HK\$8.6 million, due to utilization of contract liabilities upon completion of projects; and (iv) a decrease of income tax payable of HK\$2.1 million, due to settlement of Hong Kong Profits Tax during the six months ended March 31, 2023, net off with (v) an increase of inventories of HK\$5.2 million; and (vi) an increase of trade and notes payables of HK\$14.5 million.

We identified several material changes of assets and liabilities as below:

Trade receivables, net increased by HK\$19.3 million, or 81.4%, from HK\$23.7 million as of September 30, 2022 to HK\$43.0 million as of March 31, 2023. The increase of trade receivables was mainly attributable to the increased revenues for the six months ended March 31, 2023. Credit terms of our trade receivables were generally between 0 to 90 days for the six months ended March 31, 2023.

Inventories decreased by HK\$5.2 million, or 22.8%, from HK\$22.7 million as of September 30, 2022 to HK\$17.5 million as of March 31, 2023. The decrease in inventories was mainly due to a decrease in work-in-progress since several projects ongoing as of September 30, 2022 were completed during the six months ended March 31, 2023. The relevant project costs being included in work-in-progress as of September 30, 2022 were transferred to cost of revenues during the six months ended March 31, 2023.

Trade payables increased by HK\$14.6 million, or 459.9%, from HK\$3.2 million as of September 30, 2022 to HK\$17.8 million as of March 31, 2023. The increase was due to recognition of costs of revenues triggered by increased revenues.

Contract liabilities decreased by HK\$8.5 million, or 31.4%, from HK\$27.2 million as of September 30, 2022 to HK\$18.7 million as of March 31, 2023. The decrease was mainly due to the recognition of revenues by utilizing the prepayment received from customers.

### *Investing activities*

During the six months ended March 31, 2022, our net cash used in investing activities was HK\$0.2 million, which was attributable to the purchase of equipment and intangible assets.

During the six months ended March 31, 2023, our net cash used in investing activities was HK\$1.7 million, which was primarily attributable to the purchase of equipment of HK\$0.7 million and placement of 6-month fixed deposits of HK\$1.0 million.

### *Financing activities*

For the six months ended March 31, 2022, our net cash provided by financing activities was HK\$0.2 million, which was primarily attributable to repayment by related parties for settling the balance due.

For the six months ended March 31, 2023, our net cash used in financing activities was HK\$0.2 million, which was primarily attributable to repayment to related parties for settling the balance due.

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Our subsidiary, Shine Union, has banking facilities of HK\$20.0 million with a commercial bank in Hong Kong. As of September 30, 2022 and March 31, 2023, Shine Union had utilized HK\$2.9 million and HK\$2.8 million, respectively. The unutilized banking facilities were HK\$17.1 million and HK\$17.2 million as of September 30, 2022 and March 31, 2023, respectively.

The following table sets forth a summary of our consolidated cash flows for the fiscal years indicated:

	For the years ended September 30,			Change	
	2021	2022	2022	Amount	%
	HK\$	HK\$	US\$	HK\$	
Net cash provided by operating activities	18,583,165	4,453,913	567,408	(14,129,252)	(76.0)
Net cash provided by (used in) investing activities	14,869,866	(2,250,000)	(286,638)	(17,119,866)	(115.1)
Net cash used in financing activities	(16,552,193)	(8,071,760)	(1,028,302)	(8,480,433)	(51.2)
Effects of exchange rate changes on cash and cash equivalents	(20,302)	(27,496)	(3,505)	7,194	35.4
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>16,880,536</b>	<b>(5,895,343)</b>	<b>(751,037)</b>	<b>(22,775,879)</b>	<b>(134.9)</b>

Cash and cash equivalents at the beginning of the years presented	14,200,437	31,080,973	3,959,561	16,880,536	118.9
<b>Cash and cash equivalents at the end of the years presented</b>	<b>31,080,973</b>	<b>25,185,630</b>	<b>3,208,524</b>	<b>(5,895,343)</b>	<b>(19.0)</b>

### *Operating activities*

For the year ended September 30, 2021, our net cash provided by operating activities of HK\$18.5 million was primarily attributable to (i) net income of HK\$6.0 million, adjusted for depreciation of property and equipment and ROU assets of HK\$2.8 million and HK\$1.3 million, respectively, gain on disposal of property and equipment of HK\$3.9 million, and deferred tax of HK\$1.1 million; (ii) a decrease of inventories of HK\$3.5 million, due to utilization of inventories triggered by an increase in sales activities; (iii) an increase of contract liabilities of HK\$14.8 million, triggered by an increase in revenues; and (iv) an increase of income tax payable of HK\$3.6 million, due to an increase in assessable profits, net off with (v) a decrease of contract assets of HK\$2.2 million due to issuance of invoices upon completion of jobs; and (vi) a decrease of trade and notes payables of HK\$1.7 million due to settlement made.

For the fiscal year ended September 30, 2022, our net cash provided by operating activities of HK\$4.5 million was primarily attributable to (i) net income of HK\$8.2 million, adjusted for depreciation of property and equipment and ROU assets of HK\$2.3 million and HK\$1.3 million respectively, losses on disposal of property and equipment of HK\$1.9 million, and deferred tax of HK\$0.4 million; (ii) an increase of trade receivables of HK\$6.6 million, offset by (iii) a decrease of contract liabilities of HK\$2.8 million triggered by increase in revenues; and (iv) an decrease of income tax payable of HK\$1.7 million, due to settlement of income tax.

We identified several material changes of assets and liabilities as below:

Trade receivables, net decreased by HK\$6.7 million, or 22.0%, from HK\$30.4 million as of September 30, 2021 to HK\$23.7 million as of September 30, 2022. The decrease of trade receivables was mainly attributable to the improvement in credit control and collection. Credit terms of our trade receivables were generally between 0 to 90 days for the years ended September 30, 2021 and 2022.

Inventories increased by HK\$4.8 million, or 26.4%, from HK\$17.9 million as of September 30, 2021 to HK\$22.7 million as of September 30, 2022. The increase of inventories was mainly due to an increase in work-in-progress since there are more ongoing projects and thus more project costs being incurred and transferred to work-in-progress.

Trade payables decreased by HK\$2.4 million, or 42.8%, from HK\$5.6 million as of September 30, 2021 to HK\$3.2 million as of September 30, 2022. The decrease was due to payment procedures improvement contributing an acceleration in the payment cycle.



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Contract liabilities decreased by HK\$2.9 million, or 9.5%, from HK\$30.1 million as of September 30, 2021 to HK\$27.2 million as of September 30, 2022. It was mainly due to the recognition of revenues by utilizing the prepayment received from customers.

### ***Investing activities***

During the year ended September 30, 2021, our net cash provided by investing activities was HK\$14.9 million which was attributable to proceeds from disposal of property and equipment of HK\$17.8 million, net off with the purchase of equipment of HK\$2.9 million.

During the year ended September 30, 2022, our net cash used in investing activities was HK\$2.3 million, which was primarily attributable to the purchase of equipment and intangible assets.

### ***Financing activities***

For the year ended September 30, 2021, our net cash used in financing activities was HK\$16.6 million, which was primarily attributable to (i) payment for dividends of HK\$17.0 million; (ii) repayment for long-term bank loans of HK\$4.9 million; (iii) repayment to related parties of HK\$2.9 million for settling the balance due, offset by (iv) proceeds from capital contribution of HK\$8.0 million.

For the year ended September 30, 2022, our net cash used in financing activities was HK\$8.1 million, which was primarily attributable to the payment for dividends of HK\$8.0 million.

Our subsidiary, Shine Union, has banking facilities of HK\$20.0 million with a commercial bank in Hong Kong. As of September 30, 2021 and 2022, Shine Union had utilized HK\$2.0 million and HK\$2.9 million, respectively. The unutilized banking facilities were HK\$18.0 million and HK\$17.1 million as of September 30, 2021 and 2022, respectively.

On April 29, 2021, we entered into a subscription agreement with our existing shareholder and two investors (together the “Subscribers”), pursuant to which, we have allotted and issued 50 shares in aggregate to the Subscribers at a cash consideration of HK\$160,000 per ordinary share. We received a total of HK\$8.0 million.

## **CONTINGENCIES**

### ***Severance Payment and Long Service Payment***

The Employment Ordinance of Hong Kong requires employers to assure the liability of severance payment if an employee who has been working for the employer for not less than 24 months under a continuous contract is, due to redundancy, dismissed, laid off, or upon expiry of a fixed-term employment contract. The Employment Ordinance also requires employers to assure the liability of long service payment if an employee who has been working for the employer for not less than 5 years

under a continuous contract is dismissed, dies, resigns on ground of ill health or on or after 65 years old, or upon expiry of a fixed-term employment contract.

As of September 30, 2021 and 2022, and March 31, 2023, we estimated our long service payment to be HK\$0.9 million, HK\$1.0 million, and HK\$0.1 million, respectively. The provisions for long service payment as at September 30, 2021 and 2022, and March 31, 2023 have been reflected in our balance sheets as “other liabilities” under non-current liabilities.

No severance payment is provided since we have no plan to dismiss any staff due to redundancy, and therefore consider the possibility of meeting the criteria of making severance payment to be remote.

### *Legal Contingencies*

In the ordinary course of business, we may be subject to legal proceedings regarding contractual and employment relationships and a variety of other matters. We record contingent liabilities resulting from such claims, when a loss is assessed to be probable, and the amount of the loss is reasonably estimable. In the opinion of management, there were no pending or threatened claims and litigation as of September 30, 2021 and 2022, and March 31, 2023, and through the issuance date of the financial statements.

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### **OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS**

We have not entered into any off-balance sheet financial guarantees or other off-balance sheet commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholder’s equity or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or product development services with us.

### **MATERIAL CASH REQUIREMENTS**

Our material cash requirements as of September 30, 2022, and March 31, 2023 and any subsequent period primarily include our capital expenditures and contractual obligations.

#### **Capital Expenditures**

For the fiscal years ended September 30, 2021 and 2022, and the six months ended March 31, 2023, our capital expenditures were HK\$2.9 million, HK\$2.3 million, and HK\$0.7 million, respectively, which

primarily related to acquisition of equipment, and computer software. We plan to fund our future capital expenditures with our existing cash balance and proceeds from this offering. We will continue to make capital expenditures to meet the expected growth of our business.

### Contractual Obligations

The following table sets forth our contractual obligations as of March 31, 2023:

	Payments due by period		
	Total	Within one year	Within 1 – 2 years
	HK\$	HK\$	HK\$
Operating lease payment – short-term leases	1,222,065	1,222,065	—
Operating lease payment – leases with lease term of more than 12 months	1,385,000	917,600	467,400
Non-cancellable purchase contracts	5,506,530	5,506,530	—
<b>Total</b>	<b>8,113,595</b>	<b>7,646,195</b>	<b>467,400</b>

The following table sets forth our contractual obligations as of September 30, 2022:

	Payments due by period			
	Total	Within one year	Within 1 – 2 years	Over 2 years
	HK\$	HK\$	HK\$	HK\$
Operating lease payment – short-term leases	494,600	494,600	—	—
Operating lease payment – leases with lease term of more than 12 months	589,000	551,000	38,000	—
Non-cancellable purchase contracts	8,988,703	8,988,703	—	—

Other than as shown above, we did not have any significant capital and other commitments, long-term obligations, or guarantees as of September 30, 2022 and March 31, 2023.

### TREND INFORMATION

Other than as disclosed elsewhere herein, we are not aware of any trends, uncertainties, demands, commitments or events for the years ended September 30, 2021 and 2022, and the six months ended March 31, 2023 that are reasonably likely to have a material and adverse effect on our revenues, income, profitability, liquidity or capital resources, or that would cause the disclosed financial information to be not necessarily indicative of future results of operations or financial condition.

[Table of Contents](#)**CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

The preparation of the financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the end of the reporting period and revenues and expenses during the reporting periods. Significant accounting estimates include, but are not limited to allowance for doubtful accounts, useful lives and impairment of long-lived assets, accounting for deferred income tax and valuation allowance for deferred tax assets. Changes in facts and circumstances may result in revised estimates. Actual results could differ from those estimates, and as such, differences may be material to the financial statements.

We believe the following critical accounting policies involve a higher degree of judgment and complexity than our other accounting policies. Therefore, these are the policies we believe are the most critical to understanding and evaluating our financial condition and results of operations.

**Trade receivables, net**

Trade receivables, net are stated at the original amount less an allowance for doubtful accounts. Trade receivables are recognized in the period when we have delivered goods or rendered services to our customers and when the right to consideration is unconditional. The amounts due are stated at their net estimated realizable value. The credit terms are generally between 0 to 90 days. In establishing the required allowance for doubtful accounts, management considers historical collection experience, aging of the receivables, the economic environment, industry trend analysis, and the credit history and financial condition of the customers. Management reviews its receivables on a regular basis to determine if the allowance is adequate, and adjusts the allowance when necessary. Delinquent account balances are written-off against allowance for doubtful accounts after management has determined that the likelihood of collection is not probable. Our allowance for doubtful accounts amounted to HK\$14,000, HK\$44,000, and HK\$44,000 as of September 30, 2021 and 2022, and March 31, 2023, respectively.

**Revenue recognition**

We recognized our revenues under ASC Topic 606, Revenues from Contracts with Customers (“ASC 606”). The core principle underlying the revenue recognition of this Accounting Standards Update (“ASU”) allows us to recognize revenues that represents the transfer of goods and services to customers in an amount that reflects the consideration to which we expect to be entitled in such exchange. This will require us to identify contractual performance obligations and determine whether revenues should be recognized at a point in time or over time, based on when control of goods and services transfers to a customer.

To achieve that core principle, we apply five-step model to recognize revenues from customer contracts. The five-step model requires us to (i) identify the contract with the customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price, including variable consideration to the extent that it is probable that a significant future reversal will not occur; (iv) allocate the transaction price to the respective performance obligations in the contract; and (v) recognize revenues when (or as) we satisfy the performance obligation.

We account for a contract with a customer when the contract is committed in writing, the rights of the parties, including payment terms, are identified, the contract has commercial substance, and consideration is probable of substantially collection.

We derive our revenues principally from providing security-related engineering services, and security guarding and screening services.

Revenue recognition policies for each type of revenues stream are as follows:

#### ***Security-related engineering services***

We offer security-related engineering services to customers, and sign project contracts with them. The contracts typically comprise one or multiple arrangements, such as: (i) supplies of security systems and products, provision of installation, and related maintenance services; (ii) supplies of security systems and products only; or (iii) maintenance services only.

We determine whether arrangements are distinct based on whether the customer can benefit from the product or service on its own or together with other resources that are readily available and whether our commitment to transfer the product or service to the customer is separately identifiable from other obligations in the contract.

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We have identified that the supply of security systems and products with the installation services are a combined performance obligation, as they are interdependent and interrelated services as one promise to the customer. We also determine that the related maintenance services are distinct and represent a separate performance obligation.

The transaction price of a contract containing multiple performance obligations is allocated to the separate performance obligations on a relative standalone selling price basis, which is determined using observable inputs, such as standalone sales of the maintenance services and historical contract pricing. If the standalone selling price is not observable through past transactions, we estimate the standalone selling price taking into account available information such as market conditions and internally approved pricing guidelines related to the performance obligations.

We recognize revenues when (or as) it satisfies the performance obligation by transferring a promised product and/or service to a customer. Revenues from supplying security systems and products and installation services are recognized at a point in time when the legal title and control of the products and services has been transferred, being when the products and services are delivered, and accepted by the customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and services, and it is highly probable that a significant reversal will not occur. We recognize revenues from the maintenance services ratably over the term of the arrangement, because the customer simultaneously receives and consumes the benefits provided by us.

In addition, we provide equipment rental services to our customers with use of dedicated security-related systems and equipment for contractual periods. We assess the service for equipment rental arrangements under ASC Topic 842, Leases ("ASC 842"). Revenues are recognized on a straight-line basis over the lease period, usually two to three years.

Customers related to security-related engineering services generally make the payment monthly or quarterly, in accordance with the contract terms, except for the payment related to the supply of security systems and products which is payable upon client's acceptance.

#### ***Security guarding and screening services***

We enter into contracts with customers to provide security guarding services, by dispatching security guards with corresponding abilities and qualifications on demand, to fulfill the customers' needs such as securing and guarding physical properties by, among other things, conducting 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. We also offer security guarding services targeted at crowd coordination and management.

We also enter into contracts with customers to provide security screening services, by dispatching certified screeners to the premises of the customers. Our screening services include the detection of explosives, incendiary devices in air cargo consignment and detection of dangerous goods for safety purpose through the operation of threat detection systems by the screeners.

We identify one performance obligation in security guarding and screening services as the contract comprises of a series of distinct services that are substantially the same and have the same pattern of transfer to the customers, which is to provide security guards and screeners in accordance with the demand orders.

Since the customer simultaneously receives and consumes the benefits as the dispatched security guards and screeners perform the services, revenues from security guarding and screening services are recognized over the contractual term, starting from the date that our services are made available to the customers. The contracts have a transaction price that includes a fixed consideration and a variable consideration that is charged based on ad-hoc overtime work demanded, less any deduction due to

absence. The considerations are reconciled with customers monthly before billing. For variable considerations, we use the practical expedient that allows us to recognize revenues in the amount to which we have a right to invoice.

In addition to the abovementioned services, we also offer various types of related vocational training courses. The fees are usually billed and paid in advance before commencement of the training. Revenues are recognized at the course fees over time during the training course period, usually within several days.

### ***Contract balances***

Timing of revenue recognition may differ from the timing of invoicing to our customers. Trade receivables represent amounts invoiced when we have satisfied our performance obligations and have the unconditional right to payment.

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Contract assets are primarily unbilled trade receivables that are conditional on something other than the passage of time, and we review the contract assets for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

If a customer pays consideration or we have a right to an amount of consideration that is unconditional, before we transfer the promised goods or services to the customer, we present the amount as a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is our obligation to transfer the promised goods to a customer for which we have received consideration (or an amount of consideration is due) from the customer.

### **Leases**

We adopted ASC 842 effective October 1, 2020.

Lease classification for leases under which we are a lessor is evaluated at lease commencement and leases not classified as sales-type leases or direct financing leases are classified as operating leases. Leases qualify as sales-type leases if the contract includes either transfer of ownership clauses, certain purchase options, a lease term representing a major part of the economic life of the asset, or the present value of the lease payments and residual guarantees provided by the lessee exceeds substantially all of the fair value of the asset. Additionally, leasing an asset so specialized that it is not deemed to have any value to us at the end of the lease term may also result in classification as a sales-type lease. Leases qualify as direct financing leases when the present value of the lease payments and residual value guarantees provided by the lessee and unrelated third parties exceeds substantially all of the fair value of the asset and collection of the payments is probable.

Lease classification for leases under which we are a lessee is evaluated at lease commencement as finance or operating leases. Leases qualify as finance leases if the lease transfers ownership of the asset at the end of the lease term, the lease grants an option to purchase the asset that we are reasonably certain to exercise, the lease term is for a major part of the remaining economic life of the asset, or the present value of the lease payments exceeds substantially all of the fair value of the asset. Leases that do not qualify as finance leases are deemed to be operating leases. At lease commencement we record a lease liability which is measured as the present value of the lease payments and a ROU asset which is measured as the amount of the lease liability and any initial direct costs incurred. We apply the rate implicit in the lease, if available, as a discount rate to determine the present value of the lease payments. If the rate implicit in the lease is not known, we use a discount rate reflective of the incremental borrowing rate. In the consolidated statements of income, operating leases are expensed through rent expense while financing leases are expensed through amortization and interest expense.

***Leases — we as lessor***

Our lease arrangements are all operating leases which typically have a maturity of 2 to 3 years. Initial direct costs incurred by us in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognized as an expense in the consolidated statements of income over the lease term on the same basis as equipment leasing income. See Note 2(s) of our audited consolidated financial statements included elsewhere in this prospectus for the accounting policy for revenues from equipment rental services.

***Leases — we as lessee***

We own leasehold land in Hong Kong and lease training center, offices, workshops, warehouse, and carparking spaces, which are classified as operating leases in accordance with ASC 842. Under ASC 842, we as a lessee are required to recognize the following for all leases (with the exception of short-term leases, usually with initial term of 12 months or less) on the commencement date: (i) lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (ii) ROU asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term.

At the commencement date, we recognize the lease liability at the present value of the lease payments not yet paid, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, our incremental borrowing rate for the same term as the underlying lease. The ROU asset is recognized initially at cost, which primarily comprises the initial amount of the lease liability, plus any initial direct costs incurred, consisting mainly of brokerage commissions, less any lease incentives received. All ROU assets are reviewed for impairment annually. There was no impairment for ROU asset as of September 30, 2021 and 2022, and March 31, 2023.



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We elected the practical expedient to account for leases with lease terms which end within twelve months of the initial date of application as a short-term lease. The lease payments for short-term leases are recognized on a straight-line basis over the lease term and variable lease payments in the period in which the obligation for those payments is incurred.

### **Income tax**

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax is provided on the basis of net income for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes, in accordance with the regulations of the relevant tax jurisdictions. It is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is accounted for using the asset and liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax basis used in the computation of assessable tax profit. In principle, deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilized. Deferred tax is calculated using tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Deferred tax is charged or credited in the profit or loss, except when it is related to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

An uncertain tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded. Penalties and interests incurred related to underpayment of Income tax are classified as income tax expense in the period incurred. For both the years ended September 30, 2021 and 2022 and for the six months ended both March 31, 2023, the amount of penalties and interests incurred related to underpayment of income tax was nil. Hong Kong Profits Tax returns filed in 2018 to 2022 are subject to examination by any applicable tax authorities.

### **QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET AND FINANCIAL RISKS**

Our activities expose to a variety of financial risks: market risks (including interest rate risk and foreign currency risk), credit risk and liquidity risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance.

Financial risk management is carried out by the accounting and finance department under the supervision of the board of directors. The board of directors provides principles for overall risk management.

**(a) Concentration risk**

For the years ended September 30, 2021 and 2022, and the six months ended March 31, 2022 and 2023, we are exposed to a concentration risk related to suppliers. During the fiscal years ended September 30, 2021 and 2022, and the six months ended March 31, 2023, our five largest suppliers accounted for 49.3%, 43.2%, and 59.7% of our total purchases, respectively, and our single largest supplier accounted for 36.6%, 20.2%, and 22.4% of our total purchases during the same periods, respectively. Four suppliers accounted for 20.6%, 18.4%, 13.2%, and 13.2% of our trade and notes payables as of March 31, 2023. One supplier accounted for 54.1% of our trade and notes payables as of September 30, 2022 and two suppliers accounted for 31.5% and 13.5% of our trade and notes payables as of September 30, 2021. Failure to maintain existing relationships with the suppliers or to establish new relationships in the future could negatively affect our ability to obtain goods sold to customers in a price advantage and timely manner. If we are unable to obtain ample supply of goods from existing suppliers or alternative sources of supply, we may be unable to satisfy the orders from its customers, which could materially and adversely affect our revenues. See “*Risk Factor — Risks Related to Our Business and Industry — Our business depends heavily on major suppliers. Any shortage of, or delay in, the supply may significantly impact on our business and results of operations.*”

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**(b) Interest rate risk**

Our income and operating cash flows are substantially independent of changes in market interest rates. The interest rate risk mainly arises from cash and bank balances and borrowings. After completion of this offering, we may invest the net proceeds that we receive from this offering in interest-earning instruments. Investments in both fixed-rate and floating rate interest-earning instruments carry a degree of interest rate risk. Fixed-rate securities may have their fair market value adversely impacted due to a rise in interest rates, while floating-rate securities may produce less income than expected if interest rates fall.

As of September 30, 2022 and March 31, 2023, we have not been exposed to material risks due to changes in market interest rates, and we have not used any derivative financial instruments to manage our interest risk exposure.

**(c) Foreign currency risk**

We are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US\$, EUR, GBP, and RMB. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities, which are dominated in these currencies. Since HK\$ is pegged to US\$, we believe the exposure of transactions denominated in US\$ which are entered into by us to be insignificant. We have not entered into any derivative instruments to hedge its foreign exchange exposures.

As of March 31, 2023, we had EUR-denominated cash and cash equivalents, and trade and notes payables of HK\$1.4 million and HK\$1.2 million, respectively. A 10% depreciation of EUR against HK\$ based on the foreign exchange rate on March 31, 2023 would result in a decrease of HK\$0.14 million and HK\$0.12 million in cash and cash equivalents and trade and notes payables, respectively. A 10% appreciation of EUR against HK\$ based on the foreign exchange rate on March 31, 2023 would result in an increase of HK\$0.14 million and HK\$0.12 million in cash and cash equivalents and trade and notes payables, respectively.

As of March 31, 2023, we had GBP-denominated cash and cash equivalents of HK\$0.4 million. A 10% depreciation of GBP against HK\$ based on the foreign exchange rate on March 31, 2023 would result in a decrease of HK\$0.04 million in cash and cash equivalents. A 10% appreciation of GBP against HK\$ based on the foreign exchange rate on March 31, 2023 would result in an increase of HK\$0.04 million in cash and cash equivalents.

As of September 30, 2022, we had EUR-denominated cash and cash equivalents and trade and notes payables of HK\$0.8 million and HK\$0.4 million, respectively. A 10% depreciation of EUR against HK\$ based on the foreign exchange rate on September 30, 2022 would result in a decrease of HK\$0.08 million and HK\$0.04 million in cash and cash equivalents and trade and notes payables, respectively. A 10% appreciation of EUR against HK\$ based on the foreign exchange rate on September 30, 2022 would result in an increase of HK\$0.08 million and HK\$0.04 million in cash and cash equivalents and trade and notes payables, respectively.

As of September 30, 2022, we had RMB-denominated cash and cash equivalents of HK\$0.7 million. A 10% depreciation of RMB against HK\$ based on the foreign exchange rate on September 30, 2022 would result in a decrease of HK\$0.07 million in cash and cash equivalents. A 10% appreciation of RMB against HK\$ based on the foreign exchange rate on September 30, 2022 would result in an increase of HK\$0.07 million in cash and cash equivalents.

**(d) Credit risk**

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to us. Our credit risk

mainly arises from trade receivables, contract assets, deposits and other receivables, amount due from related parties and cash and cash equivalents.

We have policies in place to ensure that credit terms are made to customers with an appropriate credit history and we perform periodic credit evaluations of our customers. Our historical experience in collection of trade and other receivables falls within the recorded allowances and the shareholder are of the opinion that adequate provision for uncollectible receivables has been made. Cash and cash equivalents are mainly placed with reputable international financial institutions. There has been no recent history of default in relation to these financial institutions. Our accounting and finance department has policies in place to monitor the exposures to these credit risks on an on-going basis.

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### **(e) Liquidity risk**

Liquidity risk is the risk that we are unable to meet our current obligations. We maintain liquidity by a number of sources including orderly realization of short-term financial assets, receivables and certain assets that we consider appropriate and short-term and long-term financing including short-term and long-term borrowings. We aim to maintain flexibility in funding by utilizing committed credit lines available and interest-bearing borrowings which enable us to continue our business for the foreseeable future.

### **RECENT ISSUED ACCOUNTING PRONOUNCEMENTS**

In May 2019, the Financial Accounting Standards Board (“FASB”) issued ASU 2019-05, which is an update to ASU 2016-13, Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which introduced the expected credit losses methodology for the measurement of credit losses on financial assets measured at amortized cost basis, replacing the previous incurred loss methodology. The amendments in ASU 2016-13 added ASC 326, Financial Instruments — Credit Losses, and made several consequential amendments to the ASC. ASU 2016-13 also modified the accounting for available-for-sale debt securities, which must be individually assessed for credit losses when fair value is less than the amortized cost basis, in accordance with Subtopic 326-30, Financial Instruments — Credit Losses — Available-for-Sale Debt Securities. The amendments in this ASU address those stakeholders’ concerns by providing an option to irrevocably elect the fair value option for certain financial assets previously measured at amortized cost basis. For those entities, the targeted transition relief will increase comparability of financial statement information by providing an option to align measurement methodologies for similar financial assets. Furthermore, the targeted transition relief also may reduce the costs for some entities to comply with the amendments in ASU 2016-13 while still providing financial statement users with decision-useful information. ASU 2019-05 is effective for annual and interim reporting periods beginning October 1, 2023 after

FASB delayed the effective date for non-public companies with ASU 2019-10. We are currently evaluating the impact of this new standard on our consolidated financial statements and related disclosures.

In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740) Simplifying the Accounting for Income Taxes. The FASB is issuing this ASU as part of its initiative to reduce complexity in accounting standards (the Simplification Initiative). The objective of the Simplification Initiative is to identify, evaluate, and improve areas of U.S. GAAP for which cost and complexity can be reduced while maintaining or improving the usefulness of the information provided to users of financial statements. The specific areas of potential simplification in this ASU were submitted by stakeholders as part of the Simplification Initiative. The amendments are effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. We are currently evaluating the impact ASU 2019-12 will have on our consolidated financial statements.

In August 2020, the FASB issued ASU 2020-06, Debt — Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging — Contracts in Entity’s Own Equity (Subtopic 815-40). ASU 2020-06 simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity’s own equity. The ASU is part of the FASB’s simplification initiative, which aims to reduce unnecessary complexity in U.S. GAAP. The ASU is effective for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. We are currently evaluating the impact ASU 2020-06 will have on our consolidated financial statements.

We do not believe other recently issued but not yet effective accounting standards, if currently adopted, would have a material effect on the consolidated balance sheets, consolidated statements of income and consolidated statements of cash flows.

As a company with less than US\$1.235 billion in revenues for fiscal year 2022, we qualify as an “emerging growth company” pursuant to the JOBS Act. An emerging growth company may take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to public companies. These provisions include exemption from the auditor attestation requirement under Section 404 of the Sarbanes-Oxley Act of 2002 in the assessment of the emerging growth company’s internal control over financial reporting.

## **INDUSTRY**

*Unless otherwise noted, all the information and data presented in this section have been derived from Frost & Sullivan Limited’s industry report commissioned by us entitled “Independent Market Research*

*Report.” Frost & Sullivan has advised us that the statistical and graphical information contained herein is drawn from its database and other sources. The following discussion contains projections for future growth, which may not occur at the rates that are projected or at all.*

## **OVERVIEW OF HONG KONG SECURITY-RELATED ENGINEERING SERVICES MARKET**

### **Introduction and Segmentation of Security-related Engineering Services**

Security-related engineering services refer to the supply of security systems and products and related maintenance services, including threat detection systems, traffic and pedestrian control systems and ELV systems.

Security-related engineering services encompass advisory services on the technical application, sourcing and procurement of systems and equipment, logistics management, deployment and integration of systems and technical support.

The Security-related engineering services providers keep track of the work progress for projects, including cumulative costs and manpower, to determine whether the projects are carried out on schedule in accordance with respective project execution plans and within budgeted costs, and to better manage any foreseeable cost overruns in projects. They also conduct relevant functional and performance tests according to the testing and commissioning plan and customer specifications during the testing and commissioning stage before completion and handover to customers.

Security-related engineering services is segmented into the following functions:

- **Technical advisory:** advising on the use of feasible and suitable technologies that are in line with the industry and operational standard, as well as the design and layout of the security system
- **Product sourcing:** assisting clients in sourcing the proper system and equipment at competitive prices by engaging and evaluating the suppliers
- **Procurement and installation:** procuring security systems, such as threat detection systems and traffic and pedestrian control systems, and the full range of IT hardware and software that are required for the entire project on the client’s behalf. Installation refers to the implementation and testing of security systems
- **Logistics management:** offering logistics management solution and demand planning, from transportation, warehousing and order fulfillment to inventory management
- **Deployment and integration:** engaging in strategic alliances with vendors, with customized architecture and workflow integrated with new or existing hardware and software

- **Technical support and maintenance:** providing assistance to the use of technologies and addressing specific problems with the systems. Maintenance services include monitoring, evaluating, and modifying existing security systems to keep them running properly

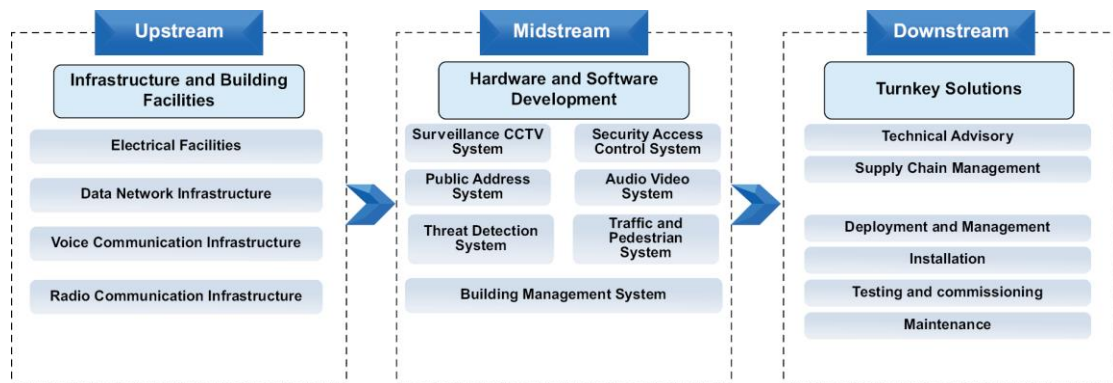
Security-related engineering services is segmented into the following system applications:

- **Traffic and pedestrian control systems,** including traffic barrier gates, carpark revenue control systems, security traffic control systems, automatic fare control systems, attendance and access control systems and people-counting systems
- **Threat detection systems,** including X-ray machines and metal detectors
- **ELV systems,** including closed-circuit television systems (“CCTV”), access control systems, public address systems and building management systems

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**Value Chain**

The security-related engineering services industry in Hong Kong is further divided into different streams of the value chain, comprising (i) upstream, representing infrastructure and building facilities; (ii) midstream, representing hardware and software procurement and/or development in relation to infrastructure and building facilities; and (iii) downstream, representing turnkey services in security system design, installation and maintenance. Our Group provides services in the midstream and downstream of the security-related engineering services industry.



Source: *The Frost & Sullivan Report*

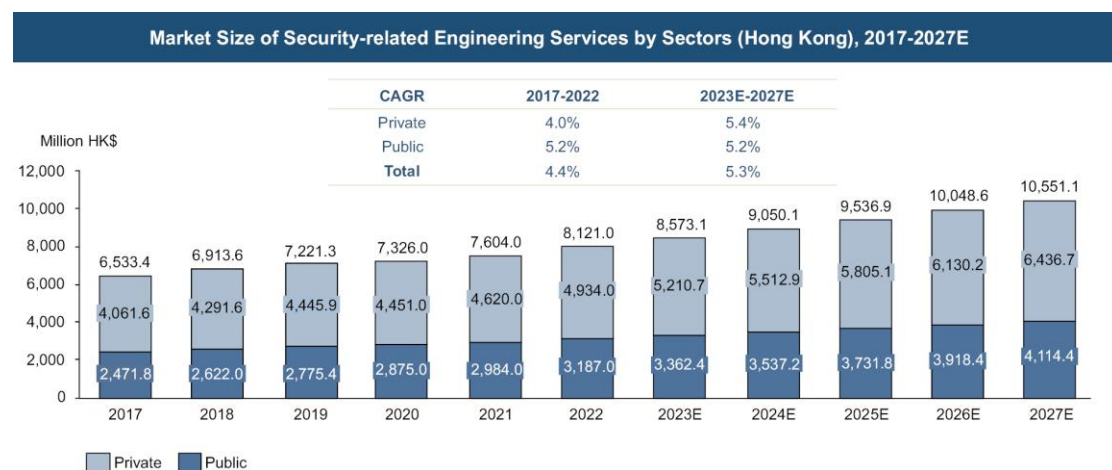
**Market Size of Security-related Engineering Services in Hong Kong**

The security-related engineering services provided for the private sector in Hong Kong encompass security-related engineering services carried out for commercial or residential buildings, educational institutions and other properties held by private companies. The security-related engineering services

provided for private sector market recorded growth from HK\$4,061.6 million in 2017 to HK\$4,934.0 million in 2022, representing a CAGR of 4.0%. is the growth was supported by increased property development, which lead to a rise in demand for security-related engineering services. It is expected that the security-related engineering services provided for private sector would maintain its growth from HK\$5,210.7 million in 2023 to HK\$6,436.7 million in 2027, representing a CAGR of 5.4%. The growth in the overall security-related engineering services market is largely attributed to an increase in building developments, growing public awareness of facility safety and the rising trend that Hong Kong has been leveraging other advanced technologies such as internet of things (“IoT”), cloud computing, and big data to enhance building safety and security.

In Hong Kong, security-related engineering services are mainly carried out for the private sector. The security-related engineering services provided for public sector recorded growth from HK\$2,471.8 million in 2017 to HK\$3,187.0 million in 2022, representing a CAGR of 5.2%. Supported by the rising supply of public housing and investment in, bridges, ports and railways, the security-related engineering services provided for public sector market is forecasted to grow at a CAGR of 5.2% from HK\$3,362.4 million in 2023 to HK\$4,114.4 million in 2027. The demand for the security-related engineering services in relation to threat detection systems going forward is expected to be supported by the growing e-commerce industry, which generates an increasing demand for cross-border logistics.

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Source: Government Logistics Department of the Hong Kong Government, Census and Statistics Department of the Hong Kong Government, The Frost & Sullivan Report

**Market Size of ELV Solutions in Hong Kong**

Video surveillance and security systems took up the largest share (44.8%) in the overall supply of ELV solutions in 2022. The market size of ELV solutions increased from HK\$5,533.4 million in 2017 to



HK\$7,173.0 million in 2022, representing a CAGR of 5.3%, driven by the use of AI-enabled video surveillance such as face-detection camera, as well as rising requirements for building safety.

Incorporation of cloud-based security solutions would continue to drive the growth of ELV solutions and the market size of ELV solutions is expected to reach HK\$9,726.5 million in 2027 at a CAGR of approximately 6.3% from 2023 to 2027.



Source: Government Logistics Department of the Hong Kong Government, Census and Statistics Department of the Hong Kong Government, The Frost & Sullivan Report

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**Market Drivers and Opportunities**

**Rising Air Cargo Throughput Driven by Growing e-Commerce:** The growth of e-commerce has reshaped the landscape of the whole supply chain and created a surging demand for cross-border logistics and delivery services, in particular air delivery and transshipment services. Accordingly, the cargo throughput by aviation in Hong Kong has recorded an increase from 4,937.0 thousand tons in 2017 to 5,026.0 thousand tons in 2021, representing a CAGR of approximately 0.4%. Increasing e-commerce serves as a market driver supporting the growth of the security-related engineering services industry in relation to threat detection systems. According to the 2021-22 Hong Kong Budget, the Airport Authority Hong Kong has plans for developing cargo handling facilities to enhance transportation of exports to the rest of the world through the Hong Kong International Airport. With the expansion of the existing express air cargo terminal, and the commissioning of a new premium logistics center as well as the Three Runway System, the annual cargo handling capacity of the Hong Kong International Airport is expected to increase from 7.4 million tons in 2021 tons to 9.0 million tons in 2024. Accordingly, the demand for the security-related engineering services in relation to threat detection systems is expected to continue to be driven by the growing e-commerce industry.

***Supportive Government Policies in Promotion of Smart City:*** Hong Kong has been developing its smart city policy in recent years, with the goals of enhancing the quality of life for its citizens, improving the efficiency of public services, and promoting sustainable development. The government has identified a number of key areas for smart city development, including transportation, healthcare, education, and environmental sustainability. One of the main initiatives in Hong Kong's smart city policy is the development of a city-wide network of sensors and data analytics tools to monitor and manage traffic and transportation. This includes the installation of smart traffic lights, real-time traffic monitoring systems, and the development of a new integrated transport information system. The smart city development activities include, among others, the development of buildings, government areas, industrial areas, highways, and airports. As advanced technologies, such as IoT, cloud computing and big data are increasingly used for better administration, the concept of the smart city has emerged. It refers to the coordinated use of physical devices, software systems and analytics by city authorities to provide better services and infrastructure to citizens. Physical devices, software systems and analytics in a smart city use enormous amounts of data collected from the public domain. They also generate huge amounts of information useful to government agencies and city authorities. Accordingly, the supportive government policies have contributed to demand for security services relating to smart city development, namely the protection of data and specific components of the smart city infrastructure. The increasing investment in and development of smart cities are mainly escalating the demand for security and safety, thereby driving the growth of security-related engineering services in Hong Kong.

***Growing Public Awareness of Facility Safety:*** Another market driver for the growth of the security-related engineering services in Hong Kong include increasing public awareness and security concerns and willingness to invest in security systems arising from the social movements in Hong Kong in 2019. Corporates in Hong Kong are investing in security technology with the intention of increasing security, protecting people and assets, and solving security issues. An increasing number of facility management companies in Hong Kong placing emphasis on surveillance technology and video analytics, ensuring high system availability and reliability, and facilitating manpower deployment for higher quality of ELV services and better operational efficiency. Security-related engineering services providers assist in monitoring, recording and storing potential evidence by setting up high-definition, strategically-deployed, 24-hour operating surveillance systems.

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**Cost Structure Analysis**

The median monthly salary of security-related engineering industry refers to the wages of employers who engage in the supply of security systems and products and related maintenance services, including security-related engineering services. From 2017 to 2022, the median monthly salary of the security-related engineering industry has recorded a gradual increase at a CAGR of 3.4%. The median monthly

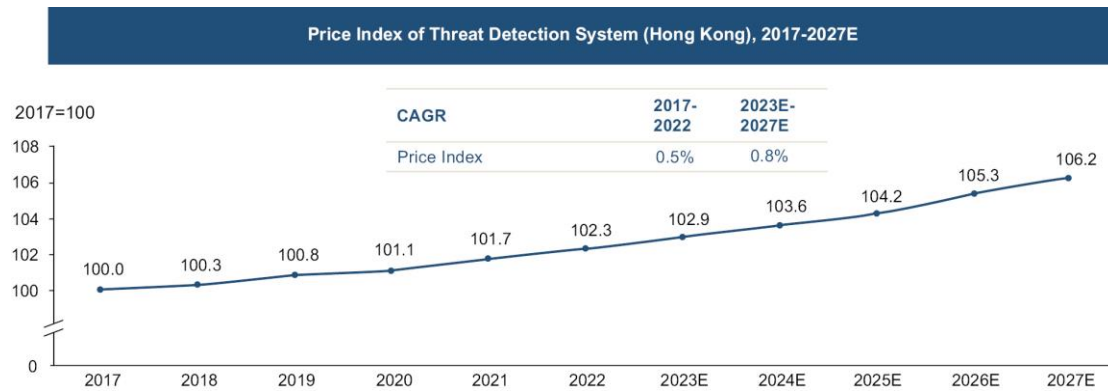
salary of security-related engineering industry is expected to increase at a CAGR of 3.9% from 2023 to 2027, due to the sustained growth of the industry.

Source: *The Frost & Sullivan Report*



Source: *Census and Statistics Department of the Hong Kong Government, The Frost & Sullivan Report*

The price index illustrates the effect of material cost in the security-related engineering services market. From 2017 to 2022, the price index of threat detection systems in Hong Kong recorded an increase from 100.0 in 2017 to 102.3 in 2022. The price index of threat detection systems in Hong Kong is expected to increase at a CAGR of 0.8% from 2023 to 2027.



Source: *Census and Statistics Department of the Hong Kong Government, The Frost & Sullivan Report*

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## OVERVIEW OF HONG KONG SECURITY GUARDING AND SCREENING SERVICES AND RELATED VOCATIONAL TRAINING SERVICES MARKET

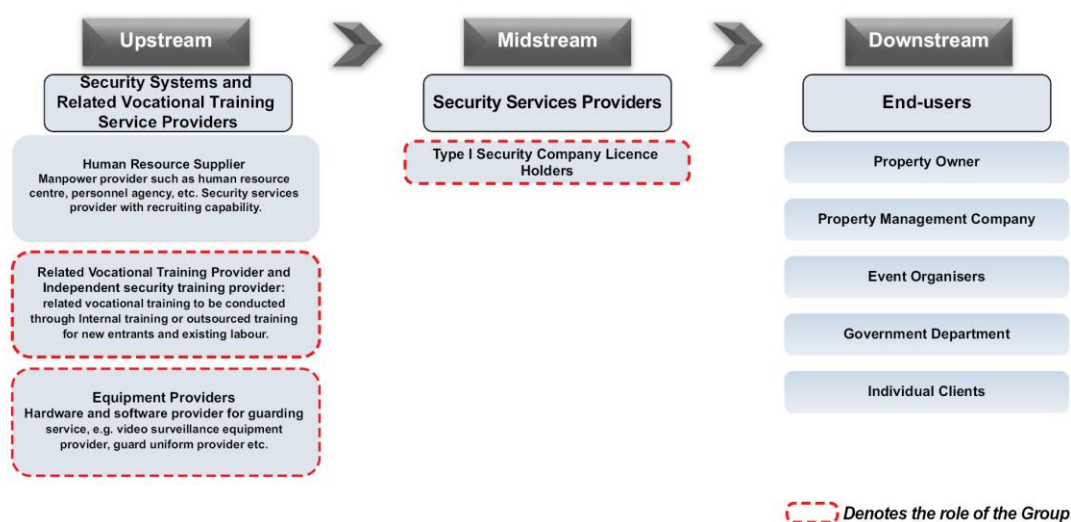
### Overview and segmentation

The security guarding and screening services and related vocational training services market can be classified into three industry segments, namely (i) security guarding services, (ii) screening services and (iii) related vocational training services.

- **Security guarding services** cover the guarding of any property, person or place for the purpose of preventing or detecting the occurrence of any offense.
- **Screening services** refer to the provision of manned screening services by certified screeners to the premises of customers. Screening services include the detection of explosives, and incendiary devices in air cargo consignment and detection of dangerous goods through the operation of X-ray machines/threat detection systems by screeners.
- **Related vocational training services** refer to provision of training courses with a view to assist individuals to fulfill the qualifications framework (the “QF”) and standards of certain accreditation bodies such as the Security and Guarding Services Industry Authority and the Labour Department of the Hong Kong Government (Occupational Safety and Health Branch Registration and Staff Training Division). Related vocational training is provided to individuals who aspire to fulfill the licensing regime of various industries, such as the security service industry, property management industry, construction industry and electrical and mechanical engineering industry.

### Value Chain

The typical market providers of the security guarding and screening and related vocational training services industry include human resources suppliers, related vocational training services and security systems providers from the upstream, security services providers from the midstream and end-users from the downstream. Our Group provides services in the upstream and midstream segments of the industry.



Source: The Frost & Sullivan Report

## **Market Size of Security Guarding and Screening Services and Related Vocational Training Services Market in Hong Kong**

The market size of security guarding services has increased from HK\$21,200 million in 2017 to HK\$26,300 million in 2022, representing a CAGR of 4.4%. In light of the occurrence of social movements in Hong Kong in 2019, an increasing demand in job recruitment was recorded for security personnel for event and crisis management. In

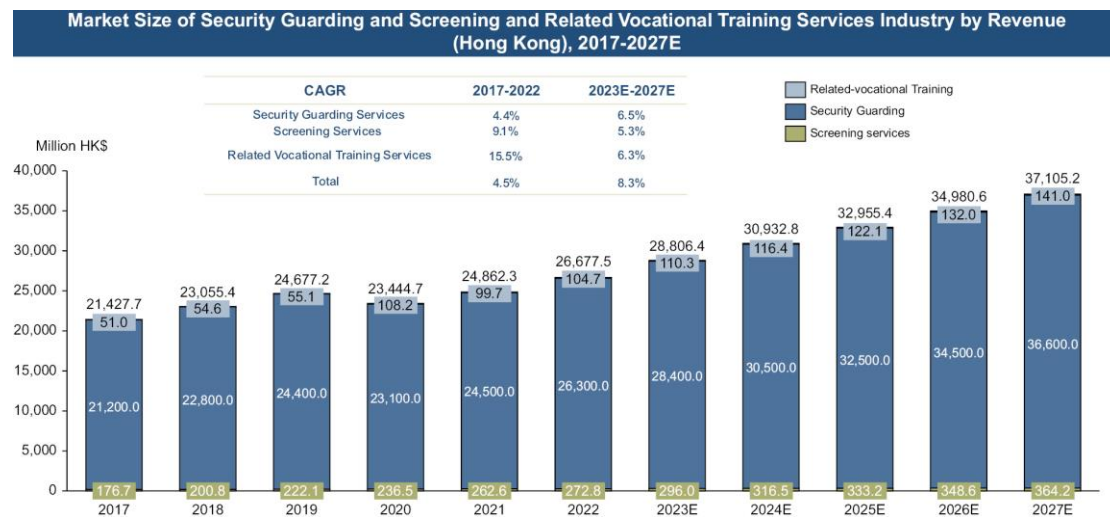
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early 2022, Hong Kong was heavily stricken by the fifth wave of the outbreak of the non-transmittable Omicron variant of COVID-19, with daily cases recorded at over 20 thousand in March 2022. The Hong Kong government has implemented stringent counter pandemic measures including temporary suspension of public services and mandatory closure of various entertainment and catering facilities. In the long run, the market size of security guarding services is expected to reach HK\$36,600 million in 2027, representing a CAGR of 6.5% from 2023 to 2027 primarily due to the sustained growth in the real estate market and the increasing demand for security guarding services.

The market size in terms of revenues of screening services, driven by the introduction of new policies by the ICAO in September 2016 and the RACSF launched by the CAD in October 2018, which required all outgoing air cargo in Hong Kong to be subject to security screening by June 2021, coupled with the rising air cargo throughput as a result of pandemic, also recorded a growth of 9.1% from HK\$176.7 million in 2017 to HK\$272.8 million in 2022. Going forward, with the anticipated steady growth of air cargo throughput due to the recovery of global economy and the continual enforcement of the RACSF, the market size in terms of revenues of screening services is expected to attain HK\$364.2 million in 2027, representing a CAGR of 5.3% from 2023 to 2027.

The market size in terms of revenues of related vocational training services is underpinned by the influx of labor entrants and increasing demand for retraining for existing labor and has increased substantially from HK\$51.0 million in 2017 to HK\$104.7 million in 2022, representing a CAGR of 15.5%. The outbreak of COVID-19 has not only curbed tourism spending but also local consumption, resulting in business closures, layoffs and/or unpaid leave for workers. Some of the laid-off workers have joined the workforce in security guarding services. It led to the surge in demand for related vocational training services and the increase in number of students enrolling into the QASRS Basic Security Services Certificate in 2020. Thus, the market size in terms of revenues of related vocational training services has recorded a decrease from HK\$108.2 million in 2020 to HK\$99.7 million in 2021, considering the decline of new labor entrants in the security guarding sector and the slight growth of related vocational training services in the construction works industry. Against the backdrop of the fifth wave of the outbreak of the COVID-19, service providers in the vocational training services sector, including the training providers of RACSF courses, have as well been either temporarily suspended or has been limiting the number of

admission quotas for each course hosted, while the enrollment process have been further lengthened due to the limited operating hours of businesses. In turn, the market size of related vocational training services in 2022 has declined slightly to approximately HK\$104.7 million and is expected to regain the growth momentum along with the normalization of economic activities, attaining HK\$141.0 million in 2027, representing a CAGR of approximately 6.3% during 2023 to 2027.



Source: The Frost & Sullivan Report

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**Market Drivers and Opportunities**

**Favorable Government Policies and Continuous Growth in Property Market:** The demand for security guarding services in Hong Kong is highly associated with the development of the property market. The Hong Kong Chief Executive expects that in Hong Kong, more than 300,000 units of public residential flats would be supplied to the market during 2020 to 2030, with one-third (i.e., more than 100,000 units) to be delivered within the first five years during 2021 to 2025. For the private sector, the 2021-22 Hong Kong Budget envisaged an estimated average annual production of about 18,000 units in the upcoming five years from 2021 to 2025, representing an increase of about five percent over the annual average of the past five years during 2016-2020. Further, in 2021, the Hong Kong Chief Executive rolled out the Northern Metropolis Development Strategy with a total land area of about 300 square kilometers to be developed into an area with highly concentrated residential units, working population and enterprises. The completion of residential, commercial, office, industrial and institutional buildings and the surrounding auxiliary infrastructure such as mass transport systems, is expected to spur the demand for facility management, cleaning, and security services in the area. In view of the expedited urban development with flourishing housing supply, the construction of surrounding and social facilities and amenities including hospitals, public transportation, educational facilities and government buildings

would as well be propelled. The security guarding services are poised to grow along with the rising housing supply and continued urban renewal.

***Rising Complexity and Requirements in the Industry:*** The increasing establishment of building complexes with interconnected or related structures and the mix of office, commercial and non-polluting industrial uses, has contributed to the complexity, requirement, and demand for facility management, cleaning and security services. The service scope is further expanded from operation, management and cleaning to interdisciplinary monitoring, control system management, and maintenance of the facility. The rising needs for customized and integrated multi-service solutions are heightened in the redeveloped buildings, which would translate to business opportunities for the industry.

***Surging Demand from Development of Air Cargo Terminals and Logistics Centers:*** The demand for screening services and related products are expanding rapidly due to the rising awareness of threat detection and prevention in both public and private sectors. Continual system upgrade and the incorporation of the latest technology are required to improve security services. Moreover, expansion of applications for screening services has been observed due to incidents such as enhancement of building security and changes in airport regulations. The screening services market in Hong Kong is driven by the development of its air cargo terminal and logistics center. The Airport Authority Hong Kong is collaborating with its business partners in expanding the express air cargo terminal, so as to enhance Hong Kong's capability in handling outgoing express and small parcel shipments. The screening services would be widely used in cargo logistics and warehouses and the demand for threat detection systems and screeners would rise accordingly.

***Higher Requirements of Qualification:*** According to the Education Bureau of the Hong Kong Government, the QF level 2 courses provide basic factual or operational knowledge in a selected number of areas of a field of work or study. Generally, QF level 2 offers courses in certificate level with practical skills related to various industries. QF level 2 courses are available in part-time and full-time study which are usually short courses with learning hours between 6 and 302 hours. According to the QF, in the security service industry, there are 35 units of competency under the QF level 2 scheme for experienced workers in the industry to fulfill. These courses provide practical vocational training to low-skill and low educational level employees to enhance their skills level and acquire essential working skills. For example, QF level 2 courses offer foundation certificates in telecommunication and security alarm systems and foundation certificates in professional security services training. It is increasingly common for security guards with accumulated experience to undertake advanced responsibilities and supervisory roles, while supplementary retraining, such as security-related QF level 2 courses, is often required. As such, the market size of security-related QF level 2 courses has increased from HK\$8.9 million to HK\$12.4 million during 2017 to 2022, representing a CAGR of approximately 6.9%, and is expected to attain HK\$17.0 million in 2027, representing a CAGR of approximately 6.6% during 2023 to 2027.

## **Cost Structure Analysis**

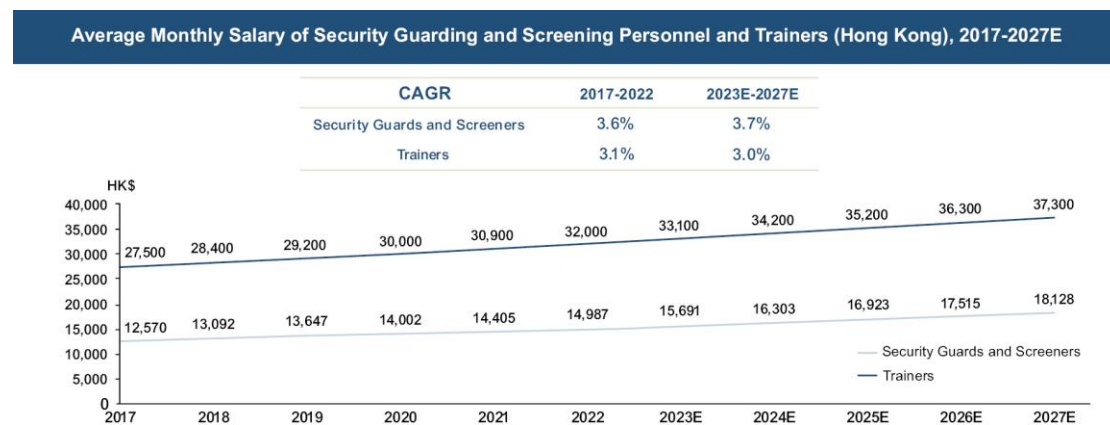


The regulation of statutory minimum wage came into effect in 2011 as regulated by the Minimum Wage Ordinance. In January 2023, the Hong Kong government formally announced that with effect from May 1, 2023, the minimum wage rate in Hong Kong will be increased to HK\$40 per hour. The security services industry is considered labor-intensive. With

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the effects of monetary inflation, the monthly salary of security guarding personnel increased from HK\$12,570 in 2017 to HK\$14,987 in 2022, representing a CAGR of approximately 3.6% from 2017 to 2022. The average monthly salary of trainers also recorded growth from HK\$27,500 in 2017 to HK\$32,000 in 2022, representing a CAGR of 3.1%.

The number of valid security personnel permit holders increased during the same period and the effects of statutory minimum wage diminished in recent years. It led to a decreasing yearly growth rate of average monthly salary of security guards. Moving forward, the average monthly salary of security guards is expected to reach HK\$18,128 in 2027, representing a CAGR of approximately 3.7% from 2023 to 2027. With the rising demand for security guarding services and the related security training courses, the average monthly salary of trainers is expected to reach HK\$37,300 in 2027, at a CAGR of 3.0% from 2023 to 2027.



Source: Census and Statistics Department of the Hong Kong Government, The Frost & Sullivan Report

**COMPETITION OVERVIEW**

In 2022, approximately 100 companies in Hong Kong are licensed to provide Type I and Type III security work, among which 20 are active providers.

**Competitive Landscape Overview of Hong Kong Security-related Engineering Services**

The Group offers one of the most comprehensive ranges of security systems, which allows it to undertake a wide range of projects and serve different sectors and in turn diversify its business risks. The types of



security systems for which it provides security-related engineering services include (i) threat detection systems such as X-ray machines and metal detectors; (ii) traffic and pedestrian control systems such as carpark revenue control systems, traffic barrier gates, automatic fare control systems, and people counting systems; and (iii) ELV systems such as CCTV systems, access control systems, public address systems, and building management systems. Apart from the fact that some customers may choose to procure security-related engineering services from the Group because of the specific brand or type of security systems that we carry in our portfolio, it is believed that our success also owes to the quality of our services and our ability to market the security systems to different end customers effectively. The Group has a comprehensive range of capabilities, including security-related engineering services, security guarding services, screening services, and related vocational training services, which enable it to easily accommodate different needs and requirements of customers.

The Group is one of the few providers, including Chubb Hong Kong Limited, G4S Security Systems (Hong Kong) Limited, ADT Hong Kong Limited, Jardine Engineering Corporation Limited, and SUNeVision Super e-Technology Services Limited, in the security-related engineering services market in Hong Kong authorized to distribute over 10 brands of security systems.

Entry barriers and set up costs are considered to be moderate in the security-related engineering services industry.

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### **Competitive Landscape Overview of Hong Kong Security Guarding and Screening Services and Related Vocational Training Services**

The security guarding services market in Hong Kong is competitive, with approximately 749 providers as of February 28, 2023, which also represent the number of licensed security companies engaged in Type I security work-provision of security guarding services. On the other hand, there are less than 100 providers in the screening services market in Hong Kong in 2022. The leading providers in the security guarding and screening markets in Hong Kong are mainly international firms while the Hong Kong-based providers also contribute to a substantial amount of revenues for the market.

In 2022, our Group recorded revenues of HK\$55.4 million for the provision of security guarding and screening services, accounting for 0.2% of the market share. The security guarding services market in Hong Kong is relatively fragmented, with the top five market participants accounting for an aggregate market share of approximately 11.6% in 2022.

In 2022, our Group recorded revenues of HK\$3.8 million for the provision of related vocational training services, accounting for 3.6% of the market share. The competition of related vocational training services

is fierce, while some market participants could increase the market share by providing more training courses.

Entry barriers and setup costs are considered to be moderate in the security guarding and screening services industry and related vocational training services industry. Among the aforementioned industries, the level of entry barriers and set up costs of related vocational training services industry is the lowest.

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## **BUSINESS**

### **Overview**

Through our subsidiaries, Shine Union and Fortune Jet, we are an integrated security-related services company that primarily provides security-related engineering services, and to a lesser extent, security guarding and screening services and related vocational training services, in Hong Kong.

Established in 1998, Shine Union has been providing turnkey services to the existing infrastructure or planned development of its customers through the design, supply, installation, and maintenance of security systems for over two decades. The security systems that Shine Union provides services to include threat detection systems, traffic and pedestrian control systems, and ELV systems in the private and public sectors including commercial properties, public facilities, and residential properties in Hong Kong. Shine Union is one of the few providers in the security-related engineering services market in Hong Kong authorized to distribute over 10 brands of security systems, according to the Frost & Sullivan Report. Shine Union is also the exclusive distributor to market and sell two brands of threat detection systems, which includes X-ray machines, trace detection products, metal detectors and mail screening machines.

Some notable projects undertaken by Shine Union include the design, supply, installation and/or maintenance of X-ray machines at a rail link terminus and the air cargo terminal based at the Hong Kong International Airport, the traffic control system and ELV system at the bridge-tunnel system connecting Hong Kong, Macau and Zhuhai, the pedestrian control system at the headquarters office building of a Hong Kong-based banking and financial services company and the Hong Kong office building of a French cosmetics company, and the parking system at a mixed-use complex located on the Kwun Tong Promenade. Shine Union obtains its contracts either through direct invitation for quotation from customers, or through a competitive tendering process of the project employers or their main contractors.

Since our acquisition of Fortune Jet in 2019, we have been providing security guarding and screening services and related vocational training services in Hong Kong through Fortune Jet. Security guarding and screening services provided by Fortune Jet include dispatching security guards to fulfill customers' needs such as securing and guarding physical properties and screeners to operate security machines at

sites designated by its customers. Shine Union also leases machines to customers, providing a temporary and flexible option for customers in need of additional security equipment and procedures.

We have experienced stable growth in the fiscal years ended September 30, 2021 and 2022, and the six months ended March 31, 2022 and 2023. Our total revenues increased by 16.1% from HK\$117.6 million (US\$15.0 million) in the fiscal year ended September 30, 2021 to HK\$136.4 million (US\$17.4 million) in the fiscal year ended September 30, 2022. Our total revenues increased by 38.8% from HK\$69.9 million (US\$8.9 million) in the six months ended March 31, 2022 to HK\$97.0 million (US\$12.4 million) in the six months ended March 31, 2023. Our net income increased by 37.0% from HK\$6.0 million (US\$0.8 million) in the fiscal year ended September 30, 2021 to HK\$8.3 million (US\$1.1 million) in the fiscal year ended September 30, 2022. Our net income increased by 245.3% from HK\$2.9 million (US\$0.4 million) in the six months ended March 31, 2022 to HK\$10.1 million (US\$1.3 million) in the six months ended March 31, 2023.

### **Our Competitive Strengths**

We believe that we have the following competitive strengths, which enable us to grow further and differentiate ourselves from our competitors:

#### ***Integrated Security-related Services Company with a Proven Track Record***

With over 20 years of operating history, through our subsidiaries Shine Union and Fortune Jet, we are an established security-related engineering services provider and possess technical expertise and industry know-how in providing customized security-related engineering services on a turnkey basis to meet the ever-changing requirements of our customers. Through our organic growth, we have developed expertise in offering security-related engineering services in respect of threat detection systems, traffic and pedestrian control systems, and ELV systems. Our integrated suite of security-related service offerings has also created synergy, where Shine Union can access the customer base of Fortune Jet and promote cross-selling opportunities to continue to drive our business growth. We believe our suite of security-related service offerings differentiates us from our competitors and enables our customers to save operational and administrative costs in locating different service providers and thereby allows efficient problem-solving.

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Our proven track record is demonstrated by our extensive project portfolio. In relation to Shine Union's security-related engineering services, it completed over 2,400 projects covering the design, supply, installation and/or maintenance of security systems during the fiscal years ended September 30, 2021 and 2022 and the six months ended March 31, 2023. Shine Union also completed over 200 standalone maintenance services engagements and over 25 standalone equipment leasing engagements during the

fiscal years ended September 30, 2021 and 2022 and the six months ended March 31, 2023. We are also recognized as an approved supplier and contractor by numerous bureaus and departments of the Hong Kong government for the supply of security engineering services and security equipment. Additionally, Fortune Jet completed over 120 contracts relating to its security guarding and screening services during the fiscal years ended September 30, 2021 and 2022 and the six months ended March 31, 2023. According to the Frost & Sullivan Report, Fortune Jet is also one of the 50 companies in Hong Kong providing training programs recognized by Security and Guarding Services Industry Authority (the “SGSIA”) qualified under the QF.

With our established presence in Hong Kong and horizontally integrated business model spanning across engineering services in relation to security systems to security guarding and screening services and related vocational training services, we believe the various streams of our business are synergized to cater to the different needs of our customers across an array of market sectors. The cross-selling opportunities, business synergies and administrative cost savings brought by our integrated services have strengthened our market position and enhanced our competitiveness in the security-related services sector.

#### ***Comprehensive Security-related Engineering Services with An Extensive Network of Customers***

Leveraging on its experience in providing comprehensive security-related engineering services, including procurement, design, supply, installation, maintenance and testing and commissioning of various security systems, Shine Union has the capability to provide one-stop services to its customers. Shine Union provides design services and undertakes project coordination to meet its customers’ requirements under an integrated security-related project. In respect of design services, for example, apart from selling or leasing X-ray machines to our customers, Shine Union also procures X-ray machines that satisfy the CAD’s requirements, prepares a floor plan of the site showing the location(s) where the X-ray machines should be installed, provides installation services in respect of ancillary security systems such as CCTV systems, and offers maintenance services in respect of the X-ray machines to its customers. In respect of project coordination, Shine Union coordinates with service providers and suppliers, advises its customers on the progress of the project, and ensures that orders are carried out properly and the project is completed on schedule. Shine Union’s comprehensive security-related engineering services enable its customers to save management and supervision time and costs and allow for better communication, collaborative management and more efficient problem-solving.

With its comprehensive capabilities, Shine Union serves customers across a broad range of market sectors. Shine Union maintains strong business relationships with an extensive network of industry-leading companies and organizations, including various units of the Hong Kong government, engineering firms, system integrators, logistics companies and other main contractors. With its sales and marketing efforts, in respect of its security-related engineering services, Shine Union has had business relationships with over 300 customers and maintained business relationships for more than 10 years with

some major customers. We believe this is a testament to Shine Union's competitive qualities, such as good quality control, solid technical know-how and effective problem solving with flexible services.

With the goodwill and extensive customer network that Shine Union has established through its operating history, some of its customers are repeat customers. Shine Union is also invited to participate in tenders for public sector projects from time to time. Shine Union's extensive customer network with industry-leading companies and organizations provides it with a stable flow of security-related engineering engagements and ensures a source of recurring revenue. Further, we believe that Shine Union's collaborative relationships with industry-leading companies and organizations have enhanced its corporate profile and enable it to obtain valuable market information and intelligence about changing customer requirements and technological trends, which in turn help Shine Union to better serve its customers.

In Hong Kong, security-related engineering services are mainly carried out for the private sector. According to the Frost & Sullivan Report, revenues in the security-related engineering services market for the private sector in Hong Kong is expected to grow at a CAGR of 5.4% between 2023 and 2027. With its extensive customer network, we believe Shine Union is well-positioned to capture opportunities in the market and achieve further revenue growth.

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***Exclusive Distribution Rights and Comprehensive Portfolio of Security Systems Based on Established and Complementary Relationship with Our Suppliers***

We have maintained and established relationships with our top five suppliers, or our major suppliers, who accounted for approximately 49.3%, 43.2%, and 59.7% of our total purchases for the fiscal years ended September 30, 2021 and 2022, and the six months ended March 31, 2023, respectively. During the same periods, the products we sourced from our major suppliers encompassed a range of products including threat detection systems and traffic and pedestrian control systems. Some of our major suppliers are well-established suppliers with headquarters based in the United States and Belgium with whom we have over 16 years of business relationship.

As a result of our established relationships with our major suppliers who are also brand proprietors, we have been granted rights to distribute some of their products in Hong Kong, which in turn helps to maintain a stable supply of our products. We believe our capability in providing security-related engineering services, which includes the design, supply, installation, and maintenance of our suppliers' security systems, allows us to penetrate our suppliers' products into the market as we are able to offer one-stop security-related engineering services. At the same time, we believe our major suppliers rely on our extensive customer network to sell and distribute their products into the market. Our extensive

customer network and sales channel in turn allow us to make bulk purchases from our suppliers, which increase our bargaining power and reduce purchase costs.

Aside from sourcing suitable security systems for our customers by leveraging the established relationships with our suppliers, we also have our own proprietary “SUNGATE” brand carpark system which allows payment to be made by using the Octopus card. We believe some customers may choose to procure security-related engineering services in respect of our “SUNGATE” carpark system, as some carpark systems sourced from outside of Hong Kong may not allow for payment using the Octopus card, a reusable contactless stored value smart card for making electronic payments in online or offline systems in Hong Kong.

According to the Frost & Sullivan Report, we offer one of the most comprehensive range of security systems in Hong Kong, which allows us to undertake a wide range of projects and serve different sectors and in turn diversify our business risks. The types of security systems for which we provide security-related engineering services include (i) threat detection systems such as X-ray machines and metal detectors; (ii) traffic and pedestrian control systems such as traffic control system, traffic barrier gates, automatic fare control system and people counting systems; and (iii) ELV systems such as CCTV systems, access control systems, public address systems, and building management systems. Apart from the fact that some customers may choose to procure security-related engineering services from us because of the specific brand or type of security systems that we carry in our portfolio, we believe our success also owes to the quality of our services and our ability to market and penetrate the security systems to different end customers effectively.

We believe our established relationship with our suppliers and the distribution rights granted by some of them allow us to source different security systems for our customers and maintain a stable supply and a comprehensive portfolio of security systems. This enables us to serve various customer sectors, which in turn attracts suppliers to maintain stable and complementary relationship with us.

***Commitment to Deliver Services with Quality, Safety and Environmental Assurance through Our Qualified Workforce***

We are committed to delivering high quality services. In respect of our security-related engineering services, we have adopted a set of quality assurance measures which comprises monitoring, verifying and validating the works and security systems to ensure that high quality engineering works and services are delivered to our customers. In recognition of the quality assurance procedures in place, the quality management system of each of Shine Union and Fortune Jet was accredited with the ISO 9001:2015 certificate in 2019. In the same year of 2019, the environmental management system and occupational health and safety management system of Fortune Jet were also accredited with ISO 14001:2015 and ISO 45001:2018, respectively. Further, to ensure the service quality of our security guards and screeners, our operations managers will supervise and monitor them when they first report to duty on-site to make sure that they fully understand the operational flow and their duties. Our operations managers also conduct

surprise inspections on our security guards and screeners on-site to ensure the quality of services provided. See “— *Quality Control and Assurance.*”

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Our services are provided through our qualified workforce. As of the date of this prospectus, (i) all of our employees carrying out the project and maintenance functions possess the relevant licenses and qualifications including the Security Personnel Permit to perform Category D Security Work and the Construction Industry Safety Training Certificate; (ii) all of our full-time screeners and part-time screeners were certified by a certification body acceptable to the CAD to perform screening duties of air cargo in the RACSF; and (iii) all of our full-time security guards and part-time security guards possess the QASRS Basic Security Services Certificate and Security Personnel Permit to carry out Category A Security Work and/or Category B Security Work. With our workforce comprising holders of various qualifications and a comprehensive range of capabilities, we are able to easily accommodate the different needs and requirements of our customers. To ensure consistent delivery of quality services, the performance of our qualified workforce is mainly monitored and supervised by our operations managers and our management. Further, regular training is provided to our employees in relation to new products and technologies in the market to ensure that they are up to date with the latest industry trends regarding security systems.

We believe that our quality assurance system and qualified workforce will allow us to ensure consistent delivery of quality services to our customers and enhance our reputation as a quality and reliable security-related services provider.

### ***Experience and Visionary Management Team***

We are led by a strong management team with a deep understanding, and extensive experience in, the security-related engineering services industry. Mr. Chan Ming Dave, the Chairman of our board of directors and our Chief Executive Officer, has over 38 years of experience in the security-related engineering services industry and has served as the steward of our company since 1999. Mr. Chan formulates the strategic visions of our company and is mainly responsible for overseeing the operation, business development and strategic planning of our company. Mr. Kong Wing Fai, our Chief Financial Officer and a director of our company, has over 18 years of experience in the security-related engineering services industry and is a certified public accountant with extensive experience in financial management and corporate governance. Mr. Kong is mainly responsible for the operational management, financial management and corporate governance of Shine Union and the day-to-day operation of Fortune Jet. Mr. Koo Lon Tien, Chief Operating Officer of our company, is principally responsible for providing strategic plans and sales/relationship management. Mr. Koo joined our company in September 2004, and has over 29 years of experience in relevant industries.

Mr. Chan Ming Dave and Mr. Kong Wing Fai are supported by Mr. Koo Lon Tien and our senior management team. Our senior management possess extensive technical know-how and industry knowledge to respond to changing trends in the industry. See “*Management*” for further details. Across the organization, our management has spearheaded our development into an integrated security services provider. We place a strong emphasis on encouraging, training, and retaining our employees as we believe that the industry knowledge and experience of our employees have been a crucial element to our success.

We believe that the vision, experience and in-depth knowledge of the security services industry of our management team is integral to building our brand and has been pivotal to the success of our business. With the extensive experience and market foresight of our directors as supported by a team of high caliber senior management, we believe that we will be able to capitalize on our industry expertise, adapt to the changes of market conditions and formulate and execute our business strategies effectively.

### **Our Growth Strategies**

Our objective is to further strengthen our position as an integrated security-related services company and expand our market share by pursuing the following strategies:

#### ***Deepen Our Penetration of the Security-related Engineering Services Industry***

Bolstered by the sustained investment in infrastructure, expedited property development and growing public awareness of facility safety, the market size of security-related engineering services in Hong Kong increased from HK\$6.5 billion in 2017 to HK\$8.1 billion in 2022, representing a CAGR of 4.4%. Together with the Hong Kong government’s policies in promoting Smart City and the rising trend of advanced technologies such as the internet of things, or IoT, cloud computing and big data, there will be a surging demand for security-related engineering services involving threat detection systems, traffic and pedestrian control systems and ELV systems, with the market size of security-related engineering services in Hong Kong estimated to grow at a CAGR of 5.3% from HK\$8.6 billion in 2023 to HK\$10.6 billion in 2027, according to the Frost & Sullivan Report.

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The Airport Authority Hong Kong has plans for developing cargo handling facilities to enhance seamless transportation of exports to the rest of the world through the Hong Kong International Airport. With the expansion of the existing express air cargo terminal, and the commissioning of a new premium logistics center at the Hong Kong International Airport as well as the expansion of Hong Kong International Airport into a three-runway system, the annual cargo handling capacity of the Hong Kong International Airport is expected to increase from 7.4 million tons in 2021 to 9.0 million tons in 2024. Further, according to the Frost & Sullivan Report, a joint venture led by the logistics arm of a Chinese



multinational technology company specializing in e-commerce is developing a premium logistics center at Kwo Lo Wan in the South Cargo Precinct of Hong Kong International Airport. Occupying a site of about 5.3 hectares and with an estimated gross floor area of 380,000 square meters, the premium logistics center is scheduled to commence operation in 2023 and will be the third largest warehouse in Hong Kong serving the fast-growing global e-commerce business. Accordingly, the demand for the provision of security-related engineering services in relation to threat detection systems is expected to continue to be supported by the growing e-commerce industry, which generates an increasing demand for cross-border logistics according to the Frost & Sullivan Report.

Leveraging the market drivers regarding security-related engineering services, we plan to further penetrate our existing market in security-related engineering services involving threat detection systems, traffic and pedestrian control systems and ELV systems. As of the date of this prospectus, we have submitted 220 tenders and quotations with a total estimated contract value of US\$37.0 million in relation to the provision of security-related engineering services involving the supply of security systems and related maintenance services which we were awaiting results. However, these tenders and quotations do not represent firm commitments and ultimately may not result in revenues to the Company.

In connection with the expansion of our security-related engineering services, we plan to use (i) approximately 13.5% of the proceeds from this offering to expand our workforce by recruiting additional engineering and maintenance staff; and (ii) approximately 3.2% for acquiring six vehicles and renting carparking spaces in Kwun Tong.

We also plan to use approximately 4.8% of the proceeds from this offering on renting and setting up a workshop with showroom near our existing office location in Kwun Tong. In light of the additional project, maintenance and research and development staff which we plan to recruit and our research and development initiatives detailed under “— *Strengthen Our Development Capability and Enhance the Product Offerings under Our “SUNGATE” Brand,*” it is imperative for us to expand our space by renting and setting up a workshop. On the other hand, we intend that the showroom will exhibit the various types of security system prototypes offered by us. We believe that the showroom will save us administrative costs in arranging and assembling specific types of security system prototypes to our customers in the quotation preparation stage. Further, by exhibiting the various types of security systems at our showroom, we may be able to market additional types of security systems to our customers.

***Strengthen Our Development Capability and Enhance the Product Offerings under Our “SUNGATE” Brand***

Capitalizing on the “Smart City” initiatives of the Hong Kong government, we plan to strengthen our development capability and enhance the product offerings under our “SUNGATE” brand by incorporating “smart” features into our existing “SUNGATE” carpark systems. According to the Frost & Sullivan Report, with the growing demand for improved and advanced operational efficiencies, as well as cost-effectiveness, the incorporation of cloud-based security systems is predicted to surge, and smart

parking systems are used for parking space reservation, payment, car search and other functions, allowing carparks to increase utilization and improve efficiency.

Leveraging our expertise in developing carpark systems under our proprietary “SUNGATE” brand, we plan to strengthen our development capability and embark on the development of smart parking systems. We intend to develop the smart parking system under the “SUNGATE” brand and incorporate “smart” features into our existing “SUNGATE” carpark systems. The smart parking system is envisaged to contain the following functions:

- *Checking real-time vacant parking spaces:* IoT devices will be installed to monitor and detect parking space occupancy in real-time and such data will be collected through the implementation of a cloud-based server. Users will be allowed to check for vacant parking spaces in real-time through mobile apps and a website, thus allowing carparks to increase utilization;
- *Parking space reservation function:* through the implementation of a cloud-based carpark management system, users will be allowed to pre-book carpark spaces through a mobile application or website;

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- *Parking space navigating function:* by employing IoT technology which provides real-time data on the parking lot information, users will be guided to the location of vacant carpark spaces;
- *Car searching function:* Artificial intelligence of things, or AIoT, and optical character recognition, or OCR, technologies will be used to recognize vehicle models and their number plates to identify the vehicles and help users to locate their vehicles in the carpark; and
- *New payment methods:* new payment means such as QR code payment and contactless payment will be adopted by using the technology of near field communication, or NFC. Users will also be allowed to make payment via websites, mobile apps and self-service kiosks.

To strengthen our development capability and to achieve our initiative in enhancing the product offerings under our “SUNGATE” brand, we intend to apply approximately 6.0% of the proceeds from this offering to recruit research and development staff and acquire systems and software to enhance our technological competitiveness. During the fiscal years ended September 30, 2021 and 2022 and the six months ended March 31, 2023, the design and development of our “SUNGATE” carpark systems and our other research and development functions were mainly carried out by three of our engineering staff on an as-needed basis, and we do not possess a team of research and development staff. See “— *Research and*

*Development.*” To capture growth opportunities created by evolving technologies such as IoT, cloud computing and big data, and to incorporate “smart” features into our existing “SUNGATE” carpark systems, we plan to proactively engage in research and development, as well as explore and promote innovative services to customers. We believe that leveraging our experience in incorporating local features, such as payment using Octopus card, in our “SUNGATE” carpark systems in the past, the new product offerings under our “SUNGATE” brand will continue to be tailored to suit the preferences and needs of local carparks and users, thereby allowing us to keep abreast of the latest market trends and enhancing our competitiveness. We also believe that the incorporation of “smart” features into our “SUNGATE” carpark systems will improve the gross profit margin in relation to our provision of security-related engineering services involving products under our “SUNGATE” brand.

We believe that with further enhanced development capability, we can better understand our customers’ needs and preferences and keep abreast of the latest market trends, thereby enhancing our competitiveness.

### ***Expand Our Security Guarding Services and Improve Our Operational Efficiency and Scalability***

#### *Expand our security guarding services*

According to the Frost & Sullivan Report, the demand for security guarding services in Hong Kong is highly associated with the development of the property market. According to the Rating and Valuation Department in Hong Kong, the amount of new building completion in office, commercial and industrial increased from 263,000 square meters in 2015 to 441,000 square meters in 2019. Imputed to the outbreak of the COVID-19, the amount of new building completion in office, commercial and industrial sector recorded a slump to 174,000 square meters in 2020. According to the Rating and Valuation Department, the figure has restored in 2022, attaining 574,000 square meters in 2022 and subsequently 516,000 square meters in 2023. In turn, security guarding services are poised to grow along with the rising housing supply and continued urban renewal. Further, the social movement in Hong Kong in 2019 has raised public awareness in relation to the importance of public safety. As such, an increasing demand for security personnel who are holders of the Security Personnel Permit qualified to carry out Category A and/or Category B Security Work was recorded according to the Frost & Sullivan Report.

Our gross profit margin for security guarding and screening services was 21.8%, 20.9%, and 16.3% for the fiscal years ended September 30, 2021 and 2022, and the six months ended March 31, 2023, respectively, which were relatively lower than our other business segments. However, as we may be able to generate cross-selling opportunities by providing security guarding services, such as attracting students of our related vocational training courses to apply for employment under our security guarding services upon their completion of the related courses, and in order to strengthen our position as an integrated security-related services company by enhancing our service offerings, it is our strategic plan to expand our security guarding services.

The availability of sufficient working capital is crucial in determining the number and scale of security guarding service contracts that we are able to undertake. In relation to our security guarding services, our customers generally settle our service fee two to three months after the invoices are issued. On the other hand, labor costs, being the most

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significant component of our operating expenses, are paid monthly. Accordingly, there is a cash flows mismatch as there are often time lags between making payments for employee expenses and receiving payments from our customers.

As of the date of this prospectus, in relation to security guarding services, we submitted 14 tenders in respect of security guarding service contracts with estimated total contract value of approximately US\$4.1 million. However, these tenders and quotations do not represent firm commitments and ultimately may not result in revenues to the Company. To capture the market opportunities and expand our market share, we intend to expand our security guarding services by utilizing (i) approximately 11.2% of the proceeds from this offering for hiring additional security guards; and (ii) approximately 1.6% for acquiring vehicles for patrolling purpose and renting carparking spaces.

#### *Improve the operational efficiency and scalability for our security guarding and screening services*

Due to the labor-intensive nature of our security guarding and screening services, it is critical for us to take advantage of the recent technological trends and developments to optimize our operational efficiency and scalability and promote effective deployment of our workforce while maintaining the quality of our services. In particular, in view of the expected growth in our scale of operation, operational optimization will become even more important to ensure our continual profitability and financial performance. Accordingly, we plan to set up a central monitoring room for call dispatching and duty reporting purposes.

According to the Frost & Sullivan Report, a central monitoring room leverages electronic devices such as patrol batons, electronic readers and smartphones that allow security guards and screeners to conduct scanning at various checkpoints, generate log reports and subsequently transmit data record to the central monitoring room where data is maintained and administered using cloud technology. We believe that the setting up of a central monitoring room can improve our operational efficiency by allowing us to keep track of the performance of our security guards and screeners.

Further, according to the Frost & Sullivan Report, a central monitoring room is increasingly used in the security guarding and screening services industry in Hong Kong and the use of a central monitoring room is required for some tenders including those initiated by the Hong Kong government and multinational corporations which have high safety standards. We believe that the adoption of a central monitoring room

will lower our operational costs in monitoring the attendance of our security guards and screeners. Accordingly, we plan to apply 0.7% of the proceeds of this offering to purchase a security call system for call dispatching and duty reporting purposes. We intend to rent a premises in Yau Ma Tei which will serve as both our central monitoring room and training center. For details of our expansion plan in relation to vocational training service, please see “— *Expand Our Vocational Training Services.*”

### ***Expand Our Related Vocational Training Services***

According to the Security Bureau of the Hong Kong Government, the total number of holders of a Security Personnel Permit has increased from 312,195 to 338,274 from 2019 to 2020, representing a year-on-year increase of 8.4%. The Hong Kong General Union of Security and Property Management Industry Employees elucidated that the social movement in Hong Kong in 2019 as well as the outbreak of COVID-19 led to the influx of permit holders, which is due to the increasing job recruitment for security personnel. According to the Frost & Sullivan Report, the demand for related vocational training services is highly driven by the number of new labor entrants coupled with the demand for retraining, especially for individuals pursuing advancement in the career path of security service industry. According to the Manpower Survey of Security Services published by the Hong Kong Security Services Training Board (the “SSTB”) of the Hong Kong Vocational Training Council (the “VTC”) in 2019, the professional skills of security services practitioners have seen a general elevation due to the increasing competition amongst labor. Further, according to the Frost & Sullivan Report, the market drivers, opportunities and trends of the security guarding services market include favorable government policies and continuous growth in the property market, influx of labor resulting from the social movement in Hong Kong in 2019 and the outbreak of COVID-19 and rising number of construction sites. See “*Industry — Overview of Hong Kong Security Guarding and Screening and Related Vocational Training Services Market — Market Drivers and Opportunities*” in this document for details. In light of the above, we believe that the demand for related vocational training services would increase as well to contribute to the influx of permit holders owing to the job opportunities in security guarding services.

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There were over 9,000, over 11,000 and over 6,200 students enrolled in our related vocational training courses with income contributed in the fiscal years ended September 30, 2021 and 2022 and the six months ended March 31, 2023, respectively. According to the Frost & Sullivan Report, the competition in the related vocational training services market is fierce, and operators could increase market shares by establishing more training centers. To capture the potential growth mentioned above, we plan to expand our related vocational training services by establishing an additional training center and recruiting a course director, two trainers and two clerks. The new training center is expected to be close to our existing training center in Yau Ma Tei with a net floor area of approximately 1,800 square feet. With reference to the size of our existing training center, we expect that the premises can accommodate three classrooms,

with each classroom having a capacity of approximately 35 students. The new premises are also intended to accommodate the central monitoring room which we plan to set up pursuant to our strategy to improve our operational efficiency and scalability. While we used to engage external trainers in the past, we believe that by having in-house trainers possessing the relevant qualification, our stability of providing training courses throughout the year can be ensured and we can better monitor the quality of the trainers.

Riding on the above market drivers, we also plan to apply to the Hong Kong Council for Accreditation of Academic and Vocational Qualifications, or the HKCAAVQ, for the accreditation to operate accredited program(s) at QF Level 2 and the course Certificate in Progressive Guarding Services (QF Level 2). According to the Frost & Sullivan Report, employers may require employees to pursue QF Level 2 qualification when such employees are expected to handle more sophisticated and advanced tasks. For details of the differences between QASRS Basic Security Services Certificate under QF Level 1 and the course Certificate in Progressive Guarding Services (QF Level 2); see *“Our Business Model — Security guarding and screening services and related vocational training services.”*

The quality and standards of accredited program(s) at QF Level 2 and the course Certificate in Progressive Guarding Services (QF Level 2) are safeguarded by the HKCAAVQ. As we have been accredited by the HKCAAVQ as an operator to operate accredited program(s) at QF Level 1 and the course Certificate in Basic Security Services under QASRS (QF Level 1), we do not foresee material difficulties in applying for accreditation service to operate accredited program(s) at QF Level 2 and the course Certificate in Progressive Guarding Services (QF Level 2) as the application procedures are substantially similar. Based on our past experience and under normal circumstances, it generally takes approximately one year from the submission of application for accreditation service for a prospective operator to be accredited by the HKCAAVQ. As of the date of this prospectus, we have not submitted the application.

We plan to apply 8.5% of the proceeds from this offering to expand our related vocational training services, which includes (i) the costs paid to a course director, two trainers and two clerks; and (ii) the estimated capital expenditure and annual operating expense for the set-up and renting of a premises in Yau Ma Tei, which is also proposed to be used as our central monitoring room; *“— Expand Our Security Guarding Services and Improve Our Operational Efficiency and Scalability — Improve the operational efficiency and scalability for our security guarding and screening services.”*

### ***Selectively Pursuing Strategic Acquisitions and Investment Opportunities***

We have a track record of expansion through both acquisition and organic growth. As part of our business strategies, we intend to scale up our operations by way of acquisitions and investment opportunities to enhance our competitiveness in the security-related engineering services industry. According to the Frost & Sullivan Report, the security-related engineering services market in Hong Kong is relatively concentrated with the top five market participants, whom in aggregate contributed 31.5% of the market

share in 2022. Further consolidation among our competitors or development of alliances among our competitors will affect our market position.

We believe that with synergies as a result of acquisitions and investment opportunities, we can achieve higher profit and expand our business scope. We also believe that strategic acquisition and investment may enable us to expand our scope of services and/or product offerings, client base, and achieve expansion in an efficient and effective manner. In evaluating potential acquisition or investment targets, we take into account factors including such company's business focus, market coverage, size and scale of operations, and financial condition and valuation. As of the date of this prospectus, we do not have any specific acquisition plans or targets, and have not entered into any definitive agreement or engaged in any active discussions with any potential target.

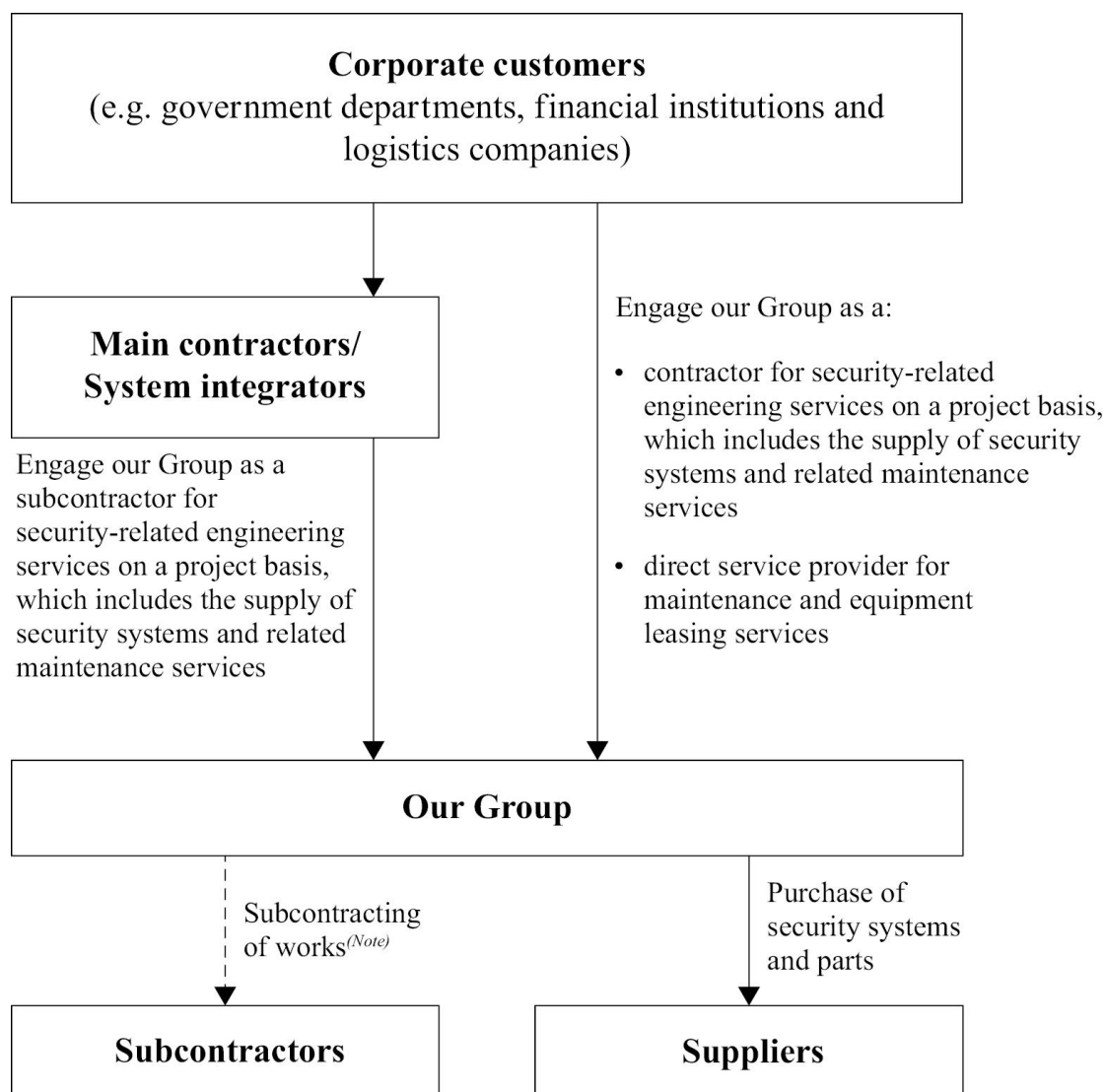
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**Our Business Model**

Through Shine Union and Fortune Jet, our principal businesses include providing (i) security-related engineering services which involves the design, supply, installation, and/or maintenance of security systems in Hong Kong; and (ii) security guarding and screening services and related vocational training services in Hong Kong.

The diagrams below illustrate the business models of our principal business operations:

***Security-related engineering services***



Note: Depending on the availability of resources, intensiveness of labor and cost effectiveness, we may subcontract some security-related engineering works to selected subcontractors. Please see “*Our Subcontractors*” in this section for further details.

Security-related engineering services are one of our principal businesses. During the fiscal years ended September 30, 2021 and 2022, and the six months ended March 31, 2023, revenues generated from the provision of security-related engineering services amounted to HK\$81.5 million, HK\$77.2 million, and HK\$65.1 million, representing 69.4%, 56.6%, and 67.1% of our total revenues, respectively.

Depending on its customers’ needs and requirements, Shine Union offers a comprehensive spectrum of security-related engineering services covering design, supply, installation and/or maintenance services. Shine Union’s design services primarily involve the preparation of layout drawings and advising its customers as to the number and types of security systems to be installed in order to achieve customers’ desired security purpose, and Shine Union does not participate in the product design or development of security systems save for its “SUNGATE” carpark systems. Shine Union may provide these engineering services either as a contractor or a subcontractor, and on an integrated and multi-service



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basis where it is engaged to provide more than one type of services under a contract, or on a single service basis under which it is responsible for providing one specified type of service in a project, while other types of engineering services may be handled by other service providers or subcontractors.

In relation to Shine Union's security-related engineering services, we generate revenues from: (i) contracting service on a project basis which includes the supply of security systems and related maintenance services; (ii) providing maintenance services, which are performed in accordance with the customer work orders pursuant to standalone maintenance contracts; and (iii) leasing security systems, such as threat detection systems, traffic and pedestrian control systems, and ELV systems pursuant to standalone equipment leasing contracts. Shine Union may act as a contractor or a subcontractor in providing project-based services, whereas Shine Union generally acts as a direct service provider in the provision of maintenance services and leasing of security systems.

***Security systems and equipment leasing***

Shine Union maintains a diversified portfolio of suppliers and sources its security systems mainly from Malaysia, Belgium and Hong Kong. Currently, Shine Union is the authorized distributor in respect of over 10 brands of security systems.

The types of security systems for which Shine Union provides security-related engineering services are mainly categorized into the following:

- *threat detection systems*, such as X-ray machines and metal detectors. We are the exclusive distributor to market and sell two brands of threat detection systems, which include X-ray machines, trace detection products, metal detectors and mail screening machines;
- *traffic and pedestrian control systems*, such as traffic control systems, automatic fare control systems, turnstiles, automatic door systems and people counting systems such as thermal counter and camera counter; and
- *ELV systems*, such as CCTV systems, access control systems, public address systems, and building management systems.

Shine Union offers different types of carpark systems, including carpark systems under the proprietary brand "SUNGATE," which Shine Union started to design and develop in 2006. For the fiscal years ended September 30, 2021 and 2022, and the six months ended March 31, 2023, our project income from the supply of carpark systems under the proprietary brand "SUNGATE" amounted to HK\$1.7 million, HK\$4.3 million, and HK\$1.0 million, respectively, representing 1.8%, 5.3%, and 1.5% of our revenues generated from security-related engineering services. The "SUNGATE" carpark systems are designed and developed pursuant to customers' requests. For example, the payment method (such as electronic

payment by using Octopus card and credit card) and reporting output may be customized pursuant to customers' specifications. The production of the "SUNGATE" carpark systems is outsourced to manufacturers pursuant to Shine Union's request and specifications, whereas Shine Union will perform some final manual assembly, testing and commissioning of the systems.

Shine Union offers various security systems including threat detection systems and traffic and pedestrian control systems for leasing if its customers choose not to purchase such systems outright. For the fiscal years ended September 30, 2021 and 2022, and the six months ended March 31, 2023, Shine Union leased 48, 31, and 20 security systems to its customers, respectively, generating rental income of HK\$12.6 million, HK\$8.7 million, and HK\$4.0 million, respectively. The rental income under the standalone equipment leasing arrangements with Shine Union's lessees is determined by taking into account various factors, including the price and condition of the security systems and the period of lease.

- *Security-related engineering services on a project basis*

The provision of security-related engineering services on a project basis includes the supply of security systems and products and related maintenance services. Generally, in security-related engineering projects, Shine Union is directly engaged either by (a) corporate end customers such as government departments, financial institutions, and logistics companies as a contractor; or (b) the main contractors and system integrators, in which case Shine Union acts as a subcontractor.

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Regardless of whether Shine Union acts as a contractor or a subcontractor, it is responsible for the design aspect (where such services are requested) and for procuring the necessary security systems and parts, and Shine Union may engage subcontractors to carry out labor-intensive and certain specialist work. Shine Union supervises, and is responsible for, the work of its subcontractors. For some of its engineering services engagements, Shine Union also provides maintenance services for the defects liability period as part of the integrated services as specified under contracts.

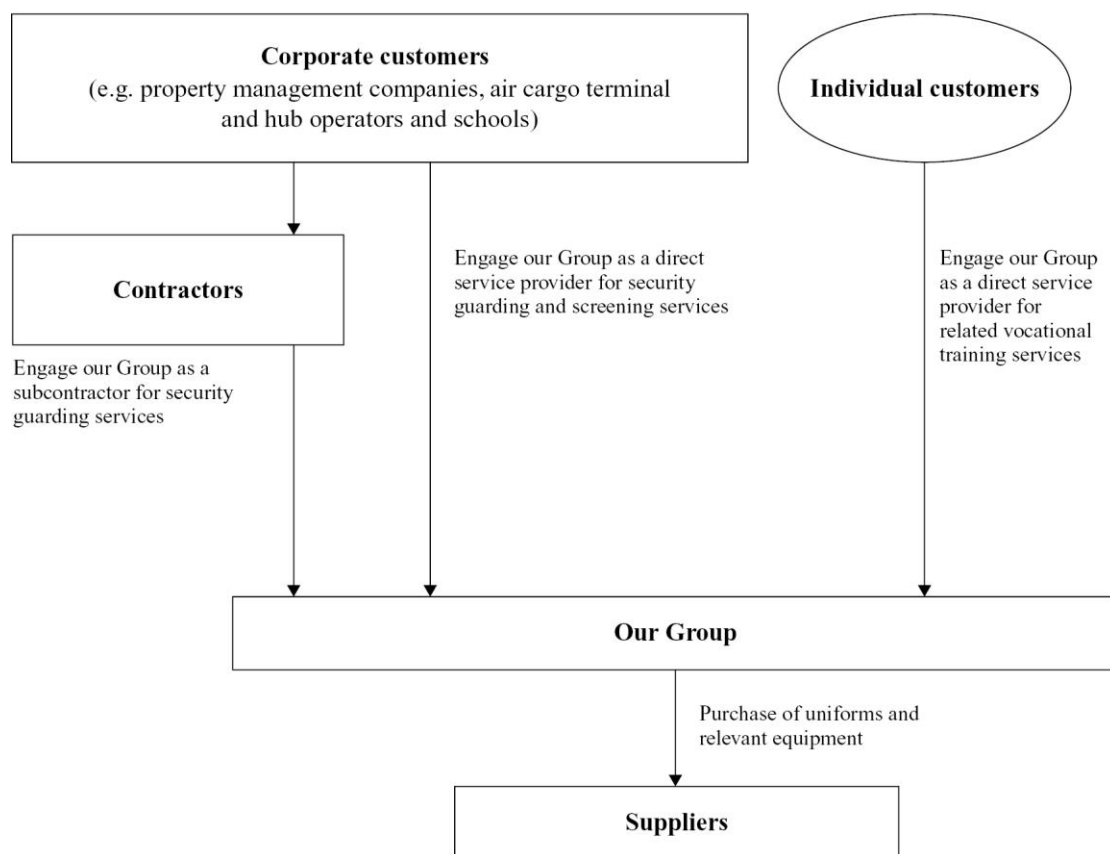
For projects in which Shine Union is engaged as a contractor by the corporate end customers, Shine Union is usually responsible for overseeing the entire project, managing the work site and managing suppliers, service providers and subcontractors (if so engaged) throughout the course of the project. For projects in which Shine Union acts as an engineering subcontractor, the customers usually engage a main contractor to take overall responsibility for the construction work. Shine Union is engaged by the main contractor to undertake a part of the entire project as contractually specified, which involves the design, supply, installation and/or maintenance of security systems.

- *Maintenance services*

Income derived from maintenance services mainly includes maintenance fees received from customers pursuant to standalone maintenance contracts and in respect of (i) security systems and products supplied and installed by Shine Union but falling outside of or without a defects liability period; and (ii) security systems and products for which the supply and installation work were not handled by Shine Union. Shine Union's service and maintenance support spans from upgrades or replacement of spare parts, to service and maintenance support and repairing works, and minor alterations of security systems.

Shine Union provides maintenance services originated from standalone maintenance contracts generally consisting of two service types, namely routine checks and corrective maintenance. Routine checks are performed as preventive maintenance on a regular basis which, depending on the relevant contract, may be monthly, quarterly or bi-yearly, whereas corrective maintenance services are provided in response to maintenance requests received from customers on an ad-hoc basis.

***Security guarding and screening services and related vocational training services***



In relation to Fortune Jet's security guarding and screening services and related vocational training services, we generate revenues from: (i) security guarding services; (ii) screening services; and (iii) related vocational training services. Fortune Jet may act as a contractor or a subcontractor in the provision of security guarding services, whereas Fortune Jet generally acts as a direct service provider in the provision of screening services and related vocational training services.

- *Security guarding services*

Fortune Jet secures and guards both individuals and physical properties by, among other things, conducting 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 through dispatched employees. Fortune Jet generally provides security guarding services at residential properties, construction sites and school campuses, usually engaged directly by the end customers such as property management companies, construction companies and schools. In some cases, Fortune Jet is engaged by the contractors and provides security guarding services as a subcontractor.

Other than general security guarding services, Fortune Jet also offers security guarding services targeted at crowd coordination and management. Such services mainly focus on events and exhibitions organized by Fortune Jet's customers.

Fortune Jet maintains a pool of both full-time and part-time security guards for its security guarding business where Fortune Jet's part-time employees are engaged to satisfy ad-hoc or urgent work requests from its customers. For details, please see "*— Employees.*" As work orders in the security guarding services industry are sometimes broken down into jobs with shorter time segments, maintaining a pool of part-time security guards is a common practice in the industry for flexible deployment of human resources. With a list of full-time and part-time security guards, Fortune Jet can mobilize the necessary manpower to participate in both fixed-term contracts and one-off events, and to fulfil ad-hoc or urgent demands from customers.

- *Screening services*

Fortune Jet provides screening services by dispatching employees who are certified screeners to the premises of customers. In line with the RACSF and pursuant to the instructions of its customers, Fortune Jet's screening services include the detection of explosives and incendiary devices in air cargo consignment and detection of dangerous goods for safety purpose through the operation of threat detection systems by its screeners. Fortune Jet's customers are generally RACSF operators who are logistics companies.

- *Related vocational training services*

Fortune Jet offers various types of related vocational training courses, including (i) Certificate in Basic Security Services under QASRS, upon completion of which students are expected to receive Certificate

of Quality Assurance System Compliance, (ii) Mandatory Basic Safety Training Course, upon completion of which students are expected to receive Construction Industry Safety Training Certificate, and (iii) Mandatory Basic Safety Training Revalidation Course, upon completion of which students are expected to successfully renew their certifications.

For students who have completed the Certificate in Basic Security Services Certificate under QASRS and obtained the Security Personnel Permit authorized to carry out Category A Security Work and/or Category B Security Work, Fortune Jet may offer security guarding employment contracts to them. Fortune Jet dispatches such employees to customers' sites as security guards pursuant to engagements.

During the fiscal years ended September 30, 2021 and 2022 and the six months ended March 31, 2023, we experienced reduction of revenues in the provision of related vocational training services. Our revenues in such segment decreased from HK\$4.9 million in the fiscal year ended September 30, 2021 to HK\$3.8 million in the fiscal year ended September 30, 2022. The revenues rebounded during the six months ended March 31, 2023. Our revenues in such segment increased from HK\$1.4 million in the six months ended March 31, 2022 to HK\$2.1 million in the six months ended March 31, 2023. We plan to continue expanding our related vocational training services in the upcoming years. See “— *Our Growth Strategies — Expand Our Related Vocational Training Services.*”

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**Our Operational Flow**

***Security-related Engineering Services***

- *Projects*
  - Project identification

In relation to Shine Union's security-related engineering projects, Shine Union identifies potential projects after undergoing direct negotiation and quotation process with its potential customers, or through tendering, which may be open tenders or sent to a selected group of prequalified contractors on the customer's list of approved contractors, which is more common for public sector projects. For the fiscal years ended September 30, 2021 and 2022, and the six months ended March 31, 2023, 92.6%, 81.9%, and 68.1% of our revenues generated from security-related engineering services, respectively, was generated from quotations, whereas 7.4%, 18.1%, and 31.9% of our revenues generated from security-related engineering services, respectively, was generated from tendering.

- Preparation of quotation and tender submissions

Shine Union's sales and marketing department is responsible for the preparation of quotations, tender submissions, and the bidding process. Shine Union's tender submission and quotation documents may

include, among others, a schedule with tender price or quotation, design plans and proposed project organization chart, depending on the types of services required by customers. Shine Union’s design plan will show the location(s) where the security systems should be installed. If customers indicate not to purchase the security systems outright, we may discuss the terms of the leasing arrangement with them during this stage. See also “— *Our Business Model — Security-related engineering services — Security systems and equipment leasing.*”

At the request of customers who indicate interest in Shine Union’s security-related engineering services, Shine Union may arrange to assemble the relevant security system prototypes to assist customers to understand the functionality of the security system. During this stage, customers may provide feedback and further specifications to Shine Union, which will assist Shine Union in preparing its quotations.

Our sales and marketing department will obtain preliminary quotations for security systems and parts from potential subcontractors and suppliers in respect of the engineering design at this stage to ascertain the costs expected to be incurred in purchasing such security systems and parts when Shine Union prepares the tender documents. In pricing a tender, Shine Union also refers to major material and equipment costs, manpower costs, subcontractor labor rates and costs, historical quotations, and availability of internal resources. The tender preparation process includes a thorough analysis of the project to be undertaken, including contract requirements and possible risks that will arise. In addition, related market information, such as material price trends, is also retrieved for reference.

Shine Union also considers the manageability and profitability of such projects with reference to its resources, capacity, and capability. Although Shine Union may engage subcontractors to carry out certain site works and complete certain tasks as required in the contracts with its customers, Shine Union’s project management teams are substantially involved in the project implementation phase. For instance, Shine Union’s project and engineering department prepares work plans, conducts site inspections, makes arrangements with and supervises its subcontractors and suppliers, sources security systems and parts, and takes up relevant tasks as required in the contracts. Any material deviation in the actual time and resources spent from initial estimation may result in significant cost overruns which may in turn adversely affect our financial results. Shine Union’s quotations or tender submissions will then be submitted for approval in accordance with its limits of authority. After receiving quotations and tender submission, customers may reach out to Shine Union to discuss details of or raise queries in relation to the quotations and tender submissions. They would then decide whether to engage Shine Union based on the quotations and tenders submitted.

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- [Mobilization, project planning, procurement, and subcontracting](#)

Once a contract has been awarded to Shine Union, a project management team will be formed, usually comprising a team of three to five personnel, including engineers/technicians led by a project manager depending on the complexity of the project, to review the contract terms and conditions, to identify and assess material project risks and cost control risks and to prepare a budget and work execution plan setting out the detailed forecast expenditures, delivery schedules and work schedules. The general responsibilities of Shine Union's project management team mainly include:

- (i) formulating detailed work programs;
- (ii) fine-tuning and finalizing overall system designs based on the preliminary design documents and/or proposals and project specifications received from customers;
- (iii) preparing and/or submitting documents, such as works programs, safety, quality and/or environment plans, and design and material specifications;
- (iv) procurement of security systems and parts;
- (v) engaging and delegation of works to subcontractors (as the case may be);
- (vi) coordinating with customers to complete the projects according to the work schedules;
- (vii) managing Shine Union's respective engineering internal resources, suppliers and subcontractors in order to complete projects on time; and
- (viii) ensuring work quality.

Shine Union places particular emphasis on design in the project planning stage to meet customers' requirements. Shine Union advises its customers on other ancillary security systems or items, such as fences and gates, that should be installed in order to achieve the desired purpose of enhancing the security level of its customers' sites and protect the site against unauthorized access. Shine Union considers its participation in design to be crucial, as it can offer services, advice and recommendations to enhance the functionality, performance, reliability and cost-effectiveness of the security systems that it offers to its customers. Through the interflow of ideas with its customers, Shine Union is able to keep abreast of industry developments as well as understand customers' changing needs.

As part of the security-related engineering services package, based on each customers' needs, Shine Union generally gives advice to its customers as to the type of security systems that would best suit their purposes. Shine Union selects and sources suitable security systems and parts according to its customers' specifications. In some cases, customers may specify a particular type or brand of security systems to be procured.

When we are awarded a contract, purchase orders for the major security systems and parts required are planned and placed after the completion of the necessary internal procurement approval process. Shine Union's project management team will first check the availability of the required supplies in the inventory, then submit a requisition for a purchase order if such supplies are not in the inventory. Every

purchase order requisition will need to be approved on a case-by-case basis by Shine Union's department head.

We generally subcontract labor works to selected subcontractors based on the labor-intensiveness of the works involved and the need for cost effectiveness. This enables Shine Union to obviate the need for keeping many workers under permanent employment, thereby giving Shine Union the feasibility to deploy its resources more cost effectively without compromising its service quality. Please see "*Our Subcontractors*" for further details.

- Project implementation and supervision

Shine Union's project management team is responsible for implementation of the installation works and supervision of the works of its subcontractors (in cases where subcontractors are engaged). While the contract period of a security-related engineering project, from the date of award of contract to the completion of installation works, excluding the defects liability period, generally lasts for 2 to 12 months, the actual implementation of installation works generally spans over a relatively shorter duration of one day to three months, as the installation of security systems is subject to the site condition and the progress of other site works delivered by other contractors in a project (as the case may be).

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Generally, Shine Union provides installation works irrespective of whether customers purchase the security systems outright from Shine Union or rent the equipment under the equipment leasing arrangement. Regular meetings among the project management team members and subcontractors (as the case may be) are held to review the work-in-progress and to ensure effective control of a project and efficient information flow. Frequent meetings with related project parties, such as the main contractor and the customer representative are also held to keep them informed of the progress of the project, to identify any actual or potential problems and to take corrective action promptly to ensure that the customer's requirements are satisfied.

Shine Union's project management team is responsible for overseeing and ensuring the engineering installation works performed by its subcontractors (as the case may be) meet technical requirements and are tested properly.

Shine Union conducts monthly meetings internally (whether formal or informal) to facilitate (i) resources scheduling, (ii) planning of security systems and parts procurement, (iii) implementing of cost controls for each category of security systems and parts, subcontracting and other expenses, (iv) conducting of cash flow analysis, and (v) overall project logistics and monitoring.

- Testing and commissioning



Before completion of a project, the project management team will ensure that all specified inspections, testing and commissioning have been carried out and that the relevant systems or products meet the specified requirements under the contract. Shine Union will also conduct relevant functional and performance tests according to the testing and commissioning plan and the specifications as approved by the customer during the testing and commissioning stage and before completion and handover to Shine Union's customer. In the event that the test results do not meet the requirements specified in the contract or regulatory standards, rectification works and/or recommissioning works will be carried out until the requirements are eventually met.

- Completion and handover

At the completion of the project, which is marked by the issuance of a practical completion certificate or completion of an agreed milestone, handover will be arranged with the customer's representatives. The architect or engineer engaged by the customer will issue a practical completion certificate to Shine Union. Practical completion means that the project, based on the work scope under the awarded contract, has been substantially completed; but works under variation orders may continue after practical completion. For projects with variation orders, upon completion of the works under variation orders, the customer will sign an acceptance form indicating their acceptance of the works under the variation orders.

- Defects liability period and maintenance (if engaged)

The defects liability period begins after completion of works. During this period, Shine Union's service and maintenance department is responsible to make good any defects in the systems or products it has provided and installed and other defective works at its own costs. Shine Union's suppliers generally grant it a warranty period for the products it purchases. For details, please refer to "*Our Suppliers — Major Contract Terms with Our Suppliers.*" During the fiscal years ended September 30, 2021 and 2022 and the six months ended March 31, 2023, costs of such rectification were immaterial. The defects liability period is generally 12 to 18 months.

Some of the contracts for Shine Union's projects may contain a term for the customers to require retention money be held back by them from the progress payments. The remainder of the retention money will be released after the expiration of the defects liability period, depending on the terms of Shine Union's customer contracts. In general, Shine Union will impose a back-to-back defects liability period to its subcontractors to ensure its liability is sufficiently covered under the defects liability period.

- *Maintenance*

The following sets out the operational workflow of Shine Union's maintenance business originated from standalone maintenance contracts:

- Service and maintenance department receives confirmed orders

In respect of maintenance works performed for security systems supplied and installed by Shine Union but falling outside of or without a defects liability period, Shine Union's maintenance work orders originate from existing customers for which Shine Union has provided other security-related engineering services, such as design, supply, installation

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and/or maintenance services during the defects liability period. In some occasions, customers may approach Shine Union for maintenance service in respect of security systems not installed by Shine Union. Once Shine Union's service and maintenance department receives confirmed orders from the sales and marketing department, they will assess and assign the orders to the appropriate team members based on their availability. Depending on the capacity of its employees and the labor intensiveness of the engagements, Shine Union may subcontract the maintenance works to subcontractors. For details, please refer to "*Our Subcontractors*." Once the relevant order in relation to maintenance services is assigned, Shine Union's sales and marketing team will confirm the service schedule with the customers.

- Maintenance staff are dispatched to customers' premises

Shine Union's engineers and technicians are dispatched to its customers' premises for maintenance services. An acknowledgement for completion of work will be signed off by both the customer and the relevant maintenance staff when the maintenance service is completed. The technician will then submit the acknowledgement for completion of work to the accounting and finance department, who will issue the invoice to the customers.

The approximate duration involved from receipt of confirmed orders to completion of maintenance works is similar to the period of Shine Union's maintenance service agreements and is approximately one to three years.

- *Equipment leasing*

Shine Union generally enters into contracts directly with the end customers after undergoing the negotiation and quotation process for equipment leasing. Shine Union provides one-time delivery and installation services in respect of the security system (e.g., threat detection system and traffic and pedestrian control system) at the designated site of the lessee. Shine Union will carry out testing and commissioning of the security system at the site of the lessee. Upon satisfaction of the test results, Shine Union's lessee will sign an acceptance note which signifies commencement of the lease term.

As part of the complementary services to its equipment leasing service, Shine Union usually provides a one-time training in respect of the operation and general upkeeping of the security systems, consultancy service and routine maintenance of the security systems under lease, all of which form part of the equipment leasing income we receive under the equipment leasing arrangements with its lessees.

## *Security Guarding and Screening Services*

- *Project identification*

In relation to its security guarding business, Fortune Jet identifies potential projects through tendering, which may be open tenders or sent to a selected group of prequalified contractors on the customer's list of approved contractors, or after undergoing direct negotiation and quotation process with our potential customers. The factors we generally consider when evaluating the potential of a security guarding project include project location, the potential labor supply required at the location and the requirements for equipment and uniform. The availability of our financial resources may also affect Fortune Jet's evaluation of the project and its strategy in tendering or providing quotation for such project.

In relation to its screening business, Fortune Jet identified its contracts primarily through a direct negotiation and quotation process, and to the lesser extent, through a tendering process.

- *Preparation of quotations and tender submissions*

After understanding customers' instructions and requirements, Fortune Jet's sales and marketing department will prepare the quotations or tender submissions with reference to its 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 customers, potential competitors for the contract, urgency of the intended timetable, prevailing market rates, complexity of the work or services, requirement on equipment and uniform, and any factors affecting the supply of human resources. Fortune Jet's quotations or tender submissions will then be submitted for approval in accordance with its limits of authority.

A typical quotation takes approximately 1 to 14 days from quotation to entering into a contract, while a typical tender process takes approximately four weeks from the receipt of tender invitation to the announcement of the tender result.

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- *Dispatch of security guards and screeners to our customers' sites*

Once we have secured a contract, we will allocate our resources based on the availability of our qualified staff. We usually formulate detailed work plans and instruction briefs specific to the engagement for our security guards and screeners. Such work plans and instruction briefs would set out the work scope of such engagement, specific issues that require attention and the division of responsibility of the security guards and screeners at sites. For our screening services, we will also enquire with the customer whether there are certain goods or items that our screeners should pay additional attention to and we will provide such information to our screeners accordingly. The detailed work plans are distributed to each of the relevant security guards and screeners prior to the commencement of work. We will then dispatch our

security guards and screeners to our customers' premises according to the specified schedule as stipulated in the contracts.

### ***Related Vocational Training Services***

We obtain related vocational training business mainly through word-of-mouth and through search engine marketing. The operational flow of the provision of our related vocational training services is relatively straightforward which comprises the enrollment of students into our courses and provision of the relevant vocational training courses by qualified trainers who are our suppliers. In relation to the provision of the QASRS Basic Security Services Certificate, candidates who complete the course and successfully pass the relevant examination may be offered a security guarding employment contract by our company.

### **Our Contracts**

In the fiscal years ended September 30, 2021 and 2022, and the six months ended March 31, 2023, 93.5%, 80.9%, and 73.7% of our revenues from the provision of security-related engineering services was contributed by recurring customers, respectively. During the same periods, contracts in relation to our security-related engineering projects generally ranged from 2 to 12 months in duration, excluding the defects liability period, depending on the scope and complexity of the works involved and size of the contract, whereas our maintenance contracts are generally for a term of 1 to 3 years, and our equipment leasing contracts are generally for a term of 2 to 3 years, subject to renewal.

In the fiscal years ended September 30, 2021 and 2022, and the six months ended March 31, 2023, 98.6%, 74.2%, and 88.4% of our revenues from the provision of security guarding and screening services was contributed by recurring customers, respectively. In relation to our security guarding and screening services, the contracts entered into with our customers during the same periods can be categorized into (i) fixed-term contracts with a fixed contract term, typically ranging from 6 months to 3 years; (ii) ad-hoc contracts including contracts and invoices provided on an ad-hoc or urgent basis with a term ranging from 1 day to 15 days; and (iii) event contracts for a single-purpose event. We had over 9,000, over 11,000 and over 6,200 students enrolled in related vocational training courses with revenue contributed in the fiscal years ended September 30, 2021 and 2022 and the six months ended March 31, 2023, respectively.

### **Our Suppliers**

Our principal purchases are security systems, including threat detection systems, traffic and pedestrian control systems, and ELV systems. We mainly source our security systems from Malaysia, Belgium and Hong Kong.

During the fiscal years ended September 30, 2021 and 2022, and the six months ended March 31, 2023, our five largest suppliers accounted for 49.3%, 43.2%, and 59.7% of our total purchases, respectively, and our single largest supplier accounted for 36.6%, 20.2%, and 22.4% of our total purchases during the

same periods, respectively. Four suppliers accounted for 20.6%, 18.4%, 13.2%, and 13.2% of the Group's trade and notes payables as of March 31, 2023. One supplier accounted for 54.1% of the Group's trade and notes payables as of September 30, 2022 and two suppliers accounted for 31.5% and 13.5% of the Group's trade and notes payables as of September 30, 2021. Other than the largest supplier, there is no other supplier who accounted for more than 10% of our total purchases in the fiscal years ended September 30, 2021 and 2022. Two suppliers accounted for more than 10% of our total purchases in the six months ended March 31, 2023. See "*Risk Factor — Risks Related to Our Business and Industry — Our business depends heavily on major suppliers. Any shortage of, or delay in, the supply may significantly impact on our business and results of operations.*" All of our five largest suppliers for the fiscal years ended September 30, 2021 and 2022 and the six months ended March 31, 2023 are independent third parties.

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We generally place orders with our suppliers on a project basis and based on the requirements of each project. To ensure consistency in quality, we generally place purchase orders with suppliers which are on our internal list of approved suppliers or that of our customers. We have entered into distribution agreements with our suppliers for certain security systems and are restricted under the relevant non-compete clauses from representing, marketing or selling security systems which are in competition with such suppliers' products. Other than these, we have multiple sources for most of the equipment, parts or components required to reduce possible interruptions to our business operations and reliance on individual suppliers. This helps us to maintain stability of security systems and parts procurement. During the fiscal years ended September 30, 2021 and 2022 and the six months ended March 31, 2023, we did not experience any material shortage or delay of our major equipment, parts or components causing material disruption to our business operation.

We select suppliers for inclusion into our internal approved lists of suppliers based on the quality and price of their supplies. We review our approved supplier list annually to maintain a strong base of reliable material suppliers at competitive prices for the required security systems and parts. As of March 31, 2023, there were over 200 suppliers and subcontractors on our list of approved suppliers and subcontractors in relation to our security-related engineering business.

### ***Major Contract Terms with Our Suppliers***

Generally, we place orders with our suppliers through purchase orders, whether or not they have entered into distribution agreements with us. Our suppliers would then issue invoices to us which constitute our contracts with our suppliers.

The major contract terms with our suppliers are summarized as follows:

- *Description of products.* This would typically include a description and/or specifications of the relevant security systems and parts to be supplied by our suppliers, together with the quantity and unit price.
- *Delivery.* As some of our major suppliers are overseas suppliers, we usually appoint a freight agent for the delivery of the ordered goods. In some occasions, the supplier is responsible for the delivery of goods, such as X-ray machines and traffic barriers, to a location designated by us. The costs of transportation, including freight charges, international handling fees and insurance costs (where applicable), are generally borne by us. If the equipment is damaged during delivery, liability will generally rest with us and is covered by insurance. The ordered goods are usually delivered to our warehouse but in some cases, we may arrange for direct delivery to our customers' designated site for installation.
- *Payment terms.* We usually need to settle the balance of the purchase amount in accordance with the relevant contracts, with the credit period granted generally ranging between zero and 60 days.
- *Product return.* Upon arrival of the products at our warehouse, we will examine them and report to the relevant supplier if defects are found. If the products are delivered to our customers' site and are found to be defective, our customers may report the same to us. In either case, we will arrange to deliver the defective products back to the relevant supplier and our supplier will arrange for replacement of the products to us. Generally, we bear the cost of delivery incurred in the product return, whereas our suppliers bear the cost of shipping the product to us for replacement.
- *Warranty.* Our suppliers generally grant us a warranty period of one to two year(s) for the products purchased.

### ***Inventory and Costs Control***

We usually place orders from our suppliers on a back-to-back basis upon receipt of purchase orders or confirmation of engagements from our customers. The supplies are usually delivered and stored at the relevant project sites and our warehouse. We monitor the market prices of some of our supplies which are commonly required in our project and maintenance contracts, such as barrier arms and electronic components, on a regular basis, and may occasionally make pre-purchases of the same if their market prices are relatively low.

Our purchases were mainly denominated in USD, HKD, EUR, GBP and RMB. We do not undertake hedging activities against the price of goods that we procure. During the fiscal years ended September 30, 2021 and 2022, we have not experienced any material adverse effect to our business or financial performance as a result of price fluctuations of

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supplies sourced by us. We take into consideration the increase in costs of materials such as security systems and parts and transfer a portion of the actual or anticipated price increases to our customers when we prepare for quotations. As we source some of our supplies from overseas countries, we are subject to foreign currency risk. For details, see *“Risk Factors — Risks Related to Our Business and Industry — Fluctuations in foreign exchange rates may become material and adversely affect our business, financial condition and results of operations.”*

### **Our Subcontractors**

We generally subcontract labor works to selected subcontractors based on the labor-intensiveness of the works involved and the need for cost effectiveness. This enables us to obviate the need for keeping a large number of workers under our permanent employment, thereby giving us the feasibility to deploy our resources more cost effectively without compromising our quality. During the fiscal years ended September 30, 2021 and 2022, we mainly subcontracted our installation works in relation to security-related engineering services. In addition to the related vocational training services, which are provided by trainers who are also our subcontractors, we also outsourced a part of our operation in security guarding services during the fiscal years ended September 30, 2021 and 2022.

We have maintained business relationships with over 20 subcontractors who have undertaken engineering works with us. We maintain an internal list of approved suppliers and subcontractors. For the fiscal years ended September 30, 2021 and 2022 and the six months ended March 31, 2023, our subcontracting cost, which represented the cost of services from third-party service providers, amounted to HK\$14.1 million, HK\$15.6 million, and HK\$14.6 million, respectively, representing approximately 17.3%, 16.0%, and 17.0% of our total cost of revenues for the respective years.

When we select a subcontractor, we generally consider several criteria, including: (i) its financial condition; (ii) its experience, performance, safety, and track record; and (iii) quality of workmanship. In accordance with our internal policies, we conduct an annual comprehensive evaluation of our subcontractors and update our internal list of approved subcontractors with the results of such performance evaluation.

We engage subcontractors on a project basis and have not entered into any long-term agreement with our subcontractors during the fiscal years ended September 30, 2021 and 2022 and the six months ended March 31, 2023. During the fiscal years ended September 30, 2021 and 2022, and the six months ended March 31, 2023, there had been no material nonperformance issues or disputes with our subcontractors and we had not experienced any material difficulty in securing services from subcontractors.

### ***Major Subcontracting Terms with Our Subcontractors***

The major subcontracting terms with our subcontractors are summarized as follows:

- *Project information.* This would typically include a description of the project, work scope, duration of the project and contract value. The duration of the subcontractor contract is usually determined in accordance with the project schedule set by our customer.
- *Schedule of rates.* The schedule of rates contains a breakdown of the contract value itemizing the works and quantities, and their respective price rates. The price rates are generally determined by comparison of fees obtained from various subcontractors, with reference to the estimate of market rate for comparable projects, taking into account their scope, size, complexity and contract value.
- *Payment terms.* Progress payments will be paid to our subcontractors according to the contract terms. Payment shall be made by us within 45 days from the end of the month in which we receive the invoice, and any retention money shall be released to the subcontractor within 45 days of our payment date.
- *Defects liability period.* Our subcontracting agreements may provide a back-to-back defects liability period in line with that under our contracts with customers, during which any defects in the work delivered to our customers that are caused by our subcontractors would be rectified by them at their cost.

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**Our Customers**

Our major customers included system integrators, logistics companies and air cargo terminal operators in Hong Kong. In the fiscal years ended September 30, 2021 and 2022, and the six months ended March 31, 2023, our five largest customers accounted for 20.7%, 15.2%, and 26.4% of our total revenues, respectively. Our single largest customer accounted for 6.7%, 3.8%, and 7.2% of our total revenues during the same periods, respectively. All of our five largest customers for the fiscal years ended September 30, 2021 and 2022 and the six months ended March 31, 2023 are independent third parties.

***Major Contract Terms with Our Customers***

*Security-related engineering services*

For engagement which is relatively straight-forward, our customer generally signs on our quotation which lists out the scope of the security-related engineering services to be provided by us and our terms and conditions such as date of delivery of security systems, payment terms and/or warranty period. For more complex or sizeable engagements, we generally enter into agreements with our customers. Major terms that are typically contained in the agreements in relation to the provision of our security-related engineering services are summarized below.



## Project

*Pricing.* Most of our project contracts are fixed price contracts. The lump sum price is usually determined based on factors including project requirements and estimated costs of security systems, labor and time required for the completion of the project. Contracts for private projects generally do not contain cost fluctuation clauses. In the case of tender on a fixed price basis with no provisions for cost adjustment, we usually consider contingencies for cost fluctuation when preparing the tender price.

*Payments.* Our contracts usually provide for progress payments to be made by the customers. We make progress billing periodically to our customers in respect of the value of the works we have performed and materials delivered to project site in the preceding period, and we will proceed to issue the invoices or submit payment application for the customer's assessment and settlement. Generally, we offer a credit period ranging from zero to 90 days after the issuance of the invoice.

*Retention money.* Depending on the scale of the projects, the contracts may contain a term for the customers to require retention money be held back by them from the progress payments. The retention money is typically approximately 5% of the total awarded contract sum. Either (i) half of the retention money is released to us upon completion of the project, with the remaining half released upon expiry of the defects liability period; or (ii) the whole sum of retention money is released after the end of the defects liability period.

*Defects liability period.* Our contracts typically include a defects liability period, during which we are responsible for rectifying the works defects. The defects liability period is typically a period of one year from the date of completion of our installation works for security systems. If the security systems are defective, we will replace the defective parts during the defects liability period or request our suppliers or subcontractors to do so. Costs incurred by us to rectify defective works or products during the fiscal years ended September 30, 2021 and 2022 were immaterial.

*Variation orders.* In some occasions, we may be given variation orders where our customers amend the specifications and scope of works from that originally contracted. A variation order varies the original scope of work and alters the original contract sum. We will prepare a quotation for our customer's confirmation. Our project management teams may occasionally be instructed by our customers to carry out some variation works on-site. In such situations, we will provide our quotations for the variation work to our customers whilst simultaneously carrying out the variation work, to keep up with the project work schedule or progress. Our project management teams will also negotiate with customers in the meantime with respect to details of our quotations and we will usually reach a consensus either verbally or via email. The formal variation orders will usually be issued at a later stage once the quotations are finalized. Our accounting and finance department will receive information regarding the value of the variation order upon receipt of the formal variation order, which is issued after price negotiations have concluded, sometimes being after the relevant variation works are completed.

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*Insurance.* Generally, pursuant to the contract between our customers and us, the main contractors or employers are generally responsible for purchasing third-party liability insurance and contractors' all risks insurance for the relevant projects, which cover liabilities arising from accidents or acts of the main contractors and its subcontractors (including us and our subcontractors). In the case where we are subcontractors of the main contractors or a direct contractor of the customer, the employees' compensation insurance will usually be purchased by us.

*Damages relating to or costs arising from delay or non-completion of works.* Our contracts usually contain a clause which provides that in case of delay in the completion of works, a sum of liquidated damages calculated on the basis of a fixed sum of money per day (as stated in the contracts) will have to be paid by us to the customer for the period during which the works so remain incomplete due to our default. Alternatively, the contract may provide that the customer may recover from us any costs reasonably incurred for the procurement of work or services in replacement of incomplete works due to any delay or non-completion on our part. In the fiscal years ended September 30, 2021 and 2022, we have not incurred substantial liquidated damages or costs arising from the delay or non-completion of works which had or would materially and adversely affect our business operations and financial results.

*Termination.* Our contracts can typically be terminated, inter alia, if our performance is found to be unsatisfactory, if we become bankrupt or insolvent, or if for any reason the main contract for the project between the main contractor and its customer has been terminated. During the fiscal years ended September 30, 2021 and 2022, there was no material contract terminated for such reasons.

## Maintenance

*Service Scope.* Our maintenance services include all costs of labor, tools and consumables (such as service grease and oil) and transportation. Costs for parts replacement may be charged separately.

*Frequency of service.* During the maintenance period, we will carry out monthly, quarterly or bi-yearly checks, and the security system will be inspected, cleaned, lubricated and adjusted as required. At the request of customer, we will attend for repair service within 24 hours after a breakdown is reported. A report will be compiled on the maintenance services conducted during each visit.

*Period of service.* The period of our maintenance service agreements ranges from one to three years.

*Payment terms.* The customer shall make payment within 30 days from the date of invoice.

## Equipment leasing

*Term.* 2 to 3 years.

*Delivery of equipment and other complementary services.* We shall, at our own expense and risk, provide one-time delivery service for delivering the equipment to the lessee at the designated site address.

We provide installation and testing and commissioning services upon delivery. Further, as part of the complementary services, we also provide one-time training in respect of the operation and general upkeeping of the equipment, consultancy service and routine maintenance of the equipment during the lease term.

*Rent and deposit.* The rent shall be paid in installments each month in advance. The lessees are generally required to pay a 3 to 6-month deposit upon signing the agreement. We shall refund, within 60 days, the deposit without interest to the lessee at the end of the term provided that the lessee has performed all of the lessee's obligations under the agreement. We reserve the right to deduct any outstanding payment from the deposit.

*Use of equipment.* Unless the lessee obtains prior written consent from us, the lessee shall not alter, modify or attach anything to the equipment unless the alteration, modification or attachment is easily removable without damaging the functional capabilities or economic value of the equipment.

*Loss and damage.* The lessee shall be responsible for risk of loss, theft, damage or destruction to the equipment from any and every cause, except if it is due to our inherent defect or design of the equipment.

*Ownership.* The equipment is our property and shall remain our property. The lessee shall not allow the equipment to be encumbered or pledge the equipment as security in any manner.

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*Insurance.* Insurance shall be taken out and maintained by the lessee against loss of and damage to the equipment for the full replacement value of the equipment and shall name us as the loss payee.

*Renewal.* The lessee may indicate its interest to renew the agreement for an additional term by serving a 60 day's prior written notice to us if the lessee is not in default of any of the terms under the agreement. Renewal of the agreement is subject to our sole and absolute discretion.

*Termination.* Should the lessee decide to terminate the agreement before the expiration of the term for reasons not attributable to us or quality or performance of the equipment, liquidated damage equal to the sum of all outstanding rent up to the end of the term shall become due immediately and payable by the lessee to our Group for such early termination. At the end of the term or upon earlier termination of the agreement, the lessee shall return and delivery the equipment at the lessee's cost, expense, and risk to us. If the lessee fails to return the equipment to us at the end of the term or any earlier termination of the agreement, the lessee shall pay to us any unpaid rent for the term plus the casualty value of the equipment, at which point ownership of the equipment passes to the lessee.

*Security guarding and screening services*

Similar to the contractual arrangements with our security-related engineering services customers, in relation to straight-forward and smaller scale engagements, our customer generally signs on our quotation which lists out the particulars of our provision of security guarding and screening services. In relation to engagements that are larger in scale, we generally enter into agreements with our customers. Major terms that are typically contained in our quotations and agreements in relation to our provision of security guarding and screening services are summarized below:

*Period of service.* A fixed period typically ranging from one day to three years for our security guarding services and a fixed period of generally one year for our screening services. The number of shifts and timing regarding each shift in a day is also specified. In respect of our screening services, a person engaged in aviation security work which involves screening of cargo shall be restricted to working not more than a total of eight hours a day (excluding meal breaks) unless for emergency or under exceptional circumstances. Therefore, additional manpower shall be deployed and overtime service charges shall be applied if service hours exceed eight hours. In such circumstance, a minimum charge of four hours per screener applies. The customer shall notify us at least two working days in advance for such arrangement.

*Service scope.* In relation to security guarding services, we guard individuals and physical properties by conducting patrols and entrance guarding. Security guards may be required to assist in the registration of visitor movements on site. In relation to screening services, we detect dangerous goods in cargoes using threat detection systems.

*Service fees and payment terms.* Service fees are generally charged on a lump-sum basis based on the length of service period and unit price per security guard per shift/per screener per hour. In relation to our security guarding services, payment is in arrears, which shall generally be settled within 30 days after the invoice is issued. In relation to our screening services, monthly payment in advance is required and payment shall generally be settled within 30 days after the invoice is issued.

*Insurance.* Generally, we take out insurance at our cost and maintain and renew upon expiry of (i) the public liability insurance; and (ii) the employee compensation insurance.

*Other terms.* Depending on the engagements, uniforms and equipment such as reflective vests, helmets and walkie-talkies may be provided by us or the customer.

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**Material Contracts**

*Letter of Acceptance with a Customer*

On September 30, 2021, Shine Union and a customer signed a letter of acceptance under which Shine Union agreed to provide supply and installation services, including design development, testing,

commissioning, and maintenance of ELV systems, for a fixed price of HK\$34.9 million as a subcontractor for the main contract dated May 25, 2021, related to the development of a hostel and a building complex in Hong Kong.

#### ***Distribution Agreement with a Supplier***

On February 1, 2021, Shine Union and a supplier signed a distribution agreement under which Shine Union has been granted exclusive rights to distribute and install specific products, and non-exclusive rights for certain other products, subject to minimum purchase requirements as agreed to by both parties. Shine Union will place individual purchase orders for each specific purchase at the supplier's list price in effect in the territory on the date of sale. Supplier agrees to provide certain warranty periods for all the purchased products. The agreement has an initial term of one year and will renew for additional successive one-year periods unless terminated by either party with written notice to the other party.

#### **Quality Control and Assurance**

To achieve a consistent standard in our performance, we have adopted a quality control and assurance system for the key operational process for our business segments.

#### ***Security-related engineering services***

- *Security systems and parts*

We monitor the quality of security systems and parts we purchase for our awarded contracts. All incoming security systems and parts are subject to inspection upon receipt. We conduct sample inspections on the supplies delivered to the relevant project sites or our warehouse, to ensure that they are in accordance with our required standards. Such inspections include checking the type and quantity of the supplies delivered and whether there is any observable defect. Security systems and parts that fail to meet our required standards are returned to our suppliers for corrective measures or replacement. During the fiscal years ended September 30, 2021 and 2022 and the six months ended March 31, 2023, there had been no material incident where security systems and parts were returned to our suppliers due to quality deficiencies.

- *Project execution*

We keep track of the work progress for our projects to ensure that our projects are carried out on schedule in accordance with our respective project execution plans and within our budgeted costs, and to better manage any foreseeable cost overruns in our projects. To ensure that our works are completed to the required standards and satisfaction of our customers, we normally assign a team of experienced engineering staff to each project as the first line of monitoring of the quality of our products and works. Our project-in-charge assists our project managers and management to monitor overall work quality and project progress, perform on-site inspections, supervise site workers on a daily basis, and report the project status and any quality issues arising from project execution to our management on a timely basis.

In respect of any non-conforming installations or other quality issues identified in our projects, our project-in-charge shall determine an appropriate course of remedial actions such as rectification, rework or further installation work to obtain conformity after taking into account factors including the nature of non-conformity and estimated costs for the remedial actions. We will conduct re-inspection after remedial actions have been taken to ensure the identified quality issues have been resolved. Upon completion of each project, our project-in-charge also conducts a final handover inspection and testing and commissioning to confirm that our work has been completed in accordance with our customer's requirements and quality standards, as well as the relevant statutory and regulatory requirements.

- *Customer feedback*

We receive feedback from our customers by reaching out to them on a regular basis, or by providing them with a questionnaire upon completion of a project. We relay feedback from customers on product quality issues to our project management team, who implement corrective measures in our quality control procedures when necessary. During the fiscal years ended September 30, 2021 and 2022, the six months ended March 31, 2023 and up to the date of this prospectus, we have not received any material complaints about the quality of our products and services.

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- *External audit*

The Crime Prevention Bureau of the Hong Kong Police Force conducts inspection on us annually. For details, please see “—*Quality Control and Assurance — Security guarding and screening services — External audit.*”

#### ***Security guarding and screening services***

- *Guidelines and policies for security guards and screeners*

The general conduct of our security guards and screeners is governed by our employee handbook which is distributed at orientation. Our code of conduct provides for clock-in and clock-out, punctuality and work handover requirements and our security guards and screeners are required to familiarize 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 guards and screeners are not allowed to drink liquor during their working hours. Sometimes, our customers will also impose additional codes of conducts on our security guards and screeners.

- *Work plans and instruction briefs*

For each contract, the relevant security guards and screeners are given and are expected to comply with the work plans and instruction briefs. Our work plans are generally formulated at the tender or quotation

preparation stage for our customer. After we are awarded with the contract, these plans are distributed to the security guards and screeners designated for the contract. They cover requirements on our security guards and screeners, 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 in relation to security guarding services and possession of dangerous goods and prohibited items in relation to screening services.

Our instruction briefs are generally prepared and distributed to the relevant security guards and screeners after a contract is awarded to us. They aim to provide our security guards and screeners 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. They also set out our customer's specific instructions and requirements in detail such as uniform, equipment and the duties of each security guard and screener.

- *Internal monitoring*

Our operations team monitors the attendance of our security service personnel. Generally, our security guards and screeners are required to report their attendance by messaging application to our operations team. If the relevant security guard or screener does not report their attendance by the designated time, we will make calls to understand the situation and inquire if sufficient manpower is deployed to the venue. For our security guards and screeners who report to duty on their first day, our operations managers will supervise and monitor such personnel on-site to ensure that they understand the operational flow and their duties fully. Our operations managers also conduct surprise inspections on our security guards and screeners on-site to ensure the quality of services provided. In addition, we maintain a logbook on our license holders to keep track of the expiration date of their respective licenses.

- *External audit*

The Crime Prevention Bureau of the Hong Kong Police Force conducts inspection on our security-related engineering and security guarding businesses annually under the Security Company License regime. We will be requested to prepare a list of documents, including letter of authorization, valid business registration certificate, valid employees' compensation insurance policy, valid public liability insurance policy, updated employee list which should consist of the names of the engineers, technicians and security guards and the expiry dates of their corresponding Security Personnel Permits.

- *Customer evaluation and complaint handling system*

We consider customer feedback a valuable tool for improving our services. We take customer feedback seriously and have in place procedures to ensure that feedback and complaints from customers get handled in a timely and appropriate manner. We solicit and receive customer feedback by providing them with questionnaires.

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We have implemented a complaint handling policy, and all of the complaints lodged by our customers in respect of the services provided will be handled by the relevant department heads. When handling complaints, the relevant department head will send a written acknowledgement and initial response to the complainant following the receipt of the complaint. Our department head will conduct investigation upon receipt of the complaint and take necessary action to remedy the problem. If the complaint cannot be satisfactorily settled within three months of receiving the complaint, the case will be reported to our management for handling, who will then consider the actions to be taken to address the situation. Details of the complaint, together with the investigation results and actions taken are properly documented in our complaint log.

During the fiscal years ended September 30, 2021 and 2022 and the six months ended March 31, 2023, 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 security guarding and screening services that we provided which could have resulted in any material adverse impact on our operations or financial condition and no material compensation or penalty was paid to resolve any complaints.

### ***Related vocational training services***

The quality of the related vocational training courses offered by us are monitored in various ways. Our course administrator may sit in and observe the courses run by the trainers, and will conduct post-observation evaluation and discussion to enhance teaching effectiveness. We dispatch assessment forms to our students in relation to the course content, learning environment and teaching methods. In relation to our QASRS Basic Security Services Certificate course, Mr. Kong Wing Fai and Mr. Chu Hon Wai, together with other personnel in the QASRS course administration committee, conduct internal meetings once every three months with the trainers to facilitate the management and operation of the course.

### **Sales and Marketing**

We conduct our business through direct sales and obtain our business through invitation for quotations and invitation for tender and open tender. In general, when our key potential customers (such as government departments, property management companies, contractors, system integrators, engineering firms, logistics companies and security companies) have new projects and require security-related engineering services, security guarding services or screening services, they will refer to their relevant approved list or register of contractors or suppliers. We are on the approved lists of suppliers and contractors of various organizations. Accordingly, we strategically focus on managing business relationships with our existing customers. Our sales and marketing department also looks for new products in the market through market research and suppliers' introduction and market such products to



existing and potential customer. Further, we collect feedback from customers on market trends and demands and report the same to the management from time to time.

In relation to our related vocational training services, we build and increase our brand awareness through online channels such as search engines and our own website.

### **Research and Development**

Some of our employees in the project and engineering department have also been performing the following research and development functions in addition to their daily project management responsibilities:

- improving existing development processes to increase operational and development efficiency, with an aim to reduce operational and development costs;
- providing solutions to technical difficulties arising from operations and development processes; and
- gathering market intelligence and closely monitoring the technological trends in our industry globally.

As of the date of this prospectus, we do not possess a formal research and development department. We have three employees in the project and engineering department who also serve the research and development functions on an as-needed basis. During the fiscal years ended September 30, 2021 and 2022 and the six months ended March 31, 2023, our expenditure on research and development, which comprised expenses incurred through the conducting of research and development activities (such as equipment compatibility testing services), amounted to HK\$17,200, HK\$200,028, and nil, respectively.

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The relevant research and development work is conducted in response to various customers' requirements and specifications, but is not capitalized as all relevant products were ultimately delivered to customers. We are of the view that having the ability to develop new technological solutions relating to security systems will benefit our future development for the purposes of implementation of our projects undertaken.

### **Licenses and Qualifications**

We are required to obtain relevant licenses and qualifications for the operation of our business. For further information on the material licenses and permits necessary for the operation of our business, see "*Regulations.*"

The following table summarizes all requisite licenses, permissions or approvals needed for our current operations in Hong Kong:

<b>Company</b>	<b>License/ Qualifications/ Registrations</b>	<b>Issuing Authority</b>	<b>Validity</b>
<b>Shine Union</b>	Security Company License (Type III)	Security and Guarding Services Industry Authority	December 30, 2020 to December 29, 2025
	Radioactive Substances License	Radiation Board	February 9, 2023 to February 25, 2024
	Radio Dealers License (Unrestricted)	Communications Authority	February 1, 2023 to January 31, 2024
	Irradiating Apparatus License	Radiation Board	October 13, 2023 to November 1, 2024
	Certificate of Registration of Electrical Contractor	Electrical and Mechanical Services Department	July 11, 2023 to July 14, 2026
	Registered Subcontractor	Construction Industry Council	March 31, 2019 to March 30, 2024
	Endorsement of Removal Service Plan	Environmental Protection Department	August 13, 2018 (no expiry date)
	Certificate of Registration as a Registered Supplier	Environmental Protection Department	August 14, 2018 (no expiry date)
	Type Approval Certificate (Smart Park)	Octopus Cards Limited	May 4, 2022 to May 4, 2025
	Type Approval Certificate (Self-Service Kiosk)	Octopus Cards Limited	May 4, 2022 to May 4, 2025
Type Approval Certificate (Access Control System)	Octopus Cards Limited	August 3, 2023 to August 3, 2026	
Property Management Company License	Property Management Services Authority	November 7, 2022 to November 6, 2025	
<b>Fortune Jet</b>	Security Company License (Type I)	Security and Guarding Services Industry Authority	September 18, 2020 to September 17, 2025

Statement of Accreditation Approval for Certificate in Basic Security Services under QASRS (QF Level 1)	The Hong Kong Council for Accreditation of Academic and Vocational Qualifications	November 23, 2022 to November 22, 2024
Property Management Company License	Property Management Services Authority	November 18, 2022 to November 17, 2025

As of the date of this prospectus, we are on the lists of approved suppliers and/or contractors of more than 13 Hong Kong government departments. During the fiscal years ended September 30, 2021 and 2022, the six months ended March 31, 2023 and to the date of this prospectus, (i) we have obtained all material licenses, qualifications and

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registrations necessary for the operation of our business in the jurisdictions in which we operate and such licenses are still valid and in force; and (ii) we have not experienced any refusal of the renewal application of any material licenses necessary for the operation of our business.

**Market and Competition**

According to the Frost & Sullivan Report, the market size of the security-related engineering services industry experienced a growth from around HK\$6,533.4 million to HK\$8,121.0 million from 2017 to 2022 in Hong Kong, representing a CAGR of 4.4%. Such growth is largely attributed by the expedited building developments, growing public awareness of facility safety, rising trend of advanced technologies and big data, surging demand for integrated solutions and supportive government policies in promotion of Smart City. The security-related engineering services market in Hong Kong is projected to sustain a rapid growth in the next few years and the value of this market is expected to reach HK\$10,551.1 million in 2027, representing a CAGR of 5.3%.

According to the Frost & Sullivan Report, the security-related engineering services market in Hong Kong is relatively concentrated with the top five market participants, in aggregate contributing 31.5% of the market share in 2022. We recorded revenues of HK\$68.9 million and HK\$68.5 million (comprising project income and maintenance income) for the provision of security-related engineering services in the fiscal years ended September 30, 2021 and 2022, accounting for 0.9% and 0.8% of the market share, respectively.

We believe that our long-proven track record, variety of services and product offerings and our well-established business relationship with existing project owners and suppliers enhance our competitive position.

According to the Frost & Sullivan Report, the value of the security guarding and screening services and related vocational training services industry experienced growth from HK\$21,427.7 million to HK\$26,677.5 million from 2017 to 2022, representing a CAGR of 4.5%. Such growth was driven by sustained property development, increasing demand for screening services due to stringent cargoes regulations, the effect of social movements in 2019 and the outbreak of COVID-19. The security guarding and screening services and related vocational training services market in Hong Kong is projected to sustain a rapid growth in the next few years and the value of this market is expected to reach HK\$37,105.2 million in 2027, representing a CAGR of 8.3%.

The security guarding and screening services market in Hong Kong is a relatively fragmented market with over 700 providers, which are licensed security companies engaging in Type I security work. The leading providers in security guarding and screening services market in Hong Kong are dominated by international providers, while local providers also contribute to a substantial amount of revenue for such market. There are fewer than 100 providers in the Hong Kong screening services market in 2020.

The top five market participants in aggregate contributed 11.6% of the market share.

There are two types of institutions offering related vocational training services, namely educational institutions, which offer more free-of-charge, comprehensive and detailed courses with a lengthier course duration of 100 to 200 hours, and private security companies which offer paid intensive courses with a shorter course duration of 16 hours.

According to the Frost & Sullivan Report, there are approximately 50 companies in Hong Kong providing SGSIA recognized training programs (Quality Assurance System Compliance) qualified under the QF as of February 28, 2023.

There are entry barriers which hinder new providers from entering into the security guarding and screening services and related vocational training services market, such as lack of proven track record and holistic business relationship, high initial capital and operating costs on recruitment and training and relevant licensing requirements and qualifications. We believe that our scale of establishment, professional qualifications possessed by our security guards and screeners and our established relationship with customers and suppliers differentiate us in the industry and allow us to capitalize market opportunities. For further information, see *“Industry.”*

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**Intellectual Property**

We develop and protect our intellectual property portfolio by registering our trademarks and domain names. We have also adopted a comprehensive set of internal rules for intellectual property management.

As of the date of this prospectus, we have registered a total of 3 trademarks and 3 domain names in Hong Kong, including the domain names of our operating websites, [www.sugroup.com.hk](http://www.sugroup.com.hk), [www.shineunion.com.hk](http://www.shineunion.com.hk) and [www.fortune-jet-mgt.com](http://www.fortune-jet-mgt.com).

Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise obtain and use our technology. See “*Risk Factors — Risks Related to Our Business and Industry — Any failure to maintain effective quality assurance system could have a material adverse effect on our reputation, business and operations.*”

During the fiscal years ended September 30, 2021 and 2022, the six months ended March 31, 2023, and up to the date of this prospectus, we are not aware of any infringement by us of any intellectual property rights owned by third parties, or by any third parties of any intellectual property rights owned by us, and we have not been subject to any disputes or proceedings concerning any material claims of infringement, either threatened or pending, of any intellectual property rights initiated by or against us that had a material and adverse effect on our business.

### **Environmental Matters**

Due to the nature of our business, our 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 fiscal years ended September 30, 2021 and 2022 and the six months ended March 31, 2023. Nevertheless, we recognize 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 security related engineering services, security guarding and screening services and related vocational training services, and we have the following environmental protection measures in place:

- ensuring that we are in compliance with applicable regulations, customer requirements and industry best practices in the environmental aspect of our business operation;
- educating, training and motivating employees to carry out work tasks in an environmentally responsible manner; and
- effectively conserving the use of resources and minimizing waste generation and pollution.

During the fiscal years ended September 30, 2021 and 2022, the six months ended March 31, 2023 and up to the date of this prospectus, we have not recorded any material non-compliance in respect of any applicable laws and regulations on environmental protection in Hong Kong.

### **Properties and Facilities**

We lease the properties for our principal executive office, which is located at Kwun Tong, Hong Kong with an aggregate area of approximately 2,500 square feet. We also own a land use right of a property

for use as a workshop in Hong Kong with an aggregate area of approximately 1,400 square feet and lease seven properties for use as training center, office, workshops, warehouse, and carparking spaces, with an aggregate floor area of approximate 7,000 square feet. Four of the properties are leased from our related parties, including one office and workshop, one workshop and, one warehouse, and one carparking space. The lease agreements with related parties were negotiated and entered into on an arm's length basis.

#### *Land Use Right We Own*

As of the date of this prospectus, through our subsidiary Shine Union, we own a property located at Unit 10, 11/F, Century Centre, 44-46 Hung To Road, Kwun Tong, Kowloon, Hong Kong.

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#### *Properties We Lease*

<b>Property/Land User</b>	<b>Properties</b>	<b>Primary Usage</b>	<b>Area (square feet)</b>	<b>Term of Lease</b>
<b>Shine Union</b>	Unit 05, 3/F, Billion Trade Centre, 31 Hung To Road, Kwun Tong, Kowloon, Hong Kong	Workshop	800	Apr 1, 2023 to Mar 31, 2024
	Unit 11, 11/F, Century Centre, 44-46 Hung To Road, Kwun Tong, Kowloon, Hong Kong	Warehouse	1,541	Apr 1, 2023 to Mar 31, 2024
	Unit 01-03, 3/F, Billion Trade Centre, 31 Hung To Road, Kwun Tong, Kowloon, Hong Kong	Office and workshop	2,501	Apr 1, 2023 to Mar 31, 2024
	Unit H, 7/F, Houston Industrial Building, 32-40 Wang Lung Street, Tsuen Wan, New Territories, Hong Kong	Workshop	931	Mar 15, 2023 to Mar 14, 2025
<b>Fortune Jet</b>	17/F, Wing Wong Commercial Building, 557-559 Nathan Road, Yau Ma Tei, Kowloon, Hong Kong	Training center	1,750	Nov 16, 2023 to Nov 15, 2025
	18/F, Wing Wong Commercial Building, 557-559 Nathan Road, Yau Ma Tei, Kowloon, Hong Kong	Office	1,750	Dec 16, 2023 to Dec 15, 2025

Car Park No.730, Charming Garden, Carparking space 130 Dec 22, 2022 to  
16 Hoi Ting Road, Tai Kok Tsui, Dec 21, 2024  
Kowloon, Hong Kong

## Employees

As of December 18, 2023, we had 405 employees. Out of the 405 employees, 258 are full-time and 147 are part-time employees, who are all based in Hong Kong. We maintain a certain number of part-time employees in relation to our security guarding and screening services to satisfy ad-hoc or urgent work requests from our customers without relying on subcontractors or external manpower supply companies. Having performed screening procedures in advance at the time of recruitment, we are also able to ensure the consistent delivery of quality services.

Functions	As of December 18, 2023	
	Number	Percentage
Management	5	1.2%
Sales and Marketing	8	2.0%
Project and Maintenance	54	13.3%
Security Guarding	276	68.2%
Screening	35	8.6%
Administration and Human Resources	19	4.7%
Accounting and Finance	8	2.0%
<b>Total</b>	<b>405</b>	<b>100.0%</b>

Our employee turnover rate in respect of the full-time employees for providing security guarding and screening services was 61.8%, 57.0% and 74.0% for the fiscal years ended September 30, 2021 and 2022 and the six months ended March 31, 2023, respectively. A relatively high employee turnover in respect of security guards and screeners is the nature of the security guarding and screening industry in Hong Kong.

Recruitment is competitive in the security-related engineering services industry, especially for operational staff. On the other hand, the security guarding and screening businesses are labor intensive industries. Accordingly, 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 customers.

Our recruitment policy is based on a number of factors including the level of knowledge and experience we require from our staff. We believe we are able to hire suitable candidates in the market by offering attractive remuneration packages, including competitive salary and promotion prospects, to our employees. Our human resources department is responsible for recruiting our employees from the open market, through publication of job advertisements and referrals from our existing employees. We enter into employment contracts with all of our employees (full-time and part-time employees) which set out terms such as remuneration and confidentiality requirements. In relation to employees in the security guarding and screening services, the employment contracts would generally include scope of work and work hours as well.

We offer attractive remuneration packages and career development opportunities to maintain employee loyalty and retention. Salary levels of our employees are reviewed annually based on their performance and market conditions. We have also implemented a discretionary bonus system for awarding bonus to employees with good performance.

Our remuneration package for our employees generally includes salary and/or discretionary bonus. Our employees also receive welfare benefits, including medical care and training sponsorship. We participate in and provide contribution to the Mandatory Provident Fund as required under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong).

Work safety training is provided to our operational staff. From time to time, we also invite suppliers to give training on their new products to our staff engaging in the security-related engineering services. In addition, we provide sponsorship to employees for attending relevant courses and acquiring relevant industry qualifications.

We believe that we have maintained a good relationship with our employees. During the fiscal years ended September 30, 2021 and 2022, the six months ended March 31, 2023 and up to the date of this prospectus, we have complied with the applicable employment and labor laws and regulations in all material respects, and we have not experienced any material labor disputes with our employees.

## **Insurance**

We consider our insurance coverage to be customary for businesses of our size and type and in line with the standard commercial practice in the jurisdiction(s) where we operate.

We maintain different types of insurance policies to cover our risks in respect of our business operations and our employees, including (i) employees' compensation insurance policy; (ii) contractors' all risk insurance policy covering public liability of bodily injury or property damage claim including X-ray machines and all equipment arising from or related to the provision of services and caused by our (or our subcontractors') negligent acts or omissions, or those of our employees; (iii) general public liability insurance; (iv) property all risks insurance covering physical loss or damage of X-ray machines; (v) motor vehicle and commercial vehicle insurance policy covering the third-party legal liabilities; and



(vi) miscellaneous insurance such as business combined insurance, life insurance and fire insurance. We currently do not maintain professional indemnity insurance and hence any claims against us may expose us to potential indemnity liabilities to the extent not covered by other insurance policies. See “*Risk Factors — Risks Related to our Business and Industry — We may not have adequate insurance coverage and we are affected by the increasing insurance costs.*”

We believe that our current insurance policies provide sufficient coverage of the risks to which we may be exposed to and are in line with the industry norm. For the fiscal years ended September 30, 2021 and 2022 and the six months ended March 31, 2023, the total amounts of premium paid were HK\$0.7 million, HK\$0.9 million, and HK\$0.6 million, respectively. During the fiscal years ended September 30, 2021 and 2022 and the six months ended March 31, 2023, we did not make and were not subject to any material insurance claims. We review our insurance policies and coverage from time to time to ensure our insurance remains adequate in the future.

### **Seasonality**

We do not experience any significant trends or seasonality in our business.

### **Legal Proceedings**

As of the date of this prospectus, there is no litigation, arbitration or claim outstanding pending or threatened by third parties against us that would, individually or collectively, have a material adverse effect on our results of operations or financial condition.

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## **REGULATIONS**

Our business operations are primarily in Hong Kong and we are primarily subject to Hong Kong laws and regulations. This section sets forth a summary of the most significant regulations or requirements that affect our business activities in Hong Kong or our shareholders’ rights to receive dividends and other distributions from us.

### **Regulations in Hong Kong**

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

## **LAWS AND REGULATIONS RELATING TO OUR BUSINESS OPERATIONS**

### **Security and Guarding Services Ordinance (Chapter 460 of the Laws of Hong Kong)**

The Security and Guarding Services Ordinance, or the SGSO, provides for the establishment of SGSIA, the issuing of permits to individuals doing security work and the licensing of security companies in Hong Kong. In particular, companies offering security services and individuals doing security work are regulated under a license regime (i.e., Security Company License) (“Security Company License Regime”) and a permit regime (i.e., Security Personnel Permit) (“Security Personnel Permit Regime”), respectively, under the SGSO.

### ***Security Company License Regime***

Our Group engages in design, supply, installation and maintenance of security systems (which can be broadly categorized into threat detection systems, traffic and pedestrian control systems and ELV systems) and provides security guarding services through our Hong Kong subsidiaries. Our Hong Kong subsidiaries are required to obtain relevant licenses or permits under the SGSO to conduct the related business activities in Hong Kong.

Pursuant to section 11 of the SGSO, no person other than a company acting under and in accordance with a Security Company License issued by SGSIA in accordance with the SGSO shall supply, agree to supply, or hold himself out as supplying any individual to do security work for another person for reward. Pursuant to section 12 of the SGSO, no person shall authorize or require another person to do any type of security work for him unless the other person is (a) a holder of a Security Personnel Permit that is valid for that type of work, a holder of a Security Company License, or an individual supplied by a holder of a Security Company License; or (b) authorized or required to do the work otherwise than for reward. Application for a Security Company License shall be made to SGSIA. Under the SGSO, only corporations incorporated under the Companies Ordinance or the former Companies Ordinance, or by any other ordinance of the laws of Hong Kong may apply for a Security Company License.

According to Schedule 2 to the Security and Guarding Services (Licensing) Regulation (Chapter 460B of the Laws of Hong Kong), there are three types of security work in which a company holding a Security Company License may perform under Security Company License Regime:

- Type I — Provision of security guarding services;
- Type II — Provision of armored transportation services; and
- Type III — 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.

Our Group is involved in the provision of Type I security work and Type III security work. Shine Union obtained its first Security Company License (Type III) on December 30, 2000 and Fortune Jet obtained its first Security Company License (Type I) on September 18, 2015. Based on the confirmations of our Directors and our company, our Hong Kong counsel, Watson Farley & Williams LLP, is of the view that each of our current Security Company License (Type I) and Security Company License (Type III) remain valid as of the date of this prospectus.

[Table of Contents](#)***Security Personnel Permit Regime***

Some of our employees are involved in the design, installation and/or maintenance of security systems, and/or provision of security guarding services and are required to obtain relevant permits under the Security Personnel Permit Regime.

Pursuant to 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 a Security Personnel Permit 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 authorize or require another person to do any type of security work for him unless the other person, among others, is a holder of a Security Personnel Permit that is valid for that type of work, a holder of a Security Company License, or an individual supplied by a holder of a Security Company License. Application for a Security Personnel Permit shall be made to the Commissioner. According to section 14 of the SGSO, a Security Personnel Permit shall not be issued to any body of persons, whether incorporated or unincorporated. Under the current Security Personnel Permit Regime, there are four categories of security work that a person holding a Security Personnel Permit 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 ammunition;
  - 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 ammunition; and
- 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.

Our employees engaging in the design, installation and/or maintenance of security systems and/or provision of security guarding services have obtained the relevant Security Personnel Permits for performing Category A Security Work, Category B Security Work and Category D Security Work for the years ended September 30, 2021 and 2022 and as of the date of this prospectus. Based on the

confirmation of our directors, our Hong Kong counsel, Watson Farley & Williams LLP, is of the view that the relevant Security Personnel Permits remained valid as of the date of this prospectus.

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

Under section 8 of the Telecommunications Ordinance, a Radio Dealers License (Unrestricted) is required for, among other things, (a) possessing or using any apparatus for radiocommunications or any apparatus of any kind that generates and emits radio waves notwithstanding that the apparatus is not intended for radiocommunications or (b) dealing in the course of trade or business in apparatus or material for radiocommunications or in any component part of any such apparatus or in apparatus of any kind that generates and emits radio waves whether or not the apparatus is intended, or capable of being used, for radiocommunications. A Radio Dealers License (Unrestricted) is not expressly worded to apply to security device and service providers. However, certain security device related apparatus, such as walkie talkies, which may be included as part of our provision of ELV systems, may involve generation and emission of radio waves for radiocommunications. Accordingly, the possession and dealing in the course of trade or business of such security device related apparatus requires a Radio Dealers License.

Pursuant to section 20 of the Telecommunications Ordinance, any person who contravenes section 8(1) shall be guilty of an offence and shall be liable on summary conviction, to a fine at level 5 (currently at HK\$50,000) and to imprisonment for two years; and on conviction on indictment, to a fine at level 6 (currently at HK\$100,000) and to imprisonment for five years.

A Radio Dealers License (Unrestricted) is generally valid for a period of 12 months, and is renewable on payment of the prescribed fee, at the discretion of the Office of the Communications Authority.

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For the years ended September 30, 2021 and 2022, the six months ended March 31, 2023 and as of the date of this prospectus, Shine Union held the Radio Dealers License (Unrestricted) and is licensed to possess and deal in the course of its trade or business in apparatus or material for radiocommunications or in any component parts thereof.

### **Radiation Ordinance (Chapter 303 of the Laws of Hong Kong)**

The Radiation Ordinance controls the import, export, possession and use of radioactive substances and irradiating apparatus and the prospecting and mining for radioactive minerals and for purposes connected therewith. As our Hong Kong subsidiary provides threat detection systems in the course of its business of provision of security systems, which mainly includes X-ray machines and explosive trace detection systems, we are required to obtain the irradiating apparatus license and the radioactive substances license for conducting the related business activities in Hong Kong.

Section 7 of the Radiation Ordinance provides that no person shall, except under and in accordance with a license duly issued under the Radiation Ordinance, manufacture or otherwise produce, sell or otherwise deal in or with, or have in his possession or use, any radioactive substance or irradiating apparatus. Any person who contravenes said provisions shall be guilty of an offence and shall be liable to a fine of HK\$50,000 and to imprisonment for two years, and in the case of continuing offence, be liable to an additional fine of HK\$2,500 for every day during the whole or any part of which such offence is knowingly and willfully continued.

According to the Radiation (Control of Radioactive Substances) Regulations (Chapter 303A of the Laws of Hong Kong) and the Radiation (Control of Irradiating Apparatus) Regulations (Chapter 303B of the Laws of Hong Kong), every licensee shall cause the license to be exhibited at a conspicuous place in the approved premises where the radioactive substance is stored or dealt with and the irradiating apparatus is situated. Any licensee who fails to comply with said provisions shall be guilty of an offence and be liable on conviction to a fine of HK\$6,000.

For the years ended September 30, 2021 and 2022, the six months ended March 31, 2023 and as of the date of this prospectus, Shine Union held the Irradiating Apparatus License (to sell and stow, to possess (for installation) or to possess and use certain irradiating apparatus) and the Radioactive Substance License (to convey and sell certain radioactive substances).

#### **Electricity Ordinance (Chapter 406 of the Laws of Hong Kong)**

We engage in the installation and maintenance of security systems and are required to carry out electrical work on fixed electrical installations. Under the Electricity Ordinance, all electrical contractors carrying out electrical work on fixed electrical installations must be registered with the Electrical and Mechanical Services Department of the Hong Kong Government, or the EMSD. The Electricity Ordinance provides for the registration and regulation of the electrical contractor in order to protect the general public in the use of electricity. Any person, not being a registered electrical contractor, who does business as an electrical contractor or contract to carry out electrical work within Hong Kong commits an offence and is liable to a fine and imprisonment.

A person who wishes to register as an electrical contractor must satisfy the requirements set out in the Electricity (Registration) Regulations (Chapter 406D of the Laws of Hong Kong). To be qualified as a registered electrical contractor, an applicant must either employ at least one registered electrical worker or (a) if the applicant is an individual, he must be a registered electrical worker; or (b) if the applicant is a partnership, at least one of the partners must be a registered electrical worker. Failure to comply with the registration requirement constitutes an offence and the person in violation is liable to a fine at level 5 (currently at HK\$50,000) on a first conviction and a fine at level 6 (currently at HK\$100,000) on a subsequent conviction for the same offence and in either case is liable to imprisonment for six months.

For the years ended September 30, 2021 and 2022, the six months ended March 31, 2023 and as of the date of this prospectus, Shine Union was recognized as a registered electrical contractor.

## **Aviation Security Ordinance (Chapter 494 of the Laws of Hong Kong)**

The Aviation Security Ordinance makes provisions for the prevention and suppression of acts of violence against civil air transport and for connected purposes. It constitutes the comprehensive legislation for implementation of the conventions and agreements on aviation security promulgated by the ICAO. To safeguard aircraft against acts of unlawful interference, the ICAO has laid down standards and recommended practice in Annex 17 to the Convention on

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International Civil Aviation (the “CICA”) on the security measures required to be implemented by contracting states. For the security of air cargo to be in line with Annex 17 to the CICA, the Hong Kong Aviation Security Program, which is enforceable under the Aviation Security Ordinance, has adopted the regulated agent regime since March 2000.

In September 2016, the ICAO introduced a new policy direction that consignors not subject to approval by the authority for aviation security should be phased out by June 30, 2021. Consignors shall either have to: (i) be approved by the CAD as a “validated” known consignor (i.e., an entity which produces or manufactures or assembles goods in a secure facility within Hong Kong in which the finished goods will be eventually transported as air cargo); or (ii) for the consignors which have not been approved by the CAD by March 1, 2021, be an “unknown consignor” with all their cargo subject to 100% security screening prior to being loaded on to a commercial aircraft. In order to fully implement such new policy direction, the CAD has put in place a transitional arrangement for the registered agents to gradually increase the screening percentage of known cargoes consigned by the consignors which have not been validated by the CAD, namely, (i) from January 2020 to April 2020, prior to the air cargo being loaded onboard, all registered agents will be required to screen 25% (by weight) of their cargo tendered by consignors not approved by the CAD; (ii) from May 2020 to August 2020, the required screening percentage will be increased to 40%; (iii) from September 2020 to February 2021, the screening percentage will be increased to 70%; and (iv) from March 2021 to June 2021, the screening percentage will be further increased to 100%.

In anticipation of an upsurge in screening demand, RACSF which enables and regulates air cargo screening at off-airport locations has been formulated. Any entity which intends to conduct air cargo security screening operations in their premises may apply for acceptance by the CAD to become a RACSF. Each RACSF must have at least two nominated persons for cargo security who have successfully completed the RACSF security training program acceptable to the CAD. The relevant training certificates are valid for a period of three years.

### ***Screening equipment***

The RACSF shall be responsible for ensuring that the screening equipment conforms to the specified requirements and that any licensing requirements are satisfied before bringing it into operations. The RACSF shall also ensure that (i) the screening equipment is used properly, maintained in a safe and serviceable condition by competent engineers and that those security personnel operating it are fully trained in its use; (ii) regular operational calibration checks of the equipment are carried out to satisfy itself that the equipment is operating properly when in operational use; (iii) detailed records of the calibration check results and maintenance work carried out on the equipment are maintained for at least two years; and (iv) if any item of screening equipment fails a calibration check or there is any evidence to suggest that it is not operating properly, such equipment is immediately removed from operational use and is not reintroduced until it has satisfied certain criteria showing that it has been repaired and is fully serviceable.

The RACSF shall ensure that the performance and routine testing requirements for X-ray equipment meets the prescribed minimum standard. Each piece of X-ray equipment shall be licensed and approved for use by the Radiation Board of Hong Kong.

#### ***Security screeners***

The RACSF must ensure that all its security screeners, whether or not employed by the RACSF or from a screener service contractor, shall be trained and certified by a certification body acceptable to CAD before such screeners are allowed to perform the screening duties of air cargo in the RACSF, and attend refresher training conducted by a certification body and be recertified by such certification body once every 12 months.

Further, the RACSF must ensure that all its security screeners shall be restricted to persons who have met all of the following criteria:

- (a) Medical criteria. The security screener shall have passed a medical examination conducted by a registered medical practitioner to establish that he has good general health appropriate for performing security screening of air cargo.
- (b) Educational criteria. The security screener shall have attained at least a minimum educational level of Secondary 5 (or its equivalent) to ensure that he has a standard of literacy and intelligence sufficient to achieve the minimum training objectives and the required proficiency levels of a security screener.

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- (c) Other criteria. The security screener shall (i) have an aptitude for operating security equipment; (ii) be able to communicate in Cantonese; (iii) possess a high standard of

appearance and deportment; and (iv) be able to produce documentary proofs of previous employment history pursuant to the specified requirements.

### **Contractor/subcontractor registration regimes in Development Bureau of the Hong Kong Government**

The Development Bureau (“DEVB”) has established two approved lists of public works contractors, namely the “List of Approved Contractors for Public Works” and the “List of Approved Suppliers of Materials and Specialist Contractors for Public Works” to achieve procurement efficacy and facilitate quality assurance. Public works tenders are usually invited from contractors on the two approved lists.

For admission and retention on the “List of Approved Suppliers of Materials and Specialist Contractors for Public Works” and for the award of public works contracts, a contractor is required to meet the financial, technical, management and personal criteria applicable to the appropriate category and group.

For categories with probationary status, a contractor’s status in a particular group will be either probationary or confirmed. Probationary contractors are limited in the number and/or value of contracts for which they are eligible to tender and to be awarded. Upon satisfactorily completing or executing works appropriate to the probationary status and reaching the required financial, technical and management criteria, a probationary contractor may apply to the DEVB for a confirmed status and subsequently for promotion to a higher group in a particular category in order to tender for contracts of higher or unlimited values.

### ***Construction Industry Council***

Pursuant to the Project Administration Handbook for Civil Engineering Works issued by the Civil Engineering and Development Department of the Hong Kong Government, all capital works and maintenance works contracts of the Hong Kong government with tenders to be invited on or after August 15, 2004 shall require the contractor to employ subcontractors (whether nominated, specialist or domestic and irrespective of tier) that are registered under the respective trades available under the Subcontractor Registration Scheme administered by the Construction Industry Council (“CIC”). On April 1, 2019, the Subcontractor Registration Scheme was subsequently renamed as the Registered Specialist Trade Contractors Scheme, or RSTCS, comprising two registers, namely, the Register of Specialist Trade Contractors and the Register of Subcontractors. All references to the Subcontractor Registration Scheme shall be substituted by the or RSTCS, with effect from April 1, 2019.

All subcontractors who are registered under the seven trades (demolition, concreting formwork, reinforcement bar fixing, concreting, scaffolding, curtain wall and erection of concrete precast component) of the Subcontractor Registration Scheme have automatically become Registered Specialist Trade Contractors and no application is required. All subcontractors who are registered under the remaining trades of the Subcontractor Registration Scheme have been retained as registered subcontractors and no application is required.



Under the RSTCS, an applicant for registration as a registered subcontractor is subject to entry requirements including: (a) proof of completion of at least one job within the last five years as a main contractor/subcontractor in the trades and specialties for which registration is applied; or, comparable experience acquired by the applicant or its proprietors, partners or directors within the last five years; (b) listings on one or more government registration schemes relevant to the trades and specialties for which registration is sought; or (c) the company's proprietor, partner or director having been employed by a registered subcontractor for at least five years with experience in the trade/specialty applying for and having completed all the modules of the Project Management Training Series for Sub-contractors (or equivalent) conducted by the CIC; or the company's proprietor, partner or director having registered as Registered Skilled Worker under the Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong) for the relevant trade/specialty with experience of at least five years in the trade/specialty applying for and having completed the Senior Construction Workers Trade Management Course (or equivalent) conducted by the CIC.

An approved registration shall be valid for three years or five years from the approval date. A registered subcontractor shall apply for renewal within three months before the expiry date of its registration by submitting an application to the committee of the CIC in a specified format providing information with supporting documents. An application for renewal shall be subject to approval by the committee of the CIC. An approved renewal shall be valid for three years or five years from the expiry of the current registration.

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A registered subcontractor shall observe the Codes of Conduct issued by the CIC. Failing to comply with the Codes of Conduct may result in regulatory actions taken by the committee of the CIC.

***Registration of our company***

As of the date of this prospectus, Shine Union was registered as a specialist contractor or a subcontractor under the following trades:

- as a specialist contractor under the “List of Approved Suppliers of Materials and Specialist Contractors for Public Works”:
  - burglar alarm and security installation; and
  - video electronics installation.
- as a subcontractor under the Register of Subcontractors:
  - shutters/doors fabrication and installation (automatic sliding door);

- electrical (electrical wiring, general electrical installation, and electrical control and power panel assembly);
- other electrical and mechanical trades (security and communication system, building automation system, general mechanical fitting and signage); and
- audio and video electronic equipment.

As of the date of this prospectus, we have maintained compliance with the respective requirements under the relevant registrations in respect of the public works we undertake.

### **Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong)**

#### ***Safety and health at work***

The Factories and Industrial Undertakings Ordinance provides for the safety and health protection to workers in an industrial undertaking. Under the Factories and Industrial Undertakings Ordinance, every proprietor of an industrial undertaking shall take care of the safety and health at work of all persons employed by it at an industrial undertaking by:

- providing and maintaining plant and work systems that are safe and without risks to health;
- making arrangement for ensuring safety and absence of risks to health in connection with the use, handling, storage and transport of articles and substances;
- providing all necessary information, instruction, training, and supervision for ensuring safety and health;
- providing and maintaining means of access to and egress from the workplace that are safe and without risks to health; and
- providing and maintaining a work environment that is safe and without risks to health.

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

Section 6BA(5) of the Factories and Industrial Undertakings Ordinance also provides that on and after the appointed day (as defined in the Factories and Industrial Undertakings Ordinance), every proprietor shall not employ at the undertaking a relevant person who has not been issued a relevant safety training certificate or whose relevant certificate has expired. The relevant safety training certificate is valid for a period from 1 year to 3 years. Upon expiry of the safety training certificate, the holder should attend and successfully complete a revalidation course to revalidate his certificate. A proprietor who contravenes such section commits an offence and is liable to a fine at level 5 (currently at HK\$50,000).

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Other matters regulated under the subsidiary regulations of the Factories and Industrial Undertakings Ordinance include (i) the prohibition of employment of persons under 18 years of age (save for certain exceptions); (ii) the duty to ensure safety of places of work; (iii) the duty to comply with miscellaneous safety requirements; and (iv) provision of first aid facilities, etc.

### ***Recognition of safety training courses***

Section 6BA(2) of the Factories and Industrial Undertakings Ordinance and its subsidiary regulations empower the Commissioner for Labor to recognize safety training courses and in respect of which certificates are issued to persons who attend the courses. The Commissioner for Labor will issue an approval letter to recognize a mandatory safety training course if (i) the applicant has proved that it has met all the relevant approval conditions stipulated in the “Approval Conditions for Operating Recognized Mandatory Safety Training Courses”; (ii) the applicant has demonstrated its commitment and ability to effectively administer and assure the quality of its training course; and (iii) the past performance of the applicant in running mandatory safety training course(s) is satisfactory if the applicant is already a training course provider of mandatory safety training course(s). An applicant should apply to run a revalidation course only if the applicant has been granted the recognition of the corresponding full course or is applying for the recognition of the corresponding full course.

Fortune Jet was recognized (subject to compliance of certain specified conditions) by the Commissioner for Labor (i) on April 26, 2019, to conduct the Mandatory Basic Safety Training Course (Construction Work) and to issue the relevant certificates; and (ii) on March 5, 2021 to conduct the Mandatory Basic Safety Training Revalidation Course (Construction Work) and to issue the relevant certificates. Based on the confirmation of our directors, our Hong Kong counsel, Watson Farley & Williams LLP, is of the view that the recognition of said safety training courses remains valid as of the date of this prospectus.

### **Accreditation of Academic and Vocational Qualifications Ordinance (Chapter 592 of the Laws of Hong Kong)**

The HKCAAVQ was established pursuant to the Accreditation of Academic and Vocational Qualifications Ordinance as the Accreditation Authority and the Qualifications Register Authority to safeguard the quality and standards of learning programs recognized under the QF. The QF is a seven-level hierarchy. Each qualification is assigned a level in accordance with a set of generic level descriptors which specifies the outcome standards expected of the qualifications at each level in four domains, including (i) knowledge and intellectual skills; (ii) processes; (iii) autonomy and accountability; and (iv) communication, information and communications technology and numeracy. The accreditation service of the HKCAAVQ is recognized since January 2019 for ensuring the quality of basic security training programs. Prior to January 2019, such training programs were recognized by the SSTB of the VTC. The accreditation criteria of the HKCAAVQ include organizational governance and management,

financial viability and resources management, organizational staffing, organizational quality assurance, program objectives and learning outcomes, learner admission and selection, program structure and content, learning, teaching and assessment, program leadership and staffing, and enabling resources/services and program approval, review and quality assurance. During the accreditation process, the HKCAAVQ considers, among other things, whether the operators have adequate financial and physical resources for the delivery of the learning programs, and teaching venue (being a physical resource that underpins the quality of learning program) is one of the accreditation criteria that the HKCAAVQ reviews. With effect from July 1, 2021, QASRS program providers should engage qualified trainers and demonstrate evidence that trainers employed are either (i) qualified QASRS trainers recognized by the SSTB of the VTC; (ii) graduates from programs accredited by the HKCAAVQ as meeting the standards of “Specification of Competency Standards Unit of Competency 107749L4” under the QF; or (iii) Recognition of Prior Learning (RPL) qualification holders with the statement of attainment containing the “Specification of Competency Standards Unit of Competency 107749L4” under the QF. Under the policy of the SGSIA, all the trainers of the course Certificate in Basic Security Services under QASRS (QF Level 1) engaged by Fortune Jet who are qualified QASRS trainers recognized by the SSTB of the VTC will be grandfathered and are allowed to teach the QASRS training program.

Fortune Jet has been accredited by HKCAAVQ as an operator to operate accredited program(s) at QF Level 1 and the course Certificate in Basic Security Services under QASRS (QF Level 1) for the period from November 23, 2022 to November 22, 2024.

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## **LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTIONS**

### **Product Eco-responsibility Ordinance (Chapter 603 of the Laws of Hong Kong)**

The Product Eco-responsibility Ordinance introduces measures to minimize the environmental impact of certain types of products, such as electrical and electronic equipment, and to introduce producer responsibility schemes. In supplying security systems and providing maintenance services to our customers, we may be involved in import and distribution of certain regulated electrical equipment (such as computers and monitors which form part of the security systems) in Hong Kong.

According to section 32 of the Product Eco-responsibility Ordinance, a supplier of regulated electrical equipment is required to register as a registered supplier with the Environmental Protection Department of the Hong Kong Government and fulfil the respective statutory obligations. A supplier who is not a registered supplier but distributes regulated electrical equipment commits an offence and is liable to a fine at level 6 (currently at HK\$100,000). A registered supplier must, among others, (i) provide recycling labels and receipts when distributing regulated electrical equipment; (ii) pay recycling levies for

regulated electrical equipment; (iii) submit returns; and (iv) submit annual audit reports, in accordance with the Product Eco-responsibility Ordinance and the Product Eco-responsibility (Regulated Electrical Equipment) Regulation (Chapter 603B of the Laws of Hong Kong).

According to section 41 of the Product Eco-responsibility Ordinance, a seller of regulated electrical equipment must not distribute regulated electrical equipment to a consumer in the absence of a removal service plan that has been endorsed by the Director of Environmental Protection. Failure to comply with the provision constitutes an offence and is liable to a fine at level 6 (currently at HK\$100,000). The Director of Environmental Protection must only endorse a removal service plan if he is satisfied that (i) a collector undertakes to the seller in writing to provide an electrical equipment or electronic equipment removal service for distributing regulated electrical equipment by the seller to a consumer; (ii) a recycler undertakes to the seller in writing to provide a treatment, reprocessing or recycling service for the electrical equipment and electronic equipment removed by the collector; and (iii) the applicable requirements in the Product Eco-responsibility (Regulated Electrical Equipment) Regulation have been complied with.

For the years ended September 30, 2021 and 2022, the six months ended March 31, 2023 and as of the date of this prospectus, Shine Union held the Notice of Endorsement of Removal Service Plan and the Certificate of Registration as Registered Supplier.

## **LAWS AND REGULATIONS RELATING TO EMPLOYMENT**

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

The Employment Ordinance provides for various employment-related benefits and entitlements to employees. Pursuant to the Employment Ordinance, all employees covered, irrespective of their hours of work, are entitled to basic protection including payment of wages, restrictions on wages deductions and the granting of statutory holidays, etc. Employees who are employed under a continuous contract are further entitled to benefits such as, among others, rest days, paid annual leave, sickness allowance, severance payment and long service payment.

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

The Employees' Compensation Ordinance establishes a no-fault and non-contributory employee compensation system for work injuries and lays down the rights and obligations of employers and employees respectively in respect of injuries or death caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases. Under the Employees' Compensation Ordinance, if an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer is in general liable to pay compensation even if the employee might have committed acts of faults or negligence when the accident occurred. Similarly, an employee who suffers incapacity arising from an occupational disease or dies from an occupational disease is entitled to receive the same compensation as that payable to employees injured in occupational accidents.

According to section 15 of the Employees' Compensation Ordinance, an employer must notify the Commissioner for Labor of any work accident by submitting Form 2 (within 14 days for general work accidents and within 7 days for fatal accidents), irrespective of whether the accident gives rise to any liability to pay compensation. If the occurrence of such accident was not brought to the notice of the employer or did not otherwise come to his knowledge within

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such periods of 7 or 14 days (as the case may be), then such notice shall be given not later than 7 days or, as may be appropriate, 14 days after the happening of the accident was first brought to the notice of the employer or otherwise came to his knowledge.

Pursuant to section 40 of the Employees' Compensation Ordinance, all employers are required to take out insurance policies to cover their liabilities under both the Employees' Compensation Ordinance and at common law for injuries at work in respect of all of their employees (including full-time and part-time employees). An employer who fails to comply with the Employees' Compensation Ordinance to secure insurance coverage is liable on conviction upon indictment to a fine at level 6 (currently at HK\$100,000) and to imprisonment for two years, or on summary conviction, to a fine at level 6 (currently at HK\$100,000) and to imprisonment for one year.

### **Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong)**

Our company owns a landed property and has leased several landed properties and is considered to be the occupier of such properties under the Occupiers Liability Ordinance. As such, we are required to comply with the Occupiers Liability Ordinance, which regulates the obligations of a person occupying or having control of premises upon injury resulting to persons or damage caused to goods or other property lawfully on the land. The Occupiers Liability Ordinance imposes a common duty of care on an occupier of premises to take such care as in all the circumstances of the case is reasonable to see that the visitor will be reasonably safe in using the premises for the purposes for which he is invited or permitted by the occupier to be there.

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

Our employees may be exposed to injuries whilst providing installation, maintenance and other services to our customers. The Occupational Safety and Health Ordinance provides for the protection of safety and health to employees in the workplace, both industrial and non-industrial.

Employers must, as far as reasonably practicable, ensure the safety and health at work of all their employees by (including but without limitation) providing and maintaining plant and systems of work that are safe and without risks to health; making arrangements for ensuring safety and absence of risks to health in connection with the use, handling, storage or transport of plant or substances; providing all

necessary information, instructions, training and supervision for ensuring safety and health; as regards any workplace under the employer's control, maintaining the workplace in a condition that is safe and without risks to health; or providing and maintaining means of access to and egress from the workplace that are safe and without any such risks; and providing and maintaining a working environment for the employer's employees that is safe and without risks to health. Failure to comply with any of the above provisions constitutes an offence and the employer is liable on conviction to a fine of HK\$200,000. An employer who fails to do so intentionally, knowingly or recklessly commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for 6 months.

The Commissioner for Labor may also serve (i) an improvement notice against any noncompliance of the Occupational Safety and Health Ordinance or the Factories and Industrial Undertakings Ordinance; and/or (ii) a suspension notice against any activity undertaken at workplace, or condition or use of workplace or of any plant or substance located at workplace which may create imminent risk of death or serious bodily injury. Failure to comply with such improvement notice or suspension notice without reasonable excuse constitutes an offence punishable by a fine of HK\$200,000 and HK\$500,000 respectively and imprisonment for 12 months. In case of contravention of suspension notice, a daily fine of HK\$50,000 may also be imposed during which the offender knowingly and intentionally continues the contravention.

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

The Minimum Wage Ordinance provides for a prescribed minimum hourly wage rate (set at HK\$40 per hour with effect from 1 May 2023) during the wage period for every employee engaged under a contract of employment under the Employment Ordinance (except those specified under section 7 of the Minimum Wage Ordinance). Any provision of a contract of employment that purports to extinguish or reduce any right, benefit or protection conferred on the employee by the Minimum Wage Ordinance is void.

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#### **Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong)**

The Mandatory Provident Fund Schemes Ordinance provides for the establishment of non-governmental mandatory provident fund ("MPF") schemes. Employers are required to enroll their regular employees (except for certain exempt persons) who are at least 18 but under 65 years of age and employed for 60 days or more in a MPF scheme within the first 60 days of employment.

For both employees and employers, it is mandatory to make regular contributions into an MPF scheme. For an employee, subject to the maximum and minimum levels of income (currently HK\$30,000 and HK\$7,100 per month, respectively), 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\$1,500 per month currently. 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 (currently HK\$30,000 per month).

## **OTHERS**

### **Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong)**

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

On March 21, 2018, the Legislative Council of Hong Kong passed The Inland Revenue (Amendment) (No.7) Bill 2017 (the "IRO Amendment Bill"), which introduces the two-tiered profits tax rates regime. The IRO Amendment Bill was signed into law on March 28, 2018. Under the two-tiered profits tax rates regime, the first HK\$2.0 million of assessable profits of the qualifying group entity will be taxed at 8.25%, and assessable profits above HK\$2.0 million will be taxed at 16.5%. The profits of group entity not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, starting from the year of assessment 2018/19, the Hong Kong profits tax is calculated at 8.25% on the first HK\$2.0 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2.0 million for the qualifying group entity.

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

Effective since December 14, 2015, the Competition Ordinance prohibits conduct that prevents, restricts or distorts competition in Hong Kong and provides for the establishment of the Competition Commission with investigation powers and the Competition Tribunal with adjudicative powers. The Competition Ordinance includes, among others, the First Conduct Rule to prohibit anti-competitive conduct involving more than one party.

The First Conduct Rule provides that an undertaking must not (a) make or give effect to an agreement; (b) engage in a concerted practice; or (c) as a member of an association of undertakings, make or give effect to a decision of the association, if the object or effect of the agreement, concerted practice or decision is to prevent, restrict or distort competition in Hong Kong. Examples of serious anticompetitive conduct include (i) fixing, maintaining, increasing or controlling the price of the supply of goods or services; (ii) allocating sales, territories, customers or markets for the production or supply of goods or services; (iii) fixing, maintaining, controlling, preventing, limiting or eliminating the production or supply of goods or services; and (iv) bid-rigging.



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

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**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:

- (a) solicit or accept any advantage from others as a reward for or inducement to doing any act, abstaining from doing any act or showing favor 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;
- (b) 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 departments of the Hong Kong government, as a reward for or inducement to his performing any act in his official capacity or his showing any favor or providing any assistance with the Hong Kong government or public body;
- (c) 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
- (d) 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 1 year to 10 years.

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## MANAGEMENT

### Directors and Officers

The following table sets forth information regarding our directors and officers as of the date of this prospectus. Unless otherwise stated, the business address for our directors and officers is that of our principal executive office at Unit 01 – 03, 3/F, Billion Trade Centre, 31 Hung To Road, Kwun Tong, Kowloon, Hong Kong.

Directors and Officers	Age	Position/Title
Mr. Chan Ming Dave	57	Chairman of the board of directors and Chief Executive Officer
Mr. Kong Wing Fai	42	Director, Company Secretary, and Chief Financial Officer
Mr. Koo Lon Tien	57	Chief Operating Officer
Mr. To Hoi Pan	49	Independent Director Nominee
Mr. Mark Allen Brisson	57	Independent Director Nominee
Ms. Tse Sui Man	33	Independent Director Nominee

**Mr. Chan Ming Dave** has served as our Chief Executive Officer since April 2021 and as our Chairman of the board of directors since July 2021. Mr. Chan is currently managing director of Shine Union and Fortune Jet. He was appointed as a director of Shine Union and Fortune Jet in March 2006 and August 2019, respectively. Mr. Chan also serves as a director of our investment holding company, SU Investment, since November 2019. As the founder of our company, Mr. Chan has over 38 years of experience in security-related engineering services industry. Mr. Chan is mainly responsible for overseeing the operation, business development and strategic planning of our company. From January 2018 to September 2020, Mr. Chan served as a director of Hong Kong Cargo Screening Services Co., Limited, which principally engaged in cargo screening for air freight. From January 2002 to July 2015, Mr. Chan was a director of General System Engineering Limited, which principally engaged in installation and maintenance of sliding gate. From 1997 to 1999, Mr. Chan engaged in security-related engineering business principally under the business name of “General System (H.K.) Co.” From September 1984 to August 1997, Mr. Chan worked in various companies engaging in design, supply, installation and/or maintenance of security systems, such as traffic and pedestrian systems, and sale of security-related components and building materials, principally responsible for sales, marketing, and management. Mr. Chan obtained a Technical Diploma in Electrical Engineering from Aberdeen Technical School in Hong Kong in October 1983.

**Mr. Kong Wing Fai** has served as our director, company secretary and Chief Financial Officer since April 2021. Mr. Kong has served as a director of our investment holding company, SU Investment, since

April 2022. Mr. Kong has served as the general manager of Fortune Jet since August 2019, principally responsible for managing the day-to-day operations of Fortune Jet. Mr. Kong joined Shine Union in October 2018 and is currently general manager of Shine Union, mainly responsible for the operational management, financial management and corporate governance of Shine Union. Mr. Kong has over 18 years of experience in security-related engineering services industry and has extensive experience in financial management and corporate governance. From September 2005 to September 2018, Mr. Kong worked at Chubb Hong Kong Limited, a company engaged in design, integration and installation of security and fire safety systems. With his last position as a senior manager in the electronic security division, Mr. Kong was mainly responsible for general management, financial planning and analysis and corporate governance. Mr. Kong was admitted as a member and a fellow member of the Association of Chartered Certified Accountants in February 2012 and February 2017, respectively. He was also admitted as a member of the Hong Kong Institute of Facility Management in December 2022, as a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants in May 2019 and as an associate member of the BEAM Society Limited in April 2018. In addition, he is currently a member of the Chartered Professional Accountants of British Columbia, Canada. Mr. Kong obtained a degree of Bachelor of Arts with Honors in Finance with Mathematics with first class honors from the University of Stirling in the United Kingdom in June 2005.

**Mr. Koo Lon Tien** has served as our Chief Operating Officer since February 2023. Mr. Koo has served as marketing director for Shine Union since April 2021 and served as marketing manager for Shine Union from September 2004 to March 2021, providing strategic plans and sales and marketing/relationship management. Mr. Koo has over 29 years of experience in engineering and manufacturing and corporate management and he has worked in different companies engaging in sales and manufacturing of engineering systems and electronic components. From March 1993 to October 2022, Mr. Koo served as director of Asean Limited, a Hong Kong trading company specialized in security engineering products. From May 2004 to November 2020, Mr. Koo worked at Precision International Holdings Ltd.,

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a private Hong Kong company specializing in customized electronic transformers and inductors, where he served as operations manager from May 2004 to December 2007, director from January 2008 to December 2012, legal representative of China facility from January 2018 to November 2020, and general manager from January 2008 to November 2020. From January 2008 to March 2017, Mr. Koo served as director of Schott Holdings Ltd., the former holding company of Precision International Holdings Ltd. Mr. Koo obtained a degree of Bachelor of Engineering in Mechanical Engineering from The Polytechnic of Central London in the United Kingdom in June 1989.

**Mr. To Hoi Pan** will serve as our director upon the effectiveness of our registration statement on Form F-1, of which this prospectus is a part. Since July 2015, Mr. To has served as company secretary and Chief

Financial Officer of, and, since March 2017, as Executive Director of Amuse Group Holding Limited (HKG: 8545), a company specializing in the design, marketing, and distribution of toys. From May 2013 to June 2015, Mr. To served as Chief Financial Officer of China Internet Investment Finance Holdings Ltd. (HKG: 0810) (formerly known as Opes Asia Development Limited), a Hong Kong public company engaged in investing in equity and debt instruments of public and private companies in Hong Kong. From July 2011 to February 2013, Mr. To served as a consultant at Timex Corporate Consulting Limited, a provider of financial, accounting and secretarial services in Hong Kong. From April 2004 to June 2011, Mr. To served as an accounting manager at China Everbright Water Limited (formerly known as Bio-Treat Technology Limited), a company specializing in wastewater treatment in mainland China. Mr. To obtained a degree of Bachelor of Commerce in Accountancy from University of Wollongong in Australia in December 1999. Mr. To is currently a certified practising accountant of the CPA Australia and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants.

**Mr. Mark Allen Brisson** will serve as our director upon the effectiveness of our registration statement on Form F-1, of which this prospectus is a part. Since December 2020, Mr. Brisson has been a consultant in the Electronic Security and Life Safety segment and serves as a Director of Kaizntree Limited, a business inventory management software company. From December 2016 to November 2020, Mr. Brisson served as President of Chubb Fire and Security (Australia and New Zealand), an international provider of security and fire safety products and solutions. From December 2013 to December 2016, Mr. Brisson served as President of Building & Industrial Services divisions of United Technologies Corporation (Australia and New Zealand), including Chubb Field business, Otis Elevators, Carrier HVAC and Fire and Security Products. From May 2010 to December 2013, Mr. Brisson served as President of the divisions of Chubb Cash in Transit, Fire Systems Installation, Fire Service, Electronic Security, Monitoring and Security products of the United Technologies Corporation (Australia and New Zealand), an international provider of security and fire safety products and solutions. From June 2006 to April 2010, Mr. Brisson served as Managing Director of the UTC Fire and Security in Hong Kong, Macau, Taiwan and Guangdong. From December 2004 to June 2006, Mr. Brisson served as a general manager of Chubb Hong Kong Electronic Security, an international supplier of fire safety and security solutions. Mr. Brisson obtained a degree of Bachelor of Arts in Political Science from Simon Fraser University in Canada in 1989. Mr. Brisson is a Fellow of the Hong Kong Institute of Directors.

**Ms. Tse Sui Man** will serve as our director upon the effectiveness of our registration statement on Form F-1, of which this prospectus is a part. From September 2017 to February 2023, Ms. Tse served as the financial controller and company secretary of Altus Holdings Limited (HKG: 8149), an investment holding company in Hong Kong specializing in proprietary investments and advisory and consulting. From August 2016 to September 2017, Ms. Tse served as group financial analyst for Jardine Schindler Group, an elevator and moving walks manufacturing company in Hong Kong. From December 2013 to August 2016, Ms. Tse worked at PricewaterhouseCoopers (Hong Kong) and her last position was audit senior associate. From September 2012 to December 2013, Ms. Tse worked as audit associate at Deloitte Touche Tohmatsu (Hong Kong). Ms. Tse obtained a degree of Bachelor of Arts in Accountancy and

Management Information System from the City University of Hong Kong in Hong Kong in June 2012. Ms. Tse is currently a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants.

### **Family Relationships**

There are no family relationships, or other arrangements or understandings between or among any of the directors, director nominees, officers or other person pursuant to which such person was selected to serve as a director or officer.

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### **Board of Directors**

#### *Duties of Directors*

Under Cayman Islands law, our board of directors has the powers necessary for managing, and for directing and supervising, our business affairs. The functions and powers of our board of directors include, among others:

- convening shareholders' annual and extraordinary general meetings and reporting its work to shareholders at such meetings;
- declaring dividends and distributions;
- appointing officers and determining the term of office of the officers;
- exercising the borrowing powers of our company and mortgaging the property of our company; and
- approving the transfer of shares in our company, including the registration of such shares in our share register.

Under Cayman Islands law, directors owe the following fiduciary duties: (i) duty to act in good faith in what the director believes to be in the best interests of the company as a whole; (ii) duty to exercise powers for the purposes for which those powers were conferred and not for a collateral purpose; (iii) directors should not improperly fetter the exercise of future discretion; (iv) duty not to put themselves in a position in which there is a conflict between their duty to the company and their personal interests; and (v) duty to exercise independent judgment. In addition to the above, directors also owe a duty to act with skill, care and diligence. This duty has been defined as a requirement to act as a reasonably diligent person having both the general knowledge, skill and experience that may reasonably be expected of a person carrying out the same functions as are carried out by that director in relation to the company and the general knowledge skill and experience which that director has. As set out above,

directors have a duty not to put themselves in a position of conflict and this includes a duty not to engage in self-dealing, or to otherwise benefit as a result of their position. However, in some instances what would otherwise be a breach of this duty can be forgiven and/or authorized in advance by the shareholders, provided that there is full disclosure by the directors. Our amended and restated memorandum and articles of association provides that following such disclosure and subject to any special requirement for Audit Committee approval under applicable law or the listing rules of Nasdaq, and unless disqualified by the chairperson of the relevant meeting, such director may vote in respect of any transaction or arrangement in which he or she is interested and may be counted in the quorum of the meeting. You should refer to “*Description of Securities — Differences in Corporate Law*” for additional information on our standard of corporate governance under Cayman Islands law.

### **Controlled Company**

We expect to continue to be a controlled company within the meaning of the Nasdaq Stock Market Rules, and as a result, we qualify for exemptions from certain corporate governance requirements. Public companies that qualify as a “controlled company” with securities listed on Nasdaq, must comply with the exchange’s continued listing standards to maintain their listings. Nasdaq has adopted qualitative listing standards. Companies that do not comply with these corporate governance requirements may lose their listing status. Under the Nasdaq rules, a “controlled company” is a company with more than 50% of its voting power held by a single person, entity or group. Under Nasdaq rules, a controlled company is exempt from certain corporate governance requirements, including:

- the requirement that a majority of the board of directors consist of independent directors;
- the requirement that a listed company must have a nominating and governance committee composed entirely of independent directors with a written charter addressing the committee’s purpose and responsibilities;
- the requirement that a listed company must have a compensation committee composed entirely of independent directors with a written charter addressing the committee’s purpose and responsibilities; and
- the requirement for an annual performance evaluation of the nominating and governance committee and compensation committee.

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Controlled companies must still comply with the exchange’s other corporate governance standards. These include having an audit committee and the special meetings of independent or non-management directors.

Upon the completion of this offering, our controlling shareholder will beneficially own 68.1% of our total issued and outstanding ordinary shares, representing 68.1% of the total voting power, assuming that the underwriters do not exercise their option to purchase additional shares, or 67.1% of our total issued and outstanding ordinary shares, representing 67.1% of the total voting power, assuming that the option to purchase additional shares is exercised in full. As a result, we will be a “controlled company” as defined under Nasdaq Listing Rule 5615(c), because our controlling shareholder will hold more than 50% of the voting power for the election of directors. As a “controlled company,” we are permitted to elect not to comply with certain corporate governance requirements. We do not plan to rely on these exemptions, but we may elect to do so after we complete this offering.

### **Composition of our Board of Directors and Committees of the Board of Directors**

Upon the SEC’s declaration of effectiveness of our registration statement on Form F-1, of which this prospectus is a part, our board of directors will consist of five directors, including two executive directors and three independent directors. We will also establish an Audit Committee, a Compensation Committee, and a Nominating and Corporate Governance Committee of the board of directors upon the effectiveness of our registration statement on Form F-1, of which this prospectus is a part. We will adopt a charter for each of the three committees. Each of the committees of our board of directors shall have the composition and responsibilities described below.

***Audit Committee.*** Our audit committee will consist of Mr. To Hoi Pan, Mr. Mark Allen Brisson and Ms. Tse Sui Man and will be chaired by Ms. Tse Sui Man. We have determined that each of these directors satisfies the “independence” requirements of the Nasdaq Listing Rules and meets the independence standards under Rule 10A-3 under the Exchange Act. We have determined that Ms. Tse Sui Man qualifies as an “audit committee financial expert.” The audit committee oversees our accounting and financial reporting processes and the audits of our financial statements. The audit committee is responsible for, among other things:

- selecting the independent registered public accounting firm and pre-approving all auditing and non-auditing services permitted to be performed by the independent registered public accounting firm;
- reviewing with the independent registered public accounting firm any audit problems or difficulties and management’s response;
- reviewing and approving all proposed related party transactions, as defined in Item 404 of Regulation S-K under the Securities Act;
- discussing the annual audited financial statements with management and the independent registered public accounting firm;
- reviewing the adequacy and effectiveness of our accounting and internal control policies and procedures and any special steps taken to monitor and control major financial risk exposures;

- annually reviewing and reassessing the adequacy of our audit committee charter;
- meeting separately and periodically with management and the independent registered public accounting firm;
- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our procedures to ensure proper compliance; and
- reporting regularly to the board.

**Compensation Committee.** Our compensation committee will consist of Mr. To Hoi Pan, Mr. Mark Allen Brisson and Ms. Tse Sui Man and will be chaired by Mr. Mark Allen Brisson. We have determined that each of these directors satisfies the “independence” requirements of the Nasdaq Listing Rules. The compensation committee assists the board in reviewing and approving the compensation structure, including all forms of compensation, relating to our directors and officers. Our Chief Executive Officer may not be present at any committee meeting during which his compensation is deliberated upon. The compensation committee is responsible for, among other things:

- reviewing and approving, or recommending to the board for its approval, the compensation for our Chief Executive Officer and other officers;

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- reviewing and recommending to the board for determination with respect to the compensation of our non-employee directors;
- reviewing periodically and approving any incentive compensation or equity plans, programs or other similar arrangements; and
- selecting a compensation consultant, legal counsel or other adviser only after taking into consideration all factors relevant to that person’s independence from management.

**Nominating and Corporate Governance Committee.** Our nominating and corporate governance committee will consist of Mr. To Hoi Pan, Mr. Mark Allen Brisson and Ms. Tse Sui Man and will be chaired by Mr. To Hoi Pan. We have determined that each of these directors satisfies the “independence” requirements of the Nasdaq Listing Rules. The nominating and corporate governance committee assists the board in selecting individuals qualified to become our directors and in determining the composition of the board and its committees. The nominating and corporate governance committee is responsible for, among other things:

- recommending nominees to the board for election or re-election to the board, or for appointment to fill any vacancy on the board;



- reviewing annually with the board the current composition of the board with regards to characteristics such as independence, knowledge, skills, experience, expertise, diversity and availability of service to us;
- selecting and recommending to the board the names of directors to serve as members of the audit committee and the compensation committee, as well as of the nominating and corporate governance committee itself;
- developing and reviewing the corporate governance principles adopted by the board and advising the board with respect to significant developments in the law and practice of corporate governance and our compliance with such laws and practices; and
- evaluating the performance and effectiveness of the board as a whole.

### **Board Oversight of Cybersecurity Risks**

The management of the operation and the business affairs of a Cayman Islands company lies within the power of its board of directors. Directors of companies incorporated under the Companies Act are subject to both statutory obligations under the Companies Act as well as fiduciary duties under the common law to the extent applicable to Cayman Islands companies. In addition to the statutory duties which include duties such as reporting obligations, the maintenance of internal company registers, accounting requirements, etc., directors of Cayman Islands companies owe fiduciary duties including the duty to act in good faith and in the best interests of the company as well as a duty to act with care, skill and diligence under English common law principles. Maintaining sufficient protection against the increasing risks associated with cybercrime is clearly one of the key challenges to the commercial world and hence, oversight of cybersecurity risks is inevitably the duty of the Company's board of directors, including its independent directors. The independent directors will oversee cybersecurity when they are designated upon the effectiveness of our registration statement on Form F-1, of which this prospectus is a part.

Our board of directors plays an active role in monitoring cybersecurity risks and is committed to the prevention, timely detection, and mitigation of the effects of any such incidents on our operations. In addition to regular reports from each of the board's committees, the board receives regular reports from our management on material cybersecurity risks and the degree of our exposure to those risks, including in connection with our supply chain, suppliers and other service providers. While the board oversees our cybersecurity risk management, management is responsible for day-to-day risk management processes. Management also works with third party service providers, i.e., software companies who provide software and antivirus support to the Company to ensure appropriate controls are in place and to regularly monitor network activities. We believe this division of responsibilities is the most effective approach for addressing our cybersecurity risks and that our board leadership structure supports this approach.

### **Code of Ethics**

Effective upon consummation of this offering, we will adopt a code of ethics that applies to all of our directors, officers and employees in accordance with the rules of Nasdaq and the SEC. The code of ethics codifies the business and ethical principles that govern all aspects of our business. We will file a copy of our Code of Ethics as an exhibit to the registration statement of which this prospectus is a part. You will be able to review these documents by accessing our public filings at the SEC's website at [www.sec.gov](http://www.sec.gov).

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**Terms of Directors and Officers**

Our officers are appointed by and serve at the discretion of our board of directors and the shareholders voting by ordinary resolution. Our directors are not subject to a set term of office and hold office until the next general meeting called for the appointment of directors and until their successor is duly appointed or such time as they die, resign or are removed from office by a shareholders' ordinary resolution. The office of a director will be vacated automatically if, among other things, the director resigns in writing, becomes bankrupt or makes any arrangement or composition with his/her creditors generally or is found to be or becomes of unsound mind.

**Employment Agreements**

On March 1, 1999, Mr. Chan Ming Dave and Shine Union entered into a letter of appointment. Pursuant to the letter, Mr. Chan serves as the general manager for a fixed base salary in the amount of HK\$20,000 per month plus bonus. Mr. Chan is also entitled to annual leave and contribution to the mandatory provident fund. Either party may terminate the employment by giving the other party one month's advance notice, or a payment of one month's salary in lieu of notice. As of April 2023, Mr. Chan's monthly salary has been adjusted to HK\$93,000.

On October 2, 2018, Mr. Kong Wing Fai and Shine Union entered into an employment letter. Pursuant to the letter, Mr. Kong serves as the assistant general manager for a fixed base salary in the amount of HK\$54,000 per month. Mr. Kong is also entitled to bonuses in fixed amount and a fixed percentage of the net profit of the company, in sole discretion of the company. Mr. Kong is also entitled to annual leave and contribution to the mandatory provident fund. Either party may terminate the employment by giving the other party two month's advance notice, or a payment of two month's salary in lieu of notice.

On April 1, 2021, Mr. Koo Lon Tien and Shine Union entered into a letter of employment. Pursuant to the letter, Mr. Koo serves as the marketing director for a fixed base salary in the amount of HK\$48,000 per month plus bonus. Mr. Koo is also entitled to annual leave and contribution to the mandatory provident fund. Either party may terminate the employment by giving the other party two month's advance notice in writing, or payment in lieu of notice, in the amount mutually agreed upon by both parties.

Upon the effectiveness of our registration statement on Form F-1, of which this prospectus is a part, the abovementioned employment agreements will be terminated. Each of Mr. Chan Ming Dave, Mr. Kong Wing Fai and Mr. Koo Lon Tien will enter into an executive officer service agreement with our Company upon the effectiveness of this registration statement, the form of which is attached as an exhibit to the registration statement of which this prospectus is a part of and incorporated herein by reference. The terms and conditions of such executive officer service agreements are similar in all material respects. Each executive officer service agreement is for an initial term of one year and shall continue thereafter until terminated by our Company or our director/executive officer, each giving to the other at least two months' prior written notice or otherwise in accordance with the terms thereof. Under the executive officer agreements, the initial annual salary of each executive officer is as follows:

Mr. Chan Ming Dave	HK\$ 1,329,720
Mr. Kong Wing Fai	HK\$ 1,079,160
Mr. Koo Lon Tien	HK\$ 707,760

#### **Compensation of Directors and Officers**

For the fiscal years ended September 30, 2021 and 2022, and the six months ended March 31, 2023, we paid an aggregate of HK\$2.6 million, HK\$3.5 million, and HK\$2.0 million, respectively, in cash (including salaries and mandatory provident fund contributions) to our directors and officers. Our Hong Kong subsidiaries are required by law to make contributions equal to certain percentages of each employee's salary for his or her mandatory provident fund. We have not made any agreements with our directors or officers to provide benefits upon termination of employment. As of the date of this prospectus, we are in compliance with all relevant laws and regulations regarding such benefits.

#### **Equity Compensation Plan Information**

We have not adopted any equity compensation plans.

#### **Outstanding Equity Awards at Fiscal Year-End**

We do not have any outstanding equity awards.

### **PRINCIPAL SHAREHOLDERS**

The following table sets forth information regarding the beneficial ownership of our ordinary shares as of the date of this prospectus by our officers, directors, and 5% or greater beneficial owners of ordinary shares. There is no other person or group of affiliated persons known by us to beneficially own more than 5% of our ordinary shares. The following table assumes that none of our officers, directors or 5% or greater beneficial owners of our ordinary shares will purchase shares in this offering. In addition, the

following table assumes that the option to purchase additional shares has not been exercised. Holders of our ordinary shares are entitled to one vote per share and vote on all matters submitted to a vote of our shareholders, except as may otherwise be required by law.

We have determined beneficial ownership in accordance with the rules of the SEC. These rules generally attribute beneficial ownership of securities to persons who possess sole or shared voting power or investment power with respect to those securities. The person is also deemed to be a beneficial owner of any security of which that person has a right to acquire beneficial ownership within 60 days. Unless otherwise indicated, the person identified in this table has sole voting and investment power with respect to all shares shown as beneficially owned by such person, subject to applicable community property laws.

Name of Beneficial Owners <sup>a)</sup>	Ordinary Shares Beneficially Owned Prior to The Offering <sup>a)</sup>		Ordinary Shares Beneficially Owned After The Offering <sup>a)</sup>	
	Number	%	Number	%
<b>5% or Greater Shareholders:</b>				
Exceptional Engineering Limited <sup>(4)</sup>	8,422,800	70.2%	8,422,800	63.6%
<b>Directors, Director Nominees, and Officers</b>				
Mr. Chan Ming Dave <sup>(5)</sup>	9,016,800	75.1%	9,016,800	68.1%
Mr. Kong Wing Fai	120,000	1.0%	120,000	0.9%
Mr. Koo Lon Tien	523,200	4.4%	523,200	3.9%
Mr. To Hoi Pan	—	—	—	—
Mr. Mark Allen Brisson	—	—	—	—
Ms. Tse Sui Man	—	—	—	—
All directors and officers as a group (6 persons)	9,660,000	80.5%	9,660,000	72.9%

(1) Except as otherwise indicated below, the business address of our directors and officers is Unit 01 – 03, 3/F, Billion Trade Centre, 31 Hung To Road, Kwun Tong, Kowloon, Hong Kong.

(2) Applicable percentage of ownership is based on 12,000,000 ordinary shares outstanding as of the date of this prospectus.

(3) Applicable percentage of ownership is based on 13,250,000 ordinary shares outstanding immediately after the offering.

(4) The registered address of Exceptional Engineering Limited, a British Virgin Islands company, is Craigmuir Chamber, Road Town, Tortola, VG 1110, British Virgin Islands. 8,422,800 ordinary shares are directly held by Exceptional Engineering Limited, of which Mr. Chan Ming Dave is the sole shareholder and holds the voting and dispositive power over the ordinary shares held by such entity.

- (5) *Mr. Chan Ming Dave, our Chairman of the board of directors and Chief Executive Officer, is the sole shareholder of Exceptional Engineering Limited and DC & Partners Incorporation Limited and holds the voting and dispositive power over the ordinary shares held by such entities.*

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**RELATED PARTY TRANSACTIONS**

In addition to the director and officer compensation arrangements discussed in “*Compensation of Directors and Officers*,” we describe below the related party transactions of our company and our subsidiaries that occurred during the past two full fiscal years, the six months ended March 31, 2023, and up to the date of this prospectus.

Set forth below are our related party transactions that occurred since the beginning of our preceding two fiscal years up to the date of September 30, 2022, the six months ended March 31, 2023, and from March 31, 2023 to the date of this prospectus.

***Amounts due from related parties***

Amounts due from related parties represented current accounts with related parties, which are used for daily operations, as follows:

	As of September 30,		As of March 31,
	2021	2022	2023
	HK\$	HK\$	HK\$
Exceptional Engineering Limited	10	15,210	—
Ms. Yam Fung Yee Carrie*	—	7,600	—
	10	22,810	—

\* Ms. Yam Fung Yee Carrie is Mr. Chan Ming Dave’s family member.

***Amount due to a related party***

Amount due to a related party represented a current account with a related party, which is used for daily operations, as follows:

	As of September 30,		As of March 31,
	2021	2022	2023

	HK\$	HK\$	HK\$
Mr. Chan Ming Dave	204,518	195,958	—

### *Leases from related parties*

The Group has various agreements for the leases of office, workshops and warehouse owned by Mr. Chan Ming Dave and/or Ms. Yam Fung Yee Carrie. The terms of the agreements in effect as of the date of this prospectus state that the Group will continue to lease the properties at a monthly rent of HK\$70,500 in total with annual rental expenses at HK\$846,000 in total.

The details of leases from related parties in effect as of the date of this prospectus are as below:

Lessee	Lessor	Rent Period		Monthly
		From	To	Rental
				HK\$
Shine Union	Mr. Chan Ming Dave and Ms. Yam Fung Yee Carrie	April 1, 2023	March 31, 2024	37,500
Shine Union	Mr. Chan Ming Dave	April 1, 2023	March 31, 2024	13,000
Shine Union	Mr. Chan Ming Dave and Ms. Yam Fung Yee Carrie	April 1, 2023	March 31, 2024	20,000

The lease expenses charged by the above related parties during the years ended September 30, 2021 and 2022, and the six months ended March 31, 2023, was HK\$822,000, HK\$829,600, and HK\$438,970 respectively.

As of September 30, 2021, the operating lease ROU assets and corresponding operating lease liabilities of leases from related parties were HK\$407,635 and HK\$407,635, respectively.

As of September 30, 2022 and March 31, 2023, no operating lease ROU assets and operating lease liabilities of leases from related parties were recognized on the balance sheets since all of these leases were short-term leases.

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### **Share Issuances**

See “*Description of Securities — History of Securities Issuances.*”

### **Employment Agreements**

See “*Management — Employment Agreements.*”

[Table of Contents](#)**DESCRIPTION OF SECURITIES**

We are an exempted company with limited liability incorporated under the laws of the Cayman Islands and our affairs are governed by our memorandum and articles of association, as amended from time to time and the Companies Act, and the common law of the Cayman Islands.

The share capital of the Company consists of ordinary shares. As of the date of this prospectus, our authorized share capital is HK\$7,500,000 divided into 750,000,000 shares of par value HK\$0.01 each. As of the date of this prospectus, 12,000,000 ordinary shares were issued and outstanding. The following are summaries of material provisions of our post-offering amended and restated memorandum and articles of association (which will become effective immediately prior to completion of this offering) and the Companies Act insofar as they relate to the material terms of our ordinary shares.

**Ordinary Shares**

*General.* As of the date of this prospectus, our authorized share capital is HK\$7,500,000 divided into 750,000,000 shares of par value HK\$0.01 each. All of our outstanding ordinary shares are fully paid and non-assessable. Certificates representing the ordinary shares are issued in registered form. Our shareholders, whether or not they are non-residents of the Cayman Islands, may freely hold and transfer their ordinary shares in accordance with our post-offering amended and restated memorandum and articles of association.

*Dividends.* The holders of our ordinary shares are entitled to such dividends as may be declared by our board of directors. Our post-offering amended and restated articles of association provide that dividends may be declared and paid out of the funds of our company lawfully available therefor. Under the laws of the Cayman Islands, our company may pay a dividend out of either profit and/or share premium account, provided that in no circumstances may a dividend be paid out of the above premium if this would result in our company being unable to pay its debts as they fall due in the ordinary course of business.

*Voting Rights.* Holders of our ordinary shares vote on all matters submitted to a vote of our shareholders, except as may otherwise be required by law. In respect of matters requiring shareholders' votes, each fully paid ordinary share is entitled to one vote. At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is demanded. A poll may be demanded by:

- the chairperson of such meeting;
- by at least three shareholders present in person or by proxy for the time being entitled to vote at the meeting;
- by shareholder(s) present in person or by proxy representing not less than one-tenth of the total voting rights of all shareholders having the right to vote at the meeting; and

- by shareholder(s) present in person or by proxy and holding shares in us conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

Any ordinary resolution to be passed at a meeting by the shareholders requires the affirmative vote of a simple majority of the votes attaching to the ordinary shares cast in a meeting, while a special resolution requires the affirmative vote of no less than two-thirds of the votes attaching to the ordinary shares cast in a meeting.

A special resolution will be required for important matters such as amending our memorandum and articles of association, changing the name of the Company, a reduction of our share capital, or the winding up of our company.

There are no limitations on non-residents or foreign shareholders in the memorandum and articles of association to hold or exercise voting rights on the ordinary shares imposed by foreign law or by the charter or other constituent document of our company. However, no person will be entitled to vote at any general meeting or at any separate meeting of the holders of the ordinary shares unless the person is registered as of the record date for such meeting and unless all calls or other sums presently payable by the person in respect of ordinary shares in the Company have been paid.

*General Meetings of Shareholders.* As a Cayman Islands exempted company, we are not obliged by the Companies Act to call shareholders' annual general meetings. Our post-offering amended and restated memorandum and articles of association provide that we shall, if required by the Companies Act, in each year hold a general meeting as our annual

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general meeting, and shall specify the meeting as such in the notices calling it, and the annual general meeting shall be held at such time and place as may be determined by our directors. General meetings, including annual general meetings, may be held at such times and in any location in the world as may be determined by our board of directors. A general meeting or any class meeting may also be held by means of such telephone, electronic, or other communication facilities as to permit all persons participating in the meeting to communicate with each other, and participation in such a meeting constitutes presence at such meeting.

Shareholders' general meetings may be convened by the chairperson of our board of directors or by a majority of our board of directors. Unless certain requirements are met to allow shorter notice for the convening of a general meeting, advance notice of at least fourteen clear days is required for the convening of our annual general meeting (if any) and any extraordinary general meeting of our shareholders. A quorum required for any general meeting of shareholders consists of two shareholders



holding shares which carry in aggregate (or representing by proxy) not less than one-third in nominal value of the total issued voting shares in our company throughout the meeting.

The Companies Act does not provide shareholders with any right to requisition a general meeting or to put any proposal before a general meeting.

*Transfer of Ordinary Shares.* Subject to the restrictions set out below, any of our shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in the usual or common form or in a form prescribed by Nasdaq or any other form approved by our board of directors. Notwithstanding the foregoing, ordinary shares may also be transferred in accordance with the applicable rules and regulations of Nasdaq.

Our board of directors may, in its absolute discretion, decline to register any transfer of any ordinary share which is not fully paid up or on which we have a lien. Our board of directors may also decline to register any transfer of any ordinary share unless:

- the instrument of transfer is lodged with us, accompanied by the certificate for the ordinary shares to which it relates and such other evidence as our board of directors may reasonably require to show the right of the transferor to make the transfer;
- the instrument of transfer is in respect of only one class of ordinary shares
- the instrument of transfer is properly stamped, if required;
- in the case of a transfer to joint holders, the number of joint holders to whom the ordinary share is to be transferred does not exceed four; and
- a fee of such maximum sum as Nasdaq may determine to be payable or such lesser sum as our directors may from time to time require is paid to us in respect thereof.

If our directors refuse to register a transfer they shall, within two months after the date on which the instrument of transfer was lodged, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, after compliance with any notice required in accordance with the rules of Nasdaq, be suspended and the register closed at such times and for such periods as our board of directors may from time to time determine; provided, however, that the registration of transfers shall not be suspended nor the register closed for more than 30 days in any year as our board may determine. The period of 30 days may be extended for a further period or periods not exceeding 30 days in respect of any year if approved by the shareholders by ordinary resolution.

*Winding Up; Liquidation.* Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation applicable to any class or classes of shares (1) if we are wound up and the assets available for distribution among our shareholders are 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* among our shareholders in proportion to the amount paid up at the commencement of the winding

up on the shares held by them, respectively, and (2) if we are wound up and the assets available for distribution among our shareholders as such are insufficient to repay the whole of the paid-up capital, those assets shall be distributed so that, as nearly as may be, the losses shall be borne by our shareholders 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.

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*Calls on Ordinary Shares and Forfeiture of Ordinary Shares.* Our directors may from time to time make calls on our shareholders in respect of any moneys unpaid on their shares including any premium in a notice served to such shareholders at least 14 clear days prior to the specified time of payment. Any ordinary shares that have been called upon and remain unpaid are subject to forfeiture.

*Redemption of Ordinary Shares.* The Companies Act and our post-offering amended and restated memorandum and articles of association permit us to purchase our own shares. In accordance with our post-offering amended and restated articles of association, provided the necessary shareholders or board approval have been obtained and requirements under the Companies Act have been satisfied, we may issue shares on terms that are subject to redemption at our option on such terms and in such manner as may be determined by our board of directors.

*Inspection of Books and Records.* Holders of our ordinary shares have no general right under Cayman Islands law to inspect or obtain copies of our list of shareholders or our corporate records. However, our post-offering amended and restated memorandum and articles of association has provisions that provide our shareholders the right to inspect our register of members without charge, and to receive our annual audited financial statements. See “*Where You Can Find Additional Information.*”

*Issuance of Additional Shares.* Our post-offering amended and restated memorandum and articles of association authorize our board of directors to issue additional ordinary shares from time to time as our board of directors shall determine, to the extent of available authorized but unissued shares. Issuance of these shares may dilute the voting power of holders of ordinary shares.

*Anti-Takeover Provisions.* Some provisions of our post-offering amended and restated memorandum and articles of association may discourage, delay or prevent a change of control of our company or management that shareholders may consider favorable. Our authorized, but unissued ordinary shares are available for future issuance without shareholders’ approval and could be utilized for a variety of corporate purposes, including future offerings to raise addition capital, acquisitions and employee benefit plans. Our post offering amended and restated memorandum and articles of association also authorize our board of directors to establish from time to time one or more classes of preferred shares and to determine, with respect to any series of preferred shares, the terms and rights of that series, including, among other things.

- the designation of the series
- the number of shares of the series
- the dividend rights, dividend rates, conversion rights, voting rights, and
- the rights and terms of redemption and liquidation preferences.

Our board of directors may issue preferred shares without action by our shareholders to the extent authorized but unissued. The existence of authorized but unissued and unreserved shares could render more difficult or discourage an attempt to obtain control of us by means of a proxy contest, tender offer, merger or otherwise.

Further, shareholders will have no right under the post-offering amended and restated memorandum and articles of association to requisition and convene general meetings of shareholders.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under our post-offering amended and restated memorandum and articles of association for a proper purpose and for what they believe in good faith to be in the best interests of our company.

*Exempted Company.* We are an exempted company with limited liability under the Companies Act. The Companies Act distinguishes between ordinary resident companies and exempted companies. Any company that is registered in the Cayman Islands but conducts business mainly outside of the Cayman Islands may apply to be registered as an exempted company. The requirements for an exempted company are essentially the same as for an ordinary company except that an exempted company:

- does not have to file an annual return of its shareholders with the Registrar of Companies;
- is not required to open its register of members for inspection;
- does not have to hold an annual general meeting;

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- may not issue negotiable or bearer shares, but may issue shares with no par value;
- may obtain an undertaking against the imposition of any future taxation (such undertakings are usually given for 20 years in the first instance);
- may register by way of continuation in another jurisdiction and be deregistered in the Cayman Islands;
- may register as a limited duration company; and
- may register as a segregated portfolio company.

“Limited liability” means that the liability of each shareholder is limited to the amount unpaid by the shareholder on the shares of our company (except in exceptional circumstances, such as involving fraud, the establishment of an agency relationship, or an illegal or improper purpose or other circumstances in which a court may be prepared to pierce or lift the corporate veil).

#### **Anti-Money Laundering — Cayman Islands**

In order to comply with legislation or regulations aimed at the prevention of money laundering, we are required to adopt and maintain anti-money laundering procedures, and may require subscribers to provide evidence to verify their identity and source of funds. Where permitted, and subject to certain conditions, we may also delegate the maintenance of our anti-money laundering procedures (including the acquisition of due diligence information) to a suitable person.

We reserve the right to request such information as is necessary to verify the identity of a subscriber. In some cases the directors may be satisfied that no further information is required since an exemption applies under the Anti-Money Laundering Regulations (As Revised) of the Cayman Islands, as amended and revised from time to time (the “Regulations”) or any other applicable law. Depending on the circumstances of each application, a detailed verification of identity might not be required where:

- (a) the subscriber makes the payment for their investment from an account held in the subscriber’s name at a recognized financial institution;
- (b) the subscriber is regulated by a recognized regulatory authority and is based or incorporated in, or formed under the law of, a recognized jurisdiction; or
- (c) the application is made through an intermediary which is regulated by a recognized regulatory authority and is based in or incorporated in, or formed under the law of a recognized jurisdiction and an assurance is provided in relation to the procedures undertaken on the underlying investors.

For the purposes of these exceptions, recognition of a financial institution, regulatory authority or jurisdiction will be determined in accordance with the Regulations by reference to those jurisdictions recognized by the Cayman Islands Monetary Authority as having equivalent anti-money laundering regulations.

In the event of delay or failure on the part of the subscriber in producing any information required for verification purposes, we may refuse to accept the application, in which case any funds received will be returned without interest to the account from which they were originally debited.

We also reserve the right to refuse to make any payment to a shareholder if our directors or officers suspect or are advised that the payment to such shareholder might result in a breach of applicable anti-money laundering or other laws or regulations by any person in any relevant jurisdiction, or if such refusal is considered necessary or appropriate to ensure our compliance with any such laws or regulations in any applicable jurisdiction.

If any person in the Cayman Islands knows or suspects or has reasonable grounds for knowing or suspecting that another person is engaged in criminal conduct or money laundering or is involved with terrorism or terrorist financing and property and the information for that knowledge or suspicion came to their attention in the course of business in the regulated sector, or other trade, profession, business or employment, the person will be required to report such knowledge or suspicion to (i) the Financial Reporting Authority (“FRA”) of the Cayman Islands, pursuant to the Proceeds of Crime Act (As Revised) of the Cayman Islands if the disclosure relates to criminal conduct or money laundering, or (ii) a police officer of the rank of constable or higher, or the FRA, pursuant to the Terrorism Act (Revised) of the Cayman Islands, if the disclosure relates to involvement with terrorism or terrorist financing and property. Such a report shall not be treated as a breach of confidence or of any restriction upon the disclosure of information imposed by any enactment or otherwise.

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**Data Protection in the Cayman Islands — Privacy Notice**

This privacy notice explains the manner in which our company collects, processes and maintains personal data about investors of our company pursuant to the Data Protection Act, 2017 of the Cayman Islands, as amended from time to time and any regulations, codes of practice or orders promulgated pursuant thereto (“DPA”).

The company is committed to processing personal data in accordance with the DPA. In its use of personal data, our company will be characterized under the DPA as a “data controller,” whilst certain of our company’s service providers, affiliates and delegates may act as “data processors” under the DPA. These service providers may process personal information for their own lawful purposes in connection with services provided to us.

This privacy notice puts our shareholders on notice that, by virtue of making an investment in the company, the company and certain of the company’s service providers may collect, record, store, transfer and otherwise process personal data by which individuals may be directly or indirectly identified.

Your personal data will be processed fairly and for lawful purposes, including (a) where the processing is necessary for us to perform a contract to which you are a party or for taking pre-contractual steps at your request; (b) where the processing is necessary for compliance with any legal, tax or regulatory obligation to which we are subject; or (c) where the processing is for the purposes of legitimate interests pursued by the company or by a service provider to whom the data are disclosed. As a data controller, we will only use your personal data for the purposes for which we collected it. If we need to use your personal data for an unrelated purpose, we will contact you.

We anticipate that we will share your personal data with our service providers for the purposes set out in this privacy notice. We may also share relevant personal data where it is lawful to do so and necessary to comply with our contractual obligations or your instructions or where it is necessary or desirable to do so in connection with any regulatory reporting obligations. In exceptional circumstances, we will share your personal data with regulatory, prosecuting and other governmental agencies or departments, and parties to litigation (whether pending or threatened), in any country or territory including to any other person where we have a public or legal duty to do so (e.g., to assist with detecting and preventing fraud, tax evasion and financial crime or compliance with a court order).

Your personal data shall not be held by us for longer than necessary with regard to the purposes of the data processing.

We will not sell your personal data. Any transfer of personal data outside of the Cayman Islands shall be in accordance with the requirements of the DPA. Where necessary, we will ensure that separate and appropriate legal agreements are put in place with the recipient of that data.

We will only transfer personal data in accordance with the requirements of the DPA, and will apply appropriate technical and organizational information security measures designed to protect against unauthorized or unlawful processing of the personal data and against the accidental loss, destruction or damage to the personal data.

If you are a natural person, this will affect you directly. If you are a corporate investor (including, for these purposes, legal arrangements such as trusts or exempted limited partnerships) that provides us with personal data on individuals connected to you for any reason in relation to your investment into our company, this will be relevant for those individuals and you should inform such individuals of the content.

You have certain rights under the DPA, including: (a) the right to be informed as to how we collect and use your personal data (and this privacy notice fulfills the Company's obligation in this respect); (b) the right to obtain a copy of your personal data; (c) the right to require us to stop direct marketing; (d) the right to have inaccurate or incomplete personal data corrected; (e) the right to withdraw your consent and require us to stop processing or restrict the processing, or not begin the processing of your personal data; (f) the right to be notified of a data breach (unless the breach is unlikely to be prejudicial); (g) the right to obtain information as to any countries or territories outside the Cayman Islands to which we, whether directly or indirectly, transfer, intend to transfer or wish to transfer your personal data, general measures we take to ensure the security of personal data and any information available to us as to the source of your personal data; (h) the right to complain to the Office of the Ombudsman of the Cayman Islands; and (i) the right to require us to delete your personal data in some limited circumstances.

If you consider that your personal data has not been handled correctly, or you are not satisfied with our responses to any requests you have made regarding the use of your personal data, you have the right to complain to the Cayman Islands' Ombudsman. The Ombudsman can be contacted by calling +1 (345) 946-6283 or by email at [info@ombudsman.ky](mailto:info@ombudsman.ky).

[Table of Contents](#)**Differences in Corporate Law**

The Companies Act is modeled after that of English law but does not follow many recent English law statutory enactments. In addition, the Companies Act differs from laws applicable to U.S. corporations and their shareholders. Set forth below is a summary of some of the significant differences between the provisions of the Companies Act applicable to us and the laws applicable to companies incorporated in the State of Delaware.

***Mergers and Similar Arrangements.*** The Companies Act permits merger and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, a “merger” means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and a “consolidation” means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company.

In order to effect a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by a special resolution of the shareholders of each constituent company, and such other authorization, if any, as may be specified in such constituent company’s articles of association. A merger between a Cayman Islands parent company and its Cayman Islands subsidiary or subsidiaries does not require authorization by a resolution of shareholders of that Cayman Islands subsidiary if a copy of the plan of merger is given to every member of that Cayman Islands subsidiary to be merged unless that member agrees otherwise. For this purpose, a subsidiary is a company of which at least ninety percent (90%) of the issued shares entitled to vote are owned by the parent company.

The plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger and consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares if they follow the required procedures under the Companies Act subject to certain exceptions. The fair value of the shares will be determined by the Cayman Islands court if it cannot be agreed among the parties. Court approval is not required for a merger or consolidation effected in compliance with these statutory procedures.

In addition, there are statutory provisions that facilitate the reconstruction and amalgamation of companies, provided that the arrangement is approved by shareholders representing three-fourths in

value of each class of shares or a majority in number of each class of creditors who must in addition represent three-fourths in value of each class (as the case may be) with whom the arrangement is to be made that are present and voting either in person or by proxy at a meeting, or meetings, convened for that purpose. The convening of the meetings and subsequently the arrangement must be sanctioned by the Grand Court of the Cayman Islands. While a dissenting shareholder has the right to express to the court the view that the transaction ought not to be approved, the court can be expected to approve the arrangement if it determines that:

- the statutory provisions as to the required majority vote have been met;
- the shareholders have been fairly represented at the meeting in question;
- the arrangement is such that an intelligent and honest man of that class acting in respect of his interest would reasonably approve; and
- the arrangement is not one that would more properly be sanctioned under some other provision of the Companies Act.

The Companies Act also contains a statutory power of compulsory acquisition which may facilitate the “squeeze out” of a dissentient minority shareholder upon a tender offer. When a takeover offer is made and accepted by holders of not less than 90.0% of the shares within four months, the offeror may, within a two-month period commencing on the expiration of such four month period, give notice to require the holders of the remaining shares to transfer such shares on the terms of the offer. An objection can be made to the Grand Court of the Cayman Islands but this is unlikely to succeed unless there is evidence of fraud, bad faith or collusion.

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If an arrangement and reconstruction is thus approved, and sanctioned, or if a tender offer is made and accepted, in accordance with the foregoing statutory procedures, a dissenting shareholder would have no rights comparable to appraisal rights, save that objectors to a takeover offer may apply to the Grand Court of the Cayman Islands for various orders that the Grand Court of the Cayman Islands has a broad discretion to make, which would otherwise ordinarily be available to dissenting shareholders of Delaware corporations, providing rights to receive payment in cash for the judicially determined value of the shares.

The Companies Act also contains statutory provisions which provide that a company may present a petition to the Grand Court of the Cayman Islands for the appointment of a restructuring officer on the grounds that the company (a) is or is likely to become unable to pay its debts within the meaning of section 93 of the Companies Act; and (b) intends to present a compromise or arrangement to its creditors (or classes thereof) either, pursuant to the Companies Act, the law of a foreign country or by way of a consensual restructuring. The petition may be presented by a company acting by its directors, without a



resolution of its members or an express power in its articles of association. On hearing such a petition, the Cayman Islands court may, among other things, make an order appointing a restructuring officer or make any other order as the court thinks fit.

***Shareholders' Suits.*** In principle, we will normally be the proper plaintiff and as a general rule a derivative action may not be brought by a minority shareholder. However, based on English authorities, which would in all likelihood be of persuasive authority in the Cayman Islands, there are exceptions to the foregoing principle, including when:

- a company acts or proposes to act illegally or ultra vires and is therefore incapable of ratification by the shareholders;
- the act complained of, although not ultra vires, could only be effected duly if authorized by more than a simple majority vote that has not been obtained; and
- those who control the company are perpetrating a “fraud on the minority.”

***Indemnification of Directors and Officers and Limitation of Liability.*** Cayman Islands law does not limit the extent to which a company’s memorandum and articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime. Our post-offering amended and restated memorandum and articles of association permit, in the absence of fraud or willful default, indemnification of officers and directors for costs, losses, damages and expenses, which such director or officers may incur or become liable in respect of by reason of any contract entered into or act or thing done by him as such director and officer in any way in or about the execution of his duties incurred in connection with legal, administrative or investigative proceedings incurred in their capacities as such. This standard of conduct is generally the same as permitted under the Delaware General Corporation Law for a Delaware corporation. Insofar as indemnification for holder to a refund, provided that certain required information is timely furnished to the Internal Revenue Service (“IRS”). Holders are urged to consult their own tax advisors regarding the application of backup withholding and the availability of a procedure for obtaining an exemption from backup withholding in their particular circumstances.

***Directors' Fiduciary Duties.*** Under Delaware General Corporation Law, a director of a Delaware corporation has a fiduciary duty to the corporation and its shareholders. This duty has two components: the duty of care and the duty of loyalty. The duty of care requires that a director act in good faith, with the care that an ordinarily prudent person would exercise under similar circumstances. Under this duty, a director must inform himself of, and disclose to shareholders, all material information reasonably available regarding a significant transaction. The duty of loyalty requires that a director acts in a manner he reasonably believes to be in the best interests of the corporation. He must not use his corporate position for personal gain or advantage. This duty prohibits self-dealing by a director and mandates that the best interest of the corporation and its shareholders take precedence over any interest possessed by a director,

officer or controlling shareholder and not shared by the shareholders generally. In general, actions of a director are presumed to have been made on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the corporation. However, this presumption may be rebutted by evidence of a breach of one of the fiduciary duties. Should such evidence be presented concerning a transaction by a director, the director must prove the procedural fairness of the transaction, and that the transaction was of fair value to the corporation.

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As a matter of Cayman Islands law, a director of a Cayman Islands company is in the position of a fiduciary with respect to the company and therefore it is considered that he or she owes the following duties to the company — a duty to act *bona fide* in the best interests of the company, a duty not to make a profit based on his or her position as director (unless the company permits him or her to do so) and a duty not to put himself or herself in a position where the interests of the company conflict with his or her personal interest or his or her duty to a third party. A director of a Cayman Islands company owes to the company a duty to act with skill and care. It was previously considered that a director need not exhibit in the performance of his or her duties a greater degree of skill than may reasonably be expected from a person of his or her knowledge and experience. However, English and Commonwealth courts have moved toward an objective standard with regard to the required skill and care and these authorities are likely to be followed in the Cayman Islands.

***Shareholder Action by Written Consent.*** Under the Delaware General Corporation Law, a corporation may eliminate the right of shareholders to act by written consent by amendment to its certificate of incorporation. Cayman Islands law provides that shareholders may approve corporate matters by way of a unanimous written resolution signed by or on behalf of each shareholder who would have been entitled to vote on such matter at a general meeting without a meeting being held. Our post-offering amended and restated articles of association provide that any action required or permitted to be taken at any annual or extraordinary general meetings may be taken only upon the vote of the shareholders at an annual or extraordinary general meeting duly noticed and convened in accordance with our post-offering amended and restated articles of association and the Companies Act and may not be taken by written resolution of shareholders without a meeting.

***Shareholder Proposals.*** Under the Delaware General Corporation Law, a shareholder has the right to put any proposal before the annual meeting of shareholders, provided it complies with the notice provisions in the governing documents. A special meeting may be called by the board of directors or any other person authorized to do so in the governing documents, but shareholders may be precluded from calling special meetings.

Cayman Islands law does not provide shareholders any right to put proposals before a meeting or requisition a general meeting. As an exempted Cayman Islands company, we are not obliged by law to call shareholders' annual general meetings.

***Cumulative Voting.*** Under the Delaware General Corporation Law, cumulative voting for elections of directors is not permitted unless the corporation's certificate of incorporation specifically provides for it. Cumulative voting potentially facilitates the representation of minority shareholders on a board of directors since it permits the minority shareholder to cast all the votes to which the shareholder is entitled on a single director, which increases the shareholder's voting power with respect to electing such director. There are no prohibitions in relation to cumulative voting under the Companies Act but our post offering amended and restated articles of association do not provide for cumulative voting.

***Removal of Directors.*** Under the Delaware General Corporation Law, a director of a corporation with a classified board may be removed only for cause with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under our post-offering amended and restated articles of association, directors may be removed with or without cause, by an ordinary resolution of our shareholders.

***Transactions with Interested Shareholders.*** The Delaware General Corporation Law contains a business combination statute applicable to Delaware corporations whereby, unless the corporation has specifically elected not to be governed by such statute by amendment to its certificate of incorporation, it is prohibited from engaging in certain business combinations with an "interested shareholder" for three years following the date that such person becomes an interested shareholder. An interested shareholder generally is a person or a group who or which owns or owned 15% or more of the target's outstanding voting share within the past three years. This has the effect of limiting the ability of a potential acquirer to make a two-tiered bid for the target in which all shareholders would not be treated equally. The statute does not apply if, among other things, prior to the date on which such shareholder becomes an interested shareholder, the board of directors approves either the business combination or the transaction which resulted in the person becoming an interested shareholder. This encourages any potential acquirer of a Delaware corporation to negotiate the terms of any acquisition transaction with the target's board of directors.

The Cayman Islands has no comparable statute. As a result, we cannot avail ourselves of the types of protections afforded by the Delaware business combination statute. However, although Cayman Islands law does not regulate transactions between a company and its significant shareholders, it does provide that such transactions must be entered into *bona fide* in the best interests of the company and for a proper corporate purpose and not with the effect of constituting a fraud on the minority shareholders.

***Dissolution; Winding up.*** Under the Delaware General Corporation Law, unless the board of directors approves the proposal to dissolve, dissolution must be approved by shareholders holding 100% of the total voting power of the corporation. Only if the dissolution is initiated by the board of directors may it be approved by a simple majority of the corporation's outstanding shares. Delaware law allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with dissolutions initiated by the board. Under the Companies Act, a company may be wound up by either an order of the courts of the Cayman Islands or by a special resolution of its members or, if the company is unable to pay its debts, by an ordinary resolution of its members. The court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable to do so. Under the Companies Act and our post-offering amended and restated articles of association, our company may be dissolved, liquidated or wound up by a special resolution of our shareholders.

***Variation of Rights of Shares.*** Under the Delaware General Corporation Law, a corporation may vary the rights of a class of shares with the approval of a majority of the outstanding shares of such class, unless the certificate of incorporation provides otherwise. Under the Companies Act and our post-offering amended and restated articles of association, if our share capital is divided into more than one class of shares, we may vary the rights attached to any class with the sanction of a resolution passed by not less than two-thirds of the votes cast at a separate meeting of the holders of the shares of that class.

***Amendment of Governing Documents.*** Under the Delaware General Corporation Law, a corporation's governing documents may be amended with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. As permitted by the Companies Act, our post-offering amended and restated memorandum and articles of association may only be amended with a special resolution of our shareholders.

***Rights of Non-resident or Foreign Shareholders.*** There are no limitations imposed by our post-offering amended and restated memorandum and articles of association on the rights of non-resident or foreign shareholders to hold or exercise voting rights on our shares. In addition, there are no provisions in our post-offering amended and restated memorandum and articles of association governing the ownership threshold above which shareholder ownership must be disclosed.

### **History of Securities Issuances**

On March 11, 2021, we issued one ordinary share to Charlotte Cloete, a representative of the registered office provider in the Cayman Islands, who transferred same to Exceptional Engineering Limited on the same day, of which, Mr. Chan Ming Dave, our Chairman of the board of directors and Chief Executive Officer, is the sole shareholder and director. On April 16, 2021, we issued 949 ordinary shares to Exceptional Engineering Limited. On April 29, 2021, we issued 25 ordinary shares to Mr. Koo Lon Tien and 25 ordinary shares to Ms. Chan Wai Ling.

On February 27, 2023, we issued 8,550 ordinary shares to Exceptional Engineering Limited and 450 ordinary shares to Mr. Koo Lin Tien. On the same day, Ms. Chan Wai Ling transferred her entire interest in the Company to Mr. Koo Lon Tien. In February and March 2023, Exceptional Engineering Limited and Mr. Koo Lon Tien also effectuated a series of share transfers. On June 20, 2023, we issued an aggregate of 11,990,000 ordinary shares to the existing shareholders of the Company. Upon completion of the abovementioned share issuance and share transfers, Mr. Chan Ming Dave owns 75.14% equity interests of our company, through Exceptional Engineering Limited and DC & Partners Incorporation Limited. Minority shareholders own 24.86% of the Company in total. Other than Mr. Chan Ming Dave, the members of management body own an aggregate of 8.06% of the Company, among which, Mr. Koo Lon Tien owns 4.36%, Mr. Kong Wing Fai owns 1.00%, Mr. Au Yeung Wai Kit, Mr. Kong Wai Lun, Ms. Kwong Hoi Lam, and Mr. Leung Yuet Wai each owns 0.40%, respectively, Mr. Chu Hon Wai, Mr. Liu Chun Ming and Mr. Ng Chi Keung each owns 0.30%, respectively, and Ms. Chan Shuk Jing Connie, Mr. Chot Kin Tak Alfred each owns 0.10%, respectively.

### **Listing**

We have applied to have our ordinary shares listed on the Nasdaq Capital Market under the symbol “SUGP.” We cannot guarantee that we will be successful in listing our ordinary shares on the Nasdaq Capital Market; however, we will not complete this offering unless we are so listed.

### **Transfer Agent and Registrar**

The transfer agent and registrar for our ordinary shares is Transshare Corporation. The transfer agent and registrar’s address is Bayside Center 1, 17755 US Highway 19 N, Suite 140, Clearwater, Florida 33764.

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### **SHARES ELIGIBLE FOR FUTURE SALE**

Prior to this offering, there was no established public trading market for our ordinary shares. We cannot assure you that a liquid trading market for our ordinary shares will develop on Nasdaq or be sustained after this offering. Future sales of substantial amounts of ordinary shares in the public market, or the perception that such sales may occur, could adversely affect the market price of our ordinary shares. Further, since a large number of our ordinary shares will not be available for sale shortly after this offering because of the contractual and legal restrictions on resale described below, sales of substantial amounts of our ordinary shares in the public market after these restrictions lapse, or the perception that such sales may occur, could adversely affect the prevailing market price and our ability to raise equity capital in the future.

Upon completion of this offering and assuming the issuance of 1,250,000 ordinary shares offered hereby, we will have an aggregate of 13,250,000 ordinary shares outstanding. Upon completion of this offering

and assuming the exercise of the underwriters' option to purchase additional shares and the issuance of 1,437,500 ordinary shares offered hereby, we will have an aggregate of 13,437,500 ordinary shares outstanding. All of the ordinary shares sold in this offering will be freely transferable by persons other than our "affiliates" without restriction or further registration under the Securities Act. Sales of substantial amounts of our ordinary shares in the public market could adversely affect prevailing market prices of our ordinary shares.

### **Lock-Up Agreements**

We, our directors and officers, and shareholders beneficially owning 5% or more of our ordinary shares have agreed, subject to some exceptions, not to transfer or dispose of, directly or indirectly, any of our ordinary shares, or any securities convertible into or exchangeable or exercisable for our ordinary shares, for a period of six (6) months from the closing of this offering. After the expiration of the six (6) months period, the ordinary shares held by our directors, officers and our existing shareholders may be sold subject to the restrictions under Rule 144 under the Securities Act or by means of registered public offerings.

### **Regulation S**

Regulation S under the Securities Act provides an exemption from registration requirements in the United States for offers and sales of securities that occur outside the United States. Rule 903 of Regulation S provides the conditions to the exemption for a sale by an issuer, a distributor, their respective affiliates or anyone acting on their behalf, while Rule 904 of Regulation S provides the conditions to the exemption for a resale by persons other than those covered by Rule 903. In each case, any sale must be completed in an offshore transaction, as that term is defined in Regulation S, and no directed selling efforts, as that term is defined in Regulation S, may be made in the United States.

We are a foreign issuer as defined in Regulation S. As a foreign issuer, securities that we sell outside the United States pursuant to Regulation S are not considered to be restricted securities under the Securities Act, and are freely tradable without registration or restrictions under the Securities Act, unless the securities are held by our affiliates. Generally, subject to certain limitations, holders of our restricted shares who are not our affiliates or who are our affiliates solely by virtue of their status as an officer or director of us may, under Regulation S, resell their restricted shares in an "offshore transaction" if none of the seller, its affiliate nor any person acting on their behalf engages in directed selling efforts in the United States and, in the case of a sale of our restricted shares by an officer or director who is an affiliate of us solely by virtue of holding such position, no selling commission, fee or other remuneration is paid in connection with the offer or sale other than the usual and customary broker's commission that would be received by a person executing such transaction as agent. Additional restrictions are applicable to a holder of our restricted shares who will be an affiliate of us other than by virtue of his or her status as an officer or director of us.

We are not claiming the potential exemption offered by Regulation S in connection with the offering of newly issued shares outside the United States and will register all of the newly issued shares under the Securities Act.

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**Rule 144**

All of our ordinary shares outstanding prior to this offering are “restricted shares” as that term is defined in Rule 144 under the Securities Act and may be sold publicly in the United States only if they are subject to an effective registration statement under the Securities Act or pursuant to an exemption from the registration requirements. Under Rule 144 as currently in effect, a person who has beneficially owned our restricted shares for at least six months is generally entitled to sell the restricted securities without registration under the Securities Act beginning 90 days after the date of this prospectus, subject to certain additional restrictions.

Our affiliates may sell within any three-month period a number of restricted shares that does not exceed the greater of the following:

- 1% of the then outstanding ordinary shares of the same class, which will equal approximately 1,325,000 ordinary shares immediately after this offering assuming the option to purchase additional shares is not exercised and 134,375 ordinary shares assuming the option to purchase additional shares is exercised in full; or
- the average weekly trading volume of our ordinary shares on Nasdaq during the four calendar weeks preceding the date on which notice of the sale is filed with the SEC.

Affiliates who sell restricted securities under Rule 144 may not solicit orders or arrange for the solicitation of orders, and they are also subject to notice requirements and the availability of current public information about us.

Persons who are not our affiliates are only subject to one of these additional restrictions, the requirement of the availability of current public information about us, and this additional restriction does not apply if they have beneficially owned our restricted shares for more than one year.

**Rule 701**

In general, under Rule 701 of the Securities Act as currently in effect, each of our employees, consultants or advisors who purchases our ordinary shares from us in connection with a compensatory stock or option plan or other written agreement relating to compensation is eligible to resell such ordinary shares 90 days after we became a reporting company under the Exchange Act in reliance on Rule 144, but without compliance with some of the restrictions, including the holding period, contained in Rule 144. However,

these shares would remain subject to lock-up arrangements and would only become eligible for sale when the lock-up period expires.

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## TAXATION

*The following discussion of material Cayman Islands, Hong Kong and U.S. federal income tax consequences of an investment in our ordinary shares is based upon laws and relevant interpretations thereof in effect as of the date of this prospectus, all of which are subject to change. This discussion does not deal with all possible tax consequences relating to an investment in our ordinary shares, such as the tax consequences under state, local and other tax laws. Unless otherwise noted in the following discussion, to the extent that the discussion relates to matters of Hong Kong tax law, it represents the opinion of Watson Farley & Williams LLP; to the extent that the discussion relates to matters of Cayman Islands tax law, it represents the opinion of Conyers Dill & Pearman, to the extent the discussion relates to the matters of U.S. tax law, it represents the opinion of Ellenoff Grossman & Schole LLP.*

### **Cayman Islands Taxation**

The following is a discussion on certain Cayman Islands income tax consequences of an investment in our securities. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Payments of dividends and capital in respect of our securities will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of a dividend or capital to any holder of the securities nor will gains derived from the disposal of the securities be subject to Cayman Islands income or corporation tax.

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the Government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or brought within, the jurisdiction of the Cayman Islands. The Cayman Islands is a party to a double tax treaty entered with the United Kingdom in 2010 but is otherwise not party to any double tax treaties applicable to any payments made to or by our company. There are no exchange control regulations or currency restrictions in the Cayman Islands. No stamp duty is payable in respect of the issue of our securities or on an instrument of transfer in respect of our securities.

### **Hong Kong Taxation**



The taxation of income and capital gains of holders of ordinary shares is subject to the laws and practices of Hong Kong and of jurisdictions in which holders of ordinary shares are resident or otherwise subject to tax. The following summary of certain relevant taxation provisions under Hong Kong laws is based on current law and practice, is subject to changes therein and does not constitute legal or tax advice. The discussion does not deal with all possible tax consequences relating to an investment in the ordinary shares. Accordingly, each prospective investor (particularly those subject to special tax rules, such as banks, dealers, insurance companies, tax-exempt entities and holders of 10% or more of our voting capital stock) should consult its own tax advisor regarding the tax consequences of an investment in the ordinary shares. The discussion is based upon laws and relevant interpretations thereof in effect as of the date of this prospectus, all of which are subject to change. There is no reciprocal tax treaty in effect between Hong Kong and the United States.

### ***Tax on Dividends***

Under the current practices of the Inland Revenue Department of the Hong Kong Government, no tax is payable in Hong Kong in respect of dividends paid by us as a company incorporated in Cayman Islands.

### ***Profits Tax***

Entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% for assessable profits earned in Hong Kong before April 1, 2018. Starting from the financial year commencing on April 1, 2018, the two-tiered profits tax regime took effect, under which the tax rate is 8.25% for assessable profits of the first HK\$2.0 million and 16.5% for any assessable profits in excess of HK\$2.0 million.

Our Group's Hong Kong subsidiaries are subject to Hong Kong profits tax on their assessable profits as reported in their statutory financial statements adjusted in accordance with relevant Hong Kong tax laws. For one of these subsidiaries, the first HK\$2.0 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%, while for other subsidiaries, the entire assessable profits are taxed at 16.5%.

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### **Certain U.S. Federal Income Tax Considerations**

The following discussion is a summary of U.S. federal income tax considerations generally applicable to U.S. Holders (as defined below) of the ownership and disposition of our ordinary shares. This summary applies only to U.S. Holders that hold our ordinary shares as capital assets (generally, property held for investment) and that have the U.S. dollar as their functional currency. This summary is based on U.S. federal tax laws in effect as of the date of this prospectus, on U.S. Treasury regulations in effect or, in some cases, proposed as of the date of this prospectus, and judicial and administrative interpretations

thereof available on or before such date. All of the foregoing authorities are subject to change, which could apply retroactively and could affect the tax consequences described below. No ruling has been sought from the IRS with respect to any U.S. federal income tax considerations described below, and there can be no assurance that the IRS or a court will not take a contrary position. Moreover, this summary does not address the U.S. federal estate, gift, backup withholding, and alternative minimum tax considerations, or any state, local, and non-U.S. tax considerations, relating to the ownership and disposition of our ordinary shares. The following summary does not address all aspects of U.S. federal income taxation that may be important to particular investors in light of their individual circumstances or to persons in special tax situations such as:

- financial institutions or financial services entities;
- insurance companies;
- pension plans;
- cooperatives;
- regulated investment companies;
- real estate investment trusts;
- broker-dealers;
- traders that elect to use a mark-to-market method of accounting;
- governments or agencies or instrumentalities thereof;
- certain former U.S. citizens or long-term residents;
- tax-exempt entities (including private foundations);
- persons liable for alternative minimum tax;
- persons holding stock as part of a straddle, hedging, conversion or other integrated transaction;
- persons whose functional currency is not the U.S. dollar;
- passive foreign investment companies;
- controlled foreign corporations;
- taxpayers subject to the applicable financial statement accounting rules under Section 451(b) of the U.S. Internal Revenue Code;
- persons that actually or constructively own 5% or more of the total combined voting power of all classes of our voting stock; or

- partnerships or other entities taxable as partnerships for U.S. federal income tax purposes, or persons holding ordinary shares through such entities.

**PROSPECTIVE INVESTORS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS REGARDING THE APPLICATION OF U.S. FEDERAL TAXATION TO THEIR PARTICULAR CIRCUMSTANCES, AND THE STATE, LOCAL, NON-U.S., OR OTHER TAX CONSEQUENCES OF THE OWNERSHIP AND DISPOSITION OF OUR ORDINARY SHARES.**

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For purposes of this discussion, a “U.S. Holder” is a beneficial owner of our ordinary shares that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized in the United States or under the laws of the United States, any state thereof or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust that (1) is subject to the primary supervision of a court within the United States and the control of one or more U.S. persons for all substantial decisions, or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

If a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of our ordinary shares, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. Partnerships holding our ordinary shares and their partners are urged to consult their tax advisors regarding an investment in our ordinary shares.

***Taxation of Dividends and Other Distributions on Our Ordinary Shares***

Subject to the discussion below under “Passive Foreign Investment Company Rules,” any cash distributions (including the amount of any PRC tax withheld) paid on our ordinary shares out of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles, will generally be includible in the gross income of a U.S. Holder as dividend income on the day actually or constructively received by the U.S. Holder. Because we do not intend to determine our earnings and profits on the basis of U.S. federal income tax principles, any distribution we pay will generally be treated as a “dividend” for U.S. federal income tax purposes. A non-corporate U.S. Holder will be subject to tax on dividend income from a “qualified foreign corporation” at a lower applicable capital gains rate rather

than the marginal tax rates generally applicable to ordinary income provided that certain holding period requirements are met. A non-U.S. corporation (other than a corporation that is classified as a PFIC for the taxable year in which the dividend is paid or the preceding taxable year) will generally be considered to be a qualified foreign corporation (i) if it is eligible for the benefits of a comprehensive tax treaty with the United States that the U.S. Secretary of Treasury determines is satisfactory for purposes of this provision and includes an exchange of information program, or (ii) with respect to any dividend it pays on stock that is readily tradable on an established securities market in the United States, including Nasdaq. It is unclear whether dividends that we pay on our ordinary shares will meet the conditions required for the reduced tax rate. However, in the event that we are deemed to be a PRC resident enterprise under the PRC Enterprise Income Tax Law, we may be eligible for the benefits of the United States-PRC income tax treaty. If we are eligible for such benefits, dividends we pay on our ordinary shares, would be eligible for the reduced rates of taxation described in this paragraph. You are urged to consult your tax advisor regarding the availability of the lower rate for dividends paid with respect to our ordinary shares. Dividends received on our ordinary shares will not be eligible for the dividends-received deduction allowed to corporations.

Dividends will generally be treated as income from foreign sources for U.S. foreign tax credit purposes and will generally constitute passive category income. Depending on the U.S. Holder's individual facts and circumstances, a U.S. Holder may be eligible, subject to a number of complex limitations, to claim a foreign tax credit not in excess of any applicable treaty rate in respect of any foreign withholding taxes imposed on dividends received on our ordinary shares. A U.S. Holder who does not elect to claim a foreign tax credit for foreign tax withheld may instead claim a deduction, for U.S. federal income tax purposes, in respect of such withholding, but only for a year in which such U.S. Holder elects to do so for all creditable foreign income taxes. The rules governing the foreign tax credit are complex and their outcome depends in large part on the U.S. Holder's individual facts and circumstances. Accordingly, U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

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***Taxation of Sale or Other Disposition of Ordinary Shares***

Subject to the discussion below under "Passive Foreign Investment Company Rules," a U.S. Holder will generally recognize capital gain or loss upon the sale or other disposition of ordinary shares in an amount equal to the difference between the amount realized upon the disposition and the U.S. Holder's adjusted tax basis in such ordinary shares. Any capital gain or loss will be long term if the ordinary shares have been held for more than one year and will generally be U.S.-source gain or loss for U.S. foreign tax credit purposes. Long-term capital gains of non-corporate taxpayers are currently eligible for reduced rates of taxation. In the event that gain from the disposition of the ordinary shares is subject to tax in the PRC,

such gain may be treated as PRC-source gain under the United States-PRC income tax treaty. The deductibility of a capital loss may be subject to limitations. U.S. Holders are urged to consult their tax advisors regarding the tax consequences if a foreign tax is imposed on a disposition of our ordinary shares, including the availability of the foreign tax credit under their particular circumstances.

### ***Passive Foreign Investment Company Rules***

A non-U.S. corporation, such as our company, will be classified as a PFIC, for U.S. federal income tax purposes for any taxable year, if either (i) 75% or more of its gross income for such year consists of certain types of “passive” income or (ii) 50% or more of the value of its assets (determined on the basis of a quarterly average) during such year is attributable to assets that produce or are held for the production of passive income. For this purpose, cash and cash equivalents are categorized as passive assets and the company’s goodwill and other unbooked intangibles are taken into account as non-passive assets. Passive income generally includes, among other things, dividends, interest, rents, royalties, and gains from the disposition of passive assets. We will be treated as owning a proportionate share of the assets and earning a proportionate share of the income of any other corporation in which we own, directly or indirectly, more than 25% (by value) of the stock.

Based on our current composition of assets, subsidiaries and market capitalization (which will fluctuate from time to time), we do not expect to be or become a PFIC for U.S. federal income tax purposes. However, no assurance can be given in this regard because the determination of whether we will be or become a PFIC is a factual determination made annually that will depend, in part, upon the composition of our income and assets. Furthermore, the composition of our income and assets may also be affected by how, and how quickly, we use our liquid assets and the cash raised in this offering. Under circumstances where our revenue from activities that produce passive income significantly increase relative to our revenue from activities that produce non-passive income, or where we determine not to deploy significant amounts of cash for active purposes, our risk of becoming classified as a PFIC may substantially increase. In addition, because there are uncertainties in the application of the relevant rules, it is possible that the IRS may challenge our classification of certain income and assets as non-passive or our valuation of our tangible and intangible assets, each of which may result in our becoming a PFIC for the current or subsequent taxable years. If we were classified as a PFIC for any year during which a U.S. Holder held our ordinary shares, we generally would continue to be treated as a PFIC for all succeeding years during which such U.S. Holder held our ordinary shares even if we cease to be a PFIC in subsequent years, unless certain elections are made.

If we are classified as a PFIC for any taxable year during which a U.S. Holder holds our ordinary shares, and unless the U.S. Holder makes a mark-to-market election (as described below), the U.S. Holder will generally be subject to special tax rules that have a penalizing effect, regardless of whether we remain a PFIC, on (i) any excess distribution that we make to the U.S. Holder (which generally means any distribution paid during a taxable year to a U.S. Holder that is greater than 125 percent of the average annual distributions paid in the three preceding taxable years or, if shorter, the U.S. Holder’s holding

period for the ordinary shares), and (ii) any gain realized on the sale or other disposition of ordinary shares. Under these rules,

- the U.S. Holder's gain or excess distribution will be allocated ratably over the U.S. Holder's holding period for the ordinary shares;
- the amount allocated to the current taxable year and any taxable years in the U.S. Holder's holding period prior to the first taxable year in which we are classified as a PFIC (each, a "pre-PFIC year"), will be taxable as ordinary income;
- the amount allocated to each prior taxable year, other than a pre-PFIC year, will be subject to tax at the highest tax rate in effect for individuals or corporations, as appropriate, for that year; and
- an additional tax equal to the interest charge generally applicable to underpayments of tax will be imposed in respect of the tax attributable to each prior taxable year, other than a pre-PFIC year, of the U.S. Holder.

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If we are treated as a PFIC for any taxable year during which a U.S. Holder holds our ordinary shares, or if any of our subsidiaries is also a PFIC, such U.S. Holder would be treated as owning a proportionate amount (by value) of the shares of any lower-tier PFICs for purposes of the application of these rules. U.S. Holders are urged to consult their tax advisors regarding the application of the PFIC rules to any of our subsidiaries.

As an alternative to the foregoing rules, a U.S. Holder of "marketable stock" in a PFIC may make a mark-to-market election with respect to such stock, provided that such stock is "regularly traded" within the meaning of applicable U.S. Treasury regulations. If our ordinary shares qualify as being regularly traded, and an election is made, the U.S. Holder will generally (i) include as ordinary income for each taxable year that we are a PFIC the excess, if any, of the fair market value of ordinary shares held at the end of the taxable year over the adjusted tax basis of such ordinary shares and (ii) deduct as an ordinary loss the excess, if any, of the adjusted tax basis of the ordinary shares over the fair market value of such ordinary shares held at the end of the taxable year, but such deduction will only be allowed to the extent of the amount previously included in income as a result of the mark-to-market election. The U.S. Holder's adjusted tax basis in the ordinary shares would be adjusted to reflect any income or loss resulting from the mark-to-market election. If a U.S. Holder makes a mark-to-market election in respect of a corporation classified as a PFIC and such corporation ceases to be classified as a PFIC, the U.S. Holder will not be required to take into account the gain or loss described above during any period that such corporation is not classified as a PFIC. If a U.S. Holder makes a mark-to-market election, any gain such U.S. Holder recognizes upon the sale or other disposition of our ordinary shares in a year when we are a PFIC will be

treated as ordinary income and any loss will be treated as ordinary loss, but such loss will only be treated as ordinary loss to the extent of the net amount previously included in income as a result of the mark-to-market election.

Because a mark-to-market election cannot be made for any lower-tier PFICs that we may own, a U.S. Holder may continue to be subject to the PFIC rules with respect to such U.S. Holder's indirect interest in any investments held by us that are treated as an equity interest in a PFIC for U.S. federal income tax purposes.

Furthermore, as an alternative to the foregoing rules, a U.S. Holder that owns stock of a PFIC generally may make a "qualified electing fund" election regarding such corporation to elect out of the PFIC rules described above regarding excess distributions and recognized gains. However, we do not intend to provide information necessary for U.S. Holders to make qualified electing fund elections which, if available, would result in tax treatment different from the general tax treatment for PFICs described above.

If a U.S. Holder owns our ordinary shares during any taxable year that we are a PFIC, the U.S. Holder must generally file an annual IRS Form 8621 and provide such other information as may be required by the U.S. Treasury Department, whether or not a mark-to-market election is or has been made. If we are or become a PFIC, you should consult your tax advisor regarding any reporting requirements that may apply to you.

You should consult your tax advisors regarding how the PFIC rules apply to your investment in our ordinary shares.

### ***Non-U.S. Holders***

Cash dividends paid or deemed paid to a Non-U.S. Holder with respect to the ordinary shares generally will not be subject to U.S. federal income tax unless such dividends are effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, are attributable to a permanent establishment or fixed base that such holder maintains or maintained in the United States).

In addition, a Non-U.S. Holder generally will not be subject to U.S. federal income tax on any gain attributable to a sale or other taxable disposition of the ordinary shares unless such gain is effectively connected with its conduct of a trade or business in the United States (and, if required by an applicable income tax treaty, is attributable to a permanent establishment or fixed base that such holder maintains or maintained in the United States) or the Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of such sale or other disposition and certain other conditions are met (in which case, such gain from U.S. sources generally is subject to U.S. federal income tax at a 30% rate or a lower applicable tax treaty rate).

Cash dividends and gains that are effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States (and, if required by an applicable income tax treaty, are attributable to a permanent establishment or fixed base that such holder maintains or maintained in the United States) generally will be subject to regular

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U.S. federal income tax at the same regular U.S. federal income tax rates as applicable to a comparable U.S. Holder and, in the case of a Non-U.S. Holder that is a corporation for U.S. federal income tax purposes, may also be subject to an additional branch profits tax at a 30% rate or a lower applicable tax treaty rate.

***Information Reporting and Backup Withholding***

Certain U.S. Holders are required to report information to the IRS relating to an interest in "specified foreign financial assets," including shares issued by a non-U.S. corporation, for any year in which the aggregate value of all specified foreign financial assets exceeds \$50,000 (or a higher dollar amount prescribed by the IRS), subject to certain exceptions (including an exception for shares held in custodial accounts maintained with a U.S. financial institution). These rules also impose penalties if a U.S. Holder is required to submit such information to the IRS and fails to do so.

In addition, dividend payments with respect to our ordinary shares and proceeds from the sale, exchange or redemption of our ordinary shares may be subject to additional information reporting to the IRS and possible U.S. backup withholding. Backup withholding will not apply, however, to a U.S. Holder who furnishes a correct taxpayer identification number and makes any other required certification on IRS Form W-9 or who is otherwise exempt from backup withholding. U.S. Holders who are required to establish their exempt status generally must provide such certification on IRS Form W-9. U.S. Holders are urged to consult their tax advisors regarding the application of the U.S. information reporting and backup withholding rules.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against your U.S. federal income tax liability, and you may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the IRS and furnishing any required information. We do not intend to withhold taxes for individual shareholders. However, transactions effected through certain brokers or other intermediaries may be subject to withholding taxes (including backup withholding), and such brokers or intermediaries may be required by law to withhold such taxes.

**THE PRECEDING DISCUSSION OF U.S. FEDERAL TAX CONSIDERATIONS IS FOR GENERAL INFORMATION PURPOSES ONLY. IT IS NOT TAX ADVICE. EACH**



**PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR REGARDING THE PARTICULAR U.S. FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF PURCHASING, HOLDING AND DISPOSING OF OUR ORDINARY SHARES, INCLUDING THE CONSEQUENCES OF ANY PROPOSED CHANGE IN APPLICABLE LAWS.**

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## **UNDERWRITING**

The Benchmark Company, LLC (“Benchmark”) is serving as representative of the underwriters named below, with respect to our ordinary shares subject to this offering. Subject to the terms and conditions in the underwriting agreement, we have agreed to sell to the underwriters, and each underwriter has, severally and not jointly, agreed to purchase from us on a firm commitment basis, the respective number of our ordinary shares set forth opposite its name in the table below:

<b>Underwriters</b>	<b>Number of Shares</b>
The Benchmark Company, LLC	
<b>Total</b>	

The underwriting agreement provides that the obligation of the underwriters to purchase all of our ordinary shares being offered to the public is subject to approval of legal matters by counsel and the satisfaction of other conditions. For example, conditions include, among others, the continued accuracy of representations and warranties made by us in the underwriting agreement, delivery of legal opinions and the absence of any material changes in our assets, business or prospects after the date of this prospectus. The underwriters are obligated to purchase all of the shares in this offering, if they purchase any of our shares.

Benchmark has advised us that the underwriters propose to offer the ordinary shares directly to the public at the initial public offering price listed on the cover page of this prospectus and to selected dealers, who may include the underwriters, at the initial public offering price less a selling concession not in excess of \$     per ordinary share. The underwriters may offer the shares through one or more of their affiliates or selling agents. Upon execution of the underwriting agreement, the underwriters will be obligated to purchase the shares at the prices and upon the terms stated therein. If all of the shares are not sold at the initial public offering price, the underwriters may change the offering price and the other selling terms.

Pursuant to the underwriting agreement, we have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments which the underwriters or other indemnified parties may be required to make in respect of any such liabilities.

### **Pricing of the Offering**

Prior to this offering, there has been no public market for our ordinary shares. The initial public offering price was determined by negotiations between us and Benchmark. In determining the initial public offering price, we and Benchmark considered a number of factors including:

- the information set forth in this prospectus and otherwise available to Benchmark;
- our history and prospects and the history and prospects for the industry in which we compete;
- an assessment of our management;
- our past and present financial performance;
- our prospects for future earnings and the present state of our development;
- the general condition of the securities markets at the time of this offering;
- the recent market prices of, and demand for, publicly traded common stock or ordinary shares of generally comparable companies; and
- other factors deemed relevant by the underwriters and us.

Neither we nor the underwriters can assure investors that an active trading market will develop for our ordinary shares, or that the shares will trade in the public market at or above the initial public offering price.

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### **Underwriting Discount and Expenses**

The underwriting discount is equal to the initial public offering price per share, less the amount paid by the underwriters to us per share. The underwriting discount was determined through an arms' length negotiation between us and the underwriters.

The following table provides information regarding the amount of the underwriting discounts to be paid to the underwriters by us. Such amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional shares.

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**Total**

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	<b>Per Share</b>	<b>Without Option to Purchase Additional Shares</b>	<b>With Option to Purchase Additional Shares</b>
Public offering price	US\$	US\$	US\$
Underwriting discounts <sup>(1)(2)</sup>	US\$	US\$	US\$
Proceeds to us, before expenses <sup>(2)</sup>	US\$	US\$	US\$

- (1) Represents underwriting discount and commissions equal to (i) seven percent (7.0%) per share, which is the underwriting discount we have agreed to pay on investors in this offering introduced by the underwriters; and (ii) four percent (4.0%) per share, which is the underwriting discount we have agreed to pay on investors in this offering introduced by us. For the purpose of this calculation only, we assume 100% investors in this offering are introduced by the underwriters with no exercise of the over-allotment.
- (2) We have also agreed to pay the underwriters a non-accountable expense allowance of 0.5% of the gross proceeds of the offering. We estimate that the total expenses, but excluding underwriting discounts and commissions and the 0.5% non-accountable expense allowance, will be approximately US\$1.7 million, all of which are payable by us. This figure includes expense reimbursements we have agreed to pay the representative for reimbursement of its expenses related to the offering up to a maximum aggregate expense allowance of US\$132,500 (including background checks of our senior management in an amount not to exceed US\$7,500), for which we have paid a US\$25,000 advance, which will be returned to us to the extent not offset by actual expenses in accordance with FINRA Rule 5110(g)(4)(A). We have also agreed that the maximum amount of legal fees, costs and expenses incurred by the underwriters' counsel that we shall be responsible for shall not exceed US\$100,000.

### **Option to Purchase Additional Shares**

We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus to purchase, from time to time, in whole or in part, up to an aggregate of 187,500 shares from us at the public offering price set forth on the cover page of this prospectus, less underwriting discounts and commissions. If the underwriters exercise this option, each underwriter will be obligated, subject to specified conditions, to purchase a number of additional shares proportionate to that underwriter's initial purchase commitment as indicated in the table above. This option may be exercised only if the underwriters sell more shares than the total number set forth on the cover page of this prospectus.

### **Representative's Warrants**

We have agreed to issue to Benchmark or its designees, at the closing of this offering, warrants to purchase up to a total of 71,875 ordinary shares (5% of the number of ordinary shares sold in this offering).

The Representative's Warrants will be exercisable at any time, and from time to time, in whole or in part, during the four and a half-year period commencing six months from the effective date of the offering, which period shall not extend further than five years from the effective date of the offering in compliance with FINRA Rule 5110(g)(8)(A). The Representative's Warrants are exercisable at a per share price equal to 100% of the public offering price per share in the offering. The Representative's Warrants have been deemed compensation by FINRA and are therefore subject to a 180-day lock-up pursuant to Rule 5110(e)(1) of FINRA. Benchmark (or permitted assignees under Rule 5110(e)(1)) will not sell, transfer, assign, pledge, or hypothecate these warrants or the securities underlying these warrants, nor will they engage in any hedging, short sale, derivative, put, or call transaction that would result in the effective economic disposition of the warrants or the underlying securities for a period of 180 days from the date of this prospectus. The Representative's Warrants will provide for cashless exercise and customary anti-dilution provisions (for share

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dividends, splits and recapitalizations and the like) consistent with FINRA Rule 5110, and the number of shares underlying the Representative's Warrants shall be reduced, or the exercise price increased, if necessary, to comply with FINRA rules or regulations.

#### **Right of First Refusal**

We have also granted Benchmark a right of first refusal for a period of six months after the date this offering is completed, to act as lead or joint-lead investment banker, lead or joint book-runner and/or lead or joint placement agent, for every future public and private equity and debt offering, including all equity linked financings, during such six month period, of the Company, or any successor to or any subsidiary of the Company, on terms customary terms to Benchmark.

#### **Tail Period**

For a period of three months from the termination of our engagement agreement with Benchmark, in the event that we receive any proceeds from the private sale of securities to certain investors with whom we had a conference call or meeting arranged by Benchmark during the term of the engagement agreement, we have agreed to pay to Benchmark a cash fee equal to 7.0% of such gross proceeds.

#### **Lock-Up Agreements**

Pursuant to certain "lock-up" agreements, we, our executive officers and directors, and shareholders beneficially owning more than 5% of our outstanding ordinary shares on a fully diluted basis (including shares underlying options, warrants and convertible securities) have agreed, subject to certain exceptions, not to offer, sell, assign, transfer, pledge, contract to sell, or otherwise dispose of or announce the intention to otherwise dispose of, or enter into any swap, hedge or similar agreement or arrangement that

transfers, in whole or in part, the economic risk of ownership of, directly or indirectly, engage in any short selling of any ordinary shares or securities convertible into or exchangeable or exercisable for any ordinary shares, whether currently owned or subsequently acquired, without the prior written consent of the representative, for a period of six (6) months from the date of this prospectus.

### **Stock Exchange**

We have applied to listed our ordinary shares on the Nasdaq Capital Market under the symbol “SUGP.”

### **Stabilization**

In connection with this offering, the underwriters may engage in activities that stabilize, maintain or otherwise affect the price of our ordinary shares during and after this offering, including:

- stabilizing transactions;
- short sales;
- purchases to cover positions created by short sales;
- imposition of penalty bids; and
- syndicate covering transactions.

Stabilizing transactions consist of bids or purchases made for the purpose of preventing or retarding a decline in the market price of our ordinary shares while this offering is in progress. Stabilization transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. These transactions may also include making short sales of our ordinary shares, which involve the sale by the underwriters of a greater number of ordinary shares than they are required to purchase in this offering and purchasing our ordinary shares on the open market to cover short positions created by short sales.

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The underwriters may close out any covered short position by purchasing shares in the open market. In making this determination, the underwriters will consider, among other things, the price of shares available for purchase in the open market. A short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of our ordinary shares in the open market that could adversely affect investors who purchased in this offering.

The underwriters also may impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because Benchmark has repurchased shares sold by or for the account of that underwriter in stabilizing or short covering transactions.

These stabilizing transactions, short sales, purchases to cover positions created by short sales, the imposition of penalty bids and syndicate covering transactions may have the effect of raising or maintaining the market price of our ordinary shares or preventing or retarding a decline in the market price of our ordinary shares. As a result of these activities, the price of our ordinary shares may be higher than the price that otherwise might exist in the open market. The underwriters may carry out these transactions on the Nasdaq Capital Market, in the over-the-counter market or otherwise. Neither we nor the underwriters make any representation or prediction as to the effect that the transactions described above may have on the price of the shares. Neither we, nor any of the underwriters make any representation that the underwriters will engage in these stabilization transactions or that any transaction, once commenced, will not be discontinued without notice.

### **Affiliations**

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. The underwriters and their affiliates may from time to time in the future engage with us and perform services for us or in the ordinary course of their business for which they will receive customary fees and expenses. In the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of us. The underwriters and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of these securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in these securities and instruments.

### **Electronic Offer, Sale and Distribution of Securities**

A prospectus in electronic format may be made available on the websites maintained by one or more of the underwriters or selling group members. Benchmark may agree to allocate a number of shares to underwriters and selling group members for sale to their online brokerage account holders. Internet distributions will be allocated by the underwriters and selling group members that will make internet distributions on the same basis as other allocations. Other than the prospectus in electronic format, the information on these websites is not part of, nor incorporated by reference into, this prospectus or the registration statement of which this prospectus forms a part, has not been approved or endorsed by us, and should not be relied upon by investors.

### **Notice to Investors**

#### ***Notice to Prospective Investors in Canada***

Our ordinary shares may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are “accredited investors,” as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the ordinary shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities

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legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

### ***Notice to Prospective Investors in the European Economic Area and the United Kingdom***

In relation to the Member States of the European Economic Area and the United Kingdom (each, a Relevant State), no offer of our ordinary shares which are the subject of the offering contemplated by this prospectus to the public may be made in that Relevant State other than:

- to any legal entity that is a “qualified investor” as defined in the Prospectus Regulation;
- to fewer than 150 natural or legal persons (other than “qualified investors” as defined in the Prospectus Regulation), subject to obtaining the prior consent of the relevant representative or representatives nominated by us for any such offer; or
- in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of our ordinary shares described in this prospectus shall result in a requirement for the publication of a prospectus, by us or any of the underwriters, pursuant to Article 3 of the Prospectus Regulation.

Each purchaser of our ordinary shares described in this prospectus located within a Relevant State will be deemed to have represented, acknowledged and agreed that (1) it is a “qualified investor” within the

meaning of the Prospectus Regulation; and (2) in the case of any of our ordinary shares acquired by it as a financial intermediary as that term is used in Article 5(1) of the Prospectus Regulation, each such financial intermediary will be deemed to have represented, acknowledged and agreed that the ordinary shares acquired by it in the offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer to the public other than their offer or resale in a Relevant State to qualified investors, as that term is defined in the Prospectus Regulation, or in circumstances in which the prior consent of the underwriters has been given to the offer or resale; or where our ordinary shares have been acquired by it on behalf of persons in any Relevant State other than qualified investors, the offer of those ordinary shares to it is not treated under the Prospectus Regulation as having been made to such persons.

For purposes of this provision, the expression an “offer to the public” in relation to our ordinary shares in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and the ordinary shares to be offered so as to enable an investor to decide to purchase or subscribe to the shares and the expression “Prospectus Regulation” means Regulation (EU) 2017/1129.

We and the underwriters have not authorized and do not authorize the making of any offer of our ordinary shares through any financial intermediary on their behalf, other than offers made by the underwriters with a view to the final placement of the shares as contemplated in this prospectus. Accordingly, no purchaser of our ordinary shares, other than the underwriters, is authorized to make any further offer of the shares on behalf of us or the underwriters.

References to the Prospectus Regulation includes, in relation to the UK, the Prospectus Regulation as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018.

The above selling restriction is in addition to any other selling restrictions set out below.

***Additional Notice to Prospective Investors in the United Kingdom***

The communication of this prospectus and any other document or materials relating to the issue of our ordinary shares offered hereby is not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the United Kingdom’s Financial Services and Markets Act 2000, as amended (the FSMA). Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial

promotion is only being made to those persons in the United Kingdom who have professional experience in matters relating to investments and who fall within the definition of investment professionals (as



defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, or the Financial Promotion Order), or who fall within Article 49(2)(a) to (d) of the Financial Promotion Order, or who are any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as “relevant persons”). In the United Kingdom, our ordinary shares offered hereby are only available to, and any investment or investment activity to which this prospectus relates will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on this prospectus or any of its contents.

Any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) in connection with the issue or sale of our ordinary shares may only be communicated or caused to be communicated in circumstances in which Section 21(1) of the FSMA does not apply to us.

All applicable provisions of the FSMA must be complied with in respect to anything done by any person in relation to our ordinary shares in, from or otherwise involving the United Kingdom.

#### ***Notice to Prospective Investors in Hong Kong***

Our ordinary shares may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), (ii) to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder or (iii) in other circumstances which do not result in the document being a “prospectus” within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), and no advertisement, invitation or document relating to our ordinary shares may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to our ordinary shares which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder.

#### ***Notice to Prospective Investors in Japan***

No registration pursuant to Article 4, paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) (the FIEL) has been made or will be made with respect to the solicitation of the application for the acquisition of our ordinary shares.

Accordingly, our ordinary shares have not been, directly or indirectly, offered or sold and will not be, directly or indirectly, offered or sold in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration

requirements, and otherwise in compliance with, the FIEL and the other applicable laws and regulations of Japan.

*For Qualified Institutional Investors (QII)*

Please note that the solicitation for newly-issued or secondary securities (each as described in Paragraph 2, Article 4 of the FIEL) in relation to our ordinary shares constitutes either a “QII only private placement” or a “QII only secondary distribution” (each as described in Paragraph 1, Article 23-13 of the FIEL). Disclosure regarding any such solicitation, as is otherwise prescribed in Paragraph 1, Article 4 of the FIEL, has not been made in relation to our ordinary shares. Our ordinary shares may only be transferred to QIIs.

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*For Non-QII Investors*

Please note that the solicitation for newly-issued or secondary securities (each as described in Paragraph 2, Article 4 of the FIEL) in relation to our ordinary shares constitutes either a “small number private placement” or a “small number private secondary distribution” (each as is described in Paragraph 4, Article 23-13 of the FIEL). Disclosure regarding any such solicitation, as is otherwise prescribed in Paragraph 1, Article 4 of the FIEL, has not been made in relation to our ordinary shares. Our ordinary shares may only be transferred en bloc without subdivision to a single investor.

***Notice to Prospective Investors in Singapore***

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of our ordinary shares may not be circulated or distributed, nor may our ordinary shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the SFA), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where our ordinary shares are subscribed or purchased under Section 275 by a relevant person which is: (i) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (ii) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries’ rights and interest in that trust shall not be transferable

for 6 months after that corporation or that trust has acquired our ordinary shares under Section 275 except: (a) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (b) where no consideration is given for the transfer; or (c) by operation of law.

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**EXPENSES RELATING TO THIS OFFERING**

Set forth below is an itemization of the total expenses, excluding underwriting discounts and commissions, that we expect to incur in connection with this offering. With the exception of the SEC registration fee, the Nasdaq listing fee and the filing fee payable to FINRA, all amounts are estimates.

SEC Registration Fee	US\$	1,114
Nasdaq Listing Fee	US\$	50,000
FINRA Filing Fee	US\$	2,225
Legal Fees and Expenses	US\$	652,817
Accounting Fees and Expenses	US\$	500,500
Printing and Engraving Expenses	US\$	38,500
Miscellaneous Expenses	US\$	437,260
Total	US\$	<u>1,682,416</u>

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**LEGAL MATTERS**

We are being represented by Ellenoff Grossman & Schole LLP, New York, with respect to certain legal matters as to U.S. federal securities and New York State law. The validity of the ordinary shares offered by this prospectus and legal matters as to Cayman Islands law will be passed upon for us by Conyers Dill & Pearman. Legal matters as to Hong Kong law will be passed upon for us by Watson Farley & Williams LLP, and certain legal matters as to PRC law will be passed upon for us by Han Kun Law Offices. Ellenoff Grossman & Schole LLP may rely upon Conyers Dill & Pearman with respect to matters governed by Cayman Islands law, Watson Farley & Williams LLP with respect to matters governed by Hong Kong law, and Han Kun Law Offices with respect to matters governed by PRC law. Nelson Mullins Riley & Scarborough LLP, Washington, D.C. is acting as U.S. counsel for the underwriters.

**EXPERTS**

The consolidated financial statements as of September 30, 2021 and 2022, for each of the two years then ended included in this prospectus have been so included in reliance on the report of Marcum Asia, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

The registered business address of Marcum Asia is 7 Penn Plaza, Suite 830, New York, NY 10001.

#### WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form F-1 under the Securities Act with respect to the ordinary shares described herein. This prospectus, which constitutes part of the registration statement, does not include all of the information contained in the registration statement. You should refer to the registration statement and its exhibits for additional information. Whenever we make reference in this prospectus to any of our contracts, agreements or other documents, the references are not necessarily complete and you should refer to the exhibits attached to the registration statement for copies of the actual contract, agreement or other document. We anticipate making these documents publicly available, free of charge, on our website at [www.sugroup.com.hk](http://www.sugroup.com.hk) as soon as reasonably practicable after filing such documents with the SEC. The information on our website is not incorporated by reference into this prospectus and should not be considered to be a part of this prospectus. We have included our website address as an inactive textual reference only.

You can read the registration statement and our future filings with the SEC, over the Internet at the SEC's website at <http://www.sec.gov>.

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**SU GROUP HOLDINGS LIMITED  
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS**

	As of September 30, 2022	As of March 31, 2023	As of March 31, 2023
	HK\$	HK\$	US\$
<b>Assets</b>			
Current assets			
Cash and cash equivalents	25,185,630	22,785,529	2,902,763
Short-term investments	—	1,000,000	127,395
Trade receivables, net	23,696,180	42,977,883	5,475,169
Inventories	22,692,161	17,519,158	2,231,854
Prepaid expenses and other current assets	973,791	1,488,723	189,657
Contract assets	4,653,025	5,518,543	703,035
Amounts due from related parties	22,810	—	—
Prepaid income tax	—	572,145	72,888
<b>Total current assets</b>	<b>77,223,597</b>	<b>91,861,981</b>	<b>11,702,761</b>

<b>Non-current assets</b>			
Property and equipment, net	10,723,617	9,566,024	1,218,664
Intangible assets, net	229,880	187,380	23,871
Goodwill	1,271,160	1,271,160	161,939
Deferred offering expenses	1,571,254	1,770,619	225,568
Operating lease right-of-use assets, net	1,449,859	2,206,551	281,104
Investment in key management insurance policy	1,065,480	1,157,520	147,462
Deferred tax assets	1,242	6,411	817
<b>Total non-current assets</b>	<b>16,312,492</b>	<b>16,165,665</b>	<b>2,059,425</b>
<b>TOTAL ASSETS</b>	<b>93,536,089</b>	<b>108,027,646</b>	<b>13,762,186</b>

#### **LIABILITIES AND SHAREHOLDERS' EQUITY**

<b>Current liabilities</b>			
Trade payables	3,174,806	17,776,138	2,264,592
Notes payables	2,931,934	2,825,856	360,000
Other payables	2,365,624	2,515,607	320,476
Amount due to a related party	195,958	—	—
Accrued payroll and welfare	8,797,841	9,094,474	1,158,591
Operating lease liabilities – current	541,118	885,442	112,801
Income tax payable	2,446,138	360,915	45,979
Contract liabilities	27,225,278	18,670,883	2,378,578
<b>Total current liabilities</b>	<b>47,678,697</b>	<b>52,129,315</b>	<b>6,641,017</b>

#### **Non-current liabilities**

Operating lease liabilities – non-current	38,000	461,468	58,789
Other payables – non-current	1,433,190	1,118,529	142,495
Deferred tax liabilities	1,768,737	1,571,600	200,214
Other liabilities	956,388	982,922	125,219
<b>Total non-current liabilities</b>	<b>4,196,315</b>	<b>4,134,519</b>	<b>526,717</b>
<b>Total liabilities</b>	<b>51,875,012</b>	<b>56,263,834</b>	<b>7,167,734</b>

#### **Commitments and contingencies**

## Shareholders' equity

Ordinary shares (par value of HK\$0.01 per share; 750,000,000 ordinary shares authorized and 12,000,000 and 12,000,000 ordinary shares issued and outstanding as of September 30, 2022 and March 31, 2023, respectively.)*	120,000	120,000	15,287
Shares subscription receivables*	(119,990)	(119,990)	(15,286)
Additional paid-in capital	8,000,000	9,680,709	1,233,274
Retained earnings	32,085,133	42,083,093	5,361,177
<b>Total SU Group Holdings Limited shareholders' equity</b>	<b>40,085,143</b>	<b>51,763,812</b>	<b>6,594,452</b>
<b>Non-controlling interests</b>	<b>1,575,934</b>	<b>—</b>	<b>—</b>
<b>Total shareholders' equity</b>	<b>41,661,077</b>	<b>51,763,812</b>	<b>6,594,452</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>93,536,089</b>	<b>108,027,646</b>	<b>13,762,186</b>

\* Retrospectively restated for effect of the nominal issuance of shares effected on February 27, 2023 and June 20, 2023 (Note 13).

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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### SU GROUP HOLDINGS LIMITED UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	For the Six Months Ended March 31,		
	2022	2023	2023
	HK\$	HK\$	US\$
Revenues	69,902,840	97,043,825	12,362,901
Cost of revenues	(48,608,333)	(71,545,676)	(9,114,563)
<b>Gross profit</b>	<b>21,294,507</b>	<b>25,498,149</b>	<b>3,248,338</b>
<b>Operating expenses</b>			
Selling, general and administrative expenses	(16,565,629)	(13,835,332)	(1,762,553)
Losses on disposal of property and equipment	(624,907)	(802,010)	(102,172)





<b>Balance as of</b>								
<b>September 30, 2021</b>	12,000,000	120,000	(119,990)	8,000,000	32,322,456	40,322,466	1,128,837	41,451,303
Net income	—	—	—	—	2,783,544	2,783,544	142,587	2,926,131
<b>Balance as of March 31,</b>								
<b>2022</b>	12,000,000	120,000	(119,990)	8,000,000	35,106,000	43,106,010	1,271,424	44,377,434
<b>Total SU Group</b>								
	<b>Ordinary shares*</b>		<b>Shares subscription</b>	<b>Additional paid-in capital</b>	<b>Retained earnings</b>	<b>Holdings Limited shareholders' equity</b>	<b>Non-controlling interest</b>	<b>Total shareholders' equity</b>
	<b>Share</b>	<b>Amount</b>	<b>receivables*</b>	<b>capital</b>	<b>earnings</b>	<b>equity</b>	<b>interest</b>	<b>equity</b>
		<b>HK\$</b>	<b>HK\$</b>	<b>HK\$</b>	<b>HK\$</b>	<b>HK\$</b>	<b>HK\$</b>	<b>HK\$</b>
<b>Balance as of</b>								
<b>September 30, 2022</b>	12,000,000	120,000	(119,990)	8,000,000	32,085,133	40,085,143	1,575,934	41,661,077
Net income	—	—	—	—	9,997,960	9,997,960	105,775	10,103,735
Repurchase of non-controlling interest	—	—	—	1,680,709	—	1,680,709	(1,681,709)	(1,000)
<b>Balance as of</b>								
<b>March 31, 2023</b>	12,000,000	120,000	(119,990)	9,680,709	42,083,093	51,763,812	—	51,763,812
<b>Balance as of</b>								
<b>March 31, 2023</b>								
<b>(US\$)</b>		15,287	(15,286)	1,233,274	5,361,177	6,594,452	—	6,594,452

\* Retrospectively restated for effect of the nominal issuance of shares effected on February 27, 2023 and June 20, 2023 (Note 13).

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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**SU GROUP HOLDINGS LIMITED**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>For the Six Months Ended March 31,</b>		
	<b>2022</b>	<b>2023</b>	<b>2023</b>
	<b>HK\$</b>	<b>HK\$</b>	<b>US\$</b>

<b>Cash flows from operating activities:</b>			
Net income	2,926,131	10,103,735	1,287,166
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Change in fair value of investment in key management insurance policy	(37,868)	(44,108)	(5,619)
Depreciation of property and equipment	1,120,835	1,018,583	129,762
Amortization of intangible assets	40,083	42,500	5,414
Amortization of operating lease right-of-use assets	815,925	498,383	63,492
Provision for allowance for doubtful accounts	30,000	—	—
Deferred taxes	(248,108)	(202,306)	(25,773)
Losses on disposal of property and equipment	624,907	802,010	102,172
Foreign exchange gains – unrealized	(6,309)	(143,164)	(18,238)
Changes in operating assets and liabilities			
Inventories	(1,010,448)	5,173,003	659,015
Trade receivables	9,009,093	(19,060,518)	(2,428,215)
Prepaid expenses and other current assets	(934,716)	(762,229)	(97,104)
Contract assets	681,629	(1,086,703)	(138,441)
Trade and notes payables	2,493,417	14,473,377	1,843,836
Other payables, accrued payroll and welfare	(3,737,271)	131,955	16,810
Contract liabilities	(8,508,846)	(8,554,395)	(1,089,787)
Operating lease liabilities	(804,824)	(487,283)	(62,077)
Other liabilities	6,030	26,534	3,380
Prepaid income tax	—	(572,145)	(72,888)
Income tax payable	(1,991,980)	(2,085,223)	(265,647)
<b>Net cash provided by (used in) operating activities</b>	<b>467,680</b>	<b>(727,994)</b>	<b>(92,742)</b>
<b>Cash flows from investing activities:</b>			
Purchases of property and equipment	(103,000)	(663,000)	(84,463)
Repurchase of non-controlling interest	—	(1,000)	(127)
Placement of short-term investments	—	(1,000,000)	(127,395)
Purchases of intangible assets	(145,000)	—	—
<b>Net cash used in investing activities</b>	<b>(248,000)</b>	<b>(1,664,000)</b>	<b>(211,985)</b>

<b>Cash flows from financing activities:</b>			
Payments to related parties	(1,290)	(431,634)	(54,988)
Payments by related parties	225,030	258,486	32,930
<b>Net cash provided by (used in) financing activities</b>	<b>223,740</b>	<b>(173,148)</b>	<b>(22,058)</b>
Effect of exchange rate changes	10,812	165,041	21,024
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>454,232</b>	<b>(2,400,101)</b>	<b>(305,761)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>31,080,973</b>	<b>25,185,630</b>	<b>3,208,524</b>
<b>Cash and cash equivalents at end of the period</b>	<b>31,535,205</b>	<b>22,785,529</b>	<b>2,902,763</b>

<b>Supplemental disclosure of cash flow information:</b>			
Interest expense paid	21,165	16,881	2,150
Income tax paid	3,595,884	4,633,028	590,225

<b>Supplemental non-cash investing and financing information:</b>			
Operating lease right-of-use assets obtained in exchange for operating lease obligations	878,321	1,255,075	159,890

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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**SU GROUP HOLDINGS LIMITED**  
**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL**  
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**NOTE 1. ORGANIZATION AND PRINCIPAL ACTIVITIES**

SU Group Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) are principally engaged in the provision of security-related engineering services, and security guarding and screening services in Hong Kong Special Administrative Region (“Hong Kong”) of the People’s Republic of China.

The Company was incorporated under the law of Cayman Islands as an exempted company with limited liability on March 11, 2021. The registered office of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

SU Group Investment Limited (“SU Investment”), which is 100% owned by the Company, was incorporated in British Virgin Islands (the “BVI”) on November 21, 2019. SU Investment is an investment holding company with no operations.

Shine Union Limited (“Shine Union”), which was incorporated on January 2, 1998 in Hong Kong, has been 100% owned by SU Investment since December 11, 2019. It is engaged in providing security-related engineering services.

Fortune Jet Management & Training Co. Limited (“Fortune Jet”), which was incorporated on February 13, 2015 in Hong Kong, has been 90% owned by SU Investment since December 9, 2019. It is engaged in providing security guarding and screening services.

On March 1, 2023, the non-controlling shareholder of Fortune Jet transferred its 10.0% equity interest in Fortune Jet to SU Investment at a consideration of HK\$1,000. After the transfer, Fortune Jet is 100% owned by SU Investment.

### ***Reorganization***

In anticipation of an initial public offering (“IPO”) of its equity securities, the Company undertook a reorganization (the “Reorganization”). Since December 2019, SU Investment became the holding company of Shine Union and Fortune Jet. Effective on April 16, 2021, upon the transfer of all equity ownership of SU Investment to the Company, it became the ultimate holding company of SU Investment, Shine Union and Fortune Jet, which were all controlled by the same shareholder before and after the Reorganization.

The consolidation of the Company and its subsidiaries has been accounted for at historical cost and prepared on the basis as if the Reorganization had become effective as of the beginning of the first period presented in the accompanying unaudited condensed consolidated financial statements. Results of operations for the periods presented comprise those of the previously separate entities combined from the beginning of the period to the end of the period, eliminating the effects of intra-entity transactions.

## **NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

### **(a) Basis of presentation**

The accompanying unaudited condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) pursuant to the rules and regulations of the Securities Exchange Commission. The interim information included in this Form F-1 should be read in conjunction with the annual information included in this Form F-1 for the years ended September 30, 2021 and 2022.

In the opinion of management, all adjustments (which include normal recurring adjustments) necessary to present a fair presentation of the financial position of the Group, its results of operations and its cash flows, as applicable, have been made. Interim results are not necessarily indicative of results to be expected for the full year.

**(b) Principal of consolidation**

The unaudited condensed consolidated financial statements include the financial statements of the Company and all the subsidiaries of the Company. All transactions and balances among the Company and its subsidiaries have been eliminated upon consolidation. A subsidiary is an entity in which the Company, directly or indirectly, controls more

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**SU GROUP HOLDINGS LIMITED**  
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**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (cont.)**

than one half of the voting powers; or has the power to appoint or remove the majority of the members of the board of directors; or to cast a majority of votes at the meeting of directors; or has the power to govern the financial and operating policies of the investee under a statute or agreement among the shareholders or equity holders.

Non-controlling interests represent the portion of the net assets of a subsidiary attributable to interests that are not entitled by the Company. The non-controlling interest is presented in the unaudited condensed consolidated balance sheets, separately from equity attributable to the shareholders of the Group. Non-controlling interest's operating result is presented in the unaudited condensed consolidated statements of income as an allocation of the total profit or loss for the year between non-controlling shareholders and the shareholders of the Group.

**(c) Foreign currency translation and transactions**

The Company uses Hong Kong dollars ("HK\$") as its reporting currency. The functional currency of the Company and its subsidiaries is HK\$, based on the criteria of Accounting Standards codification ("ASC") Topic 830, Foreign Currency Matters.

Transactions denominated in currencies other than the functional currency are translated into the functional currency at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional

currency using the applicable exchange rates at end of the reporting period. The resulting exchange differences are recorded in the unaudited condensed consolidated statements of income.

In the unaudited condensed consolidated financial statements, the financial information of the Company and its subsidiaries with functional currency other than HK\$ has been translated into HK\$ using the exchange rate at the end of the reporting period for assets and liabilities and average exchange rate for the years for income and expense items. The equity denominated in the functional currency other than HK\$ is translated at the historical rate of exchange at the time of capital contribution.

No foreign currency translation adjustments were made for the six months ended March 31, 2022 and 2023.

**(d) Convenience translation**

The unaudited condensed consolidated financial statements as of and for the six months ended March 31, 2023 have been translated into U.S. dollars (“US\$”) solely for the convenience of the readers. The translation has been made at the rate of US\$1.00 = HK\$7.8496, representing the close rate on March 31, 2023 as set forth in the statistical release of Yahoo.com. No representation is made that the HK\$ amounts represent or could have been, or could be, converted, realized or settled into US\$ at that rate, or at any other rates.

**(e) Use of estimates and assumptions**

The preparation of the unaudited condensed consolidated financial statements in conformity with U.S. GAAP requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenues and expenses during the reporting periods.

Estimates are adjusted to reflect actual experience when necessary. Significant accounting estimates reflected in the Group’s unaudited condensed consolidated financial statements include allowance for doubtful accounts related to trade receivables, allowance for inventories, the useful lives of property and equipment, impairment assessment for goodwill and long-lived assets, the discount rates for leases and the impairment assessment, revenue recognition, deferred tax, and uncertain tax positions. The use of estimates is an integral component of the financial reporting process. Actual results could differ from those estimates.

## **NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (cont.)**

### **(f) Fair values of financial instruments**

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. When available, the Group uses quoted market prices to determine the fair value of an asset or liability. If quoted market prices are not available, the Group will measure fair value using valuation techniques that use, when possible, current market-based or independently sourced market parameters, such as interest rates and exchange rates. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs.

Fair value measurements are based on a fair value hierarchy, based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value which are the following:

Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group has the ability to access at the measurement date.

Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted market prices for similar assets and liabilities; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3 — Unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

Financial assets and liabilities of the Group primarily consist of cash and cash equivalents, trade receivables, deposits and other receivables included in prepaid expenses and other current assets, amounts due from related parties, investment in key management insurance policy, trade payables, notes payables, other payables, amount due to a related party, and other liabilities. The carrying amounts of cash and cash equivalents, trade receivables, deposits and other receivables included in prepaid expenses and other current assets, amounts due from related parties, trade payables, notes payables, other payables, amount due to a related party, and other liabilities approximate their fair values due to the short-term maturities. Investment in key management insurance policy is measured at fair value using unobservable inputs which is positively correlated to the surrender cash value and categorized in Level 3 of the fair value hierarchy.

### **(g) Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, and other short-term and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**(h) Short-term investments**

Short-term investments consist primarily of investments in fixed deposits with original maturities between three months and one year.

**(i) Trade receivables, net**

Trade receivables, net are stated at the original amount less an allowance for doubtful accounts. Trade receivables are recognized in the period when the Group has delivered goods or rendered services to its customers and when the right to consideration is unconditional. The amounts due are stated at their net estimated realizable value. The credit terms are generally between 0 to 90 days. In establishing the required allowance for doubtful accounts, management considers historical collection experience, aging of the receivables, the economic environment, industry trend analysis, and the credit history and financial conditions of the customers. Management reviews its receivables on a regular basis to determine if the allowance is adequate, and adjusts the allowance when necessary. Delinquent account balances are written off against allowance for doubtful accounts after management has determined that the likelihood of collection is not probable.

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**SU GROUP HOLDINGS LIMITED**  
**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL**  
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**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (cont.)**

**(j) Inventories**

Inventories consist of spare parts and other materials and work-in-progress. Spare parts and other materials primarily comprise of components and parts for the security systems. Work-in-progress primarily comprises of certain costs incurred for installation of security systems that will be sold to customers, which are partially installed and have yet to meet the criteria for revenue recognition.

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the moving weighted average method and in the case of work-in-progress, comprises raw materials and other direct costs. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to disposal.



Where there is evidence that the utility of inventories, in their disposal in the ordinary course of business, will be less than cost, whether due to physical deterioration, obsolescence, changes in price levels, or other causes, the inventories are written down to net realizable value. No write-down of inventories was made for the six months ended March 31, 2022 and 2023.

**(k) Prepaid expenses and other current assets**

Prepaid expenses and other current assets are mainly prepaid insurance, deposits for utilities and items in daily operations, and employee advances. These amounts are refundable and bear no interest. Management reviews its prepaid expenses and other current assets on a regular basis to determine if the allowance is adequate, and adjusts the allowance when necessary. Management continues to evaluate the reasonableness of the allowance policy and update it if necessary.

**(l) Related party**

A related party may be any of the following: a) an affiliate, which is a party that directly or indirectly controls, is controlled by, or is under common control with an entity; b) a principal owner, owner of record or known beneficial owner of more than 10% of the voting interest of an entity; c) management, which are persons having responsibility for achieving objectives of the entity and requisite authority to make decision; d) immediate family of management or principal owners; e) a parent company and its subsidiaries; and f) other parties that have ability to significantly influence the management or operating policies of the entity. The Group discloses all significant related party transactions.

**(m) Property and equipment, net**

Property and equipment, net is stated at historical cost less accumulated depreciation and impairment, if any. Cost represents the purchase price of the asset and other costs incurred to bring the asset into its intended use. Depreciation is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Items	Useful life
Building	25 years
Leasehold improvements	Shorter of the lease terms or the estimated useful lives
Motor vehicles	4 years
Furniture, fixtures and equipment	5 years
Equipment for leasing	8 years

The cost and related accumulated depreciation of assets sold or otherwise retired are eliminated from the accounts and any gain or loss is included in the unaudited condensed consolidated statements of income. Expenditures for maintenance and repairs are charged to unaudited condensed consolidated statements of income as incurred, while additions, renewals and betterments, which are expected to extend the useful lives of assets, are capitalized. The Group also re-evaluates the periods of depreciation to determine whether subsequent events and circumstances warrant revised estimates of useful lives.

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**SU GROUP HOLDINGS LIMITED**  
**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL**  
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**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (cont.)**

**(n) Intangible assets, net**

Indefinite-lived intangible assets are tested for impairment at least annually and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Indefinite-lived intangible assets are impaired if their estimated fair values are less than their carrying values.

Finite-lived intangible assets are carried at cost less accumulated amortization and impairment if any. The finite-lived intangible assets are amortized over their estimated useful lives, which are the period over which the assets are expected to contribute directly or indirectly to the future cash flows of the Group. These intangible assets are tested for impairment at the time of a triggering event, if one were to occur. Finite-lived intangible assets may be impaired when the estimated undiscounted future cash flows generated from the assets are less than their carrying amounts.

The Group may rely on a qualitative assessment when performing impairment test for its intangible asset. Otherwise, the impairment evaluation is performed at the lowest level of identifiable cash flows independent of other assets.

The Group's intangible assets mainly represented computer software. Computer software is classified as finite-lived intangible assets and amortized over its useful life of 5 years.

**(o) Goodwill**

Goodwill represents the excess of the consideration paid of an acquisition over the fair value of the net identifiable assets of the acquired subsidiaries at the date of acquisition. Goodwill is not amortized and is tested for impairment at least annually, or more often when circumstances indicate that impairment may have occurred. Goodwill is carried at cost less accumulated impairment. If impairment exists, goodwill is immediately written off to its fair value and the loss is recognized in the unaudited condensed consolidated statements of income. Impairment losses on goodwill are not reversed.

The Group reviews the carrying value of intangible assets not subject to amortization, including goodwill, to determine whether impairment may exist annually or more frequently if events and circumstances indicate that it is more likely than not that an impairment has occurred. The Group has the opinion to assess qualitative factors to determine whether it is necessary to perform the two-step in accordance with

ASC Topic 350, Intangibles — Goodwill and Other. If the Group believes, as a result of the qualitative assessment, that it is more likely than not that the fair value of the reporting unit is less than its carrying amount, the two-step quantitative impairment test described below is required. The first step compares the fair value of a reporting unit to its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill is not considered to be impaired and the second step will not be required. If the carrying amount of the reporting unit exceeds its fair value, the second step compares the implied fair value of goodwill to the carrying value of a reporting unit's goodwill. The implied fair value of goodwill is determined in a manner similar to accounting for a business acquisition with the allocation of the assessed fair value determined in the first step to the assets and liabilities of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to the assets and liabilities is the implied fair value of goodwill. Estimating fair value is performed by utilizing various valuation techniques, with the primary technique being discounted cash flows.

No impairment of goodwill was made for the six months ended March 31, 2022 and 2023.

**(p) Deferred offering expenses**

The Group capitalizes certain underwriting, legal, professional, and other third-party fees that are directly related to the IPO, as deferred offering expenses until such IPO is consummated. Upon consummation of the IPO, these fees will be recorded in the stockholders' equity as a reduction of additional paid-in capital generated from the offering. In the event the offering is aborted, deferred offering costs will be expensed. The Group recorded HK\$1,571,254 and HK\$1,770,619 as deferred offering expenses under non-current assets in the unaudited condensed consolidated balance sheets as of September 30, 2022 and March 31, 2023, respectively.

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**SU GROUP HOLDINGS LIMITED**  
**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL**  
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**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (cont.)**

**(q) Investment in key management insurance policy**

The Group invests in a key management insurance policy which is a life insurance policy. The key management insurance policy is initially recognized at the amount of premium paid, and subsequently measured at the end of each reporting period at the cash surrender value that could be realized under the insurance policy, which is primarily based on the guaranteed cash value stated on the annual statement from the insurance company. Changes to the cash surrender value at the end of each reporting period will be recognized in other income or other expenses in the unaudited condensed consolidated statements of

income. Any gain or loss on the derecognition of the investment in the event of death of the insured person, the surrender of the policy, or upon the maturity of the policy, will be recognized in other income or other expenses in the unaudited condensed consolidated statements of income.

**(r) Impairment for long-lived assets**

Long-lived assets such as property and equipment are evaluated for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be fully recoverable or that the useful life is shorter than that the Group had originally estimated. When these events occur, the Group evaluates the impairment for the long-lived asset by comparing the carrying value of the asset to an estimate of future undiscounted cash flows expected to be generated from the use of the asset and its eventual disposition. If the sum of the expected future undiscounted cash flows is less than the carrying value of the asset, the Group recognizes an impairment loss based on the excess of the carrying value of the asset over the fair value of the asset.

No impairment of long-lived assets was recognized for the six months ended March 31, 2022 and 2023.

**(s) Notes payables**

Notes payables represent outstanding bills with bank, mainly consist of outstanding letter of credit, import bills acceptance, and trust receipt. Notes payables are non-interest bearing and generally mature within six months.

**(t) Commitments and contingencies**

In the normal course of business, the Group is subject to commitments and contingencies, including operating lease commitments, legal proceedings and claims arising out of its business that relate to a wide range of matters, such as government investigations and tax matters. The Group recognizes a liability for such contingency if it determines that it is probable that a loss will occur and a reasonable estimate of the loss can be made. The Group may consider many factors in making these assessments on liability for contingencies, including historical and the specific facts and circumstances of each matter.

**(u) Revenue recognition**

The Group recognized its revenue under ASC Topic 606, Revenue from Contracts with Customers (“ASC 606”). The core principle underlying the revenue recognition of this Accounting Standards Update (“ASU”) allows the Group to recognize revenue that represents the transfer of goods and services to customers in an amount that reflects the consideration to which the Group expects to be entitled in such exchange. This will require the Group to identify contractual performance obligations and determine whether revenue should be recognized at a point in time or over time, based on when control of goods and services transfers to a customer.

To achieve that core principle, the Group applies five-step model to recognize revenue from customer contracts. The five-step model requires the Group to (i) identify the contract with the customer;

(ii) identify the performance obligations in the contract; (iii) determine the transaction price, including variable consideration to the extent that it is probable that a significant future reversal will not occur; (iv) allocate the transaction price to the respective performance obligations in the contract; and (v) recognize revenue when (or as) the Group satisfies the performance obligation.

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**SU GROUP HOLDINGS LIMITED**  
**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL**  
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**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (cont.)**

The Group accounts for a contract with a customer when the contract is committed in writing, the rights of the parties, including payment terms, are identified, the contract has commercial substance, and consideration is probable of substantially collection.

The Group derives its revenues principally from providing security-related engineering services, and security guarding and screening services.

Revenue recognition policies for each type of revenue stream are as follows:

**Security-related engineering services**

The Group offers security-related engineering services to customers, and signs project contracts with them. The contracts typically comprise one or multiple arrangements, such as: i) supplies of security systems and products, provision of installation, and related maintenance services; ii) supplies of security systems and products only; or iii) maintenance services only.

The Group determines whether arrangements are distinct based on whether the customer can benefit from the product or service on its own or together with other resources that are readily available and whether the Group's commitment to transfer the product or service to the customer is separately identifiable from other obligations in the contract.

The Group has identified that the supply of security systems and products with the installation services are a combined performance obligation, as they are interdependent and interrelated services as one promise to the customer. The Group also determines that the related maintenance services are distinct and represent a separate performance obligation.

The transaction price of a contract containing multiple performance obligations is allocated to the separate performance obligations on a relative standalone selling price basis, which is determined using observable inputs, such as standalone sales of the maintenance services and historical contract pricing.

If the standalone selling price is not observable through past transactions, we estimate the standalone selling price taking into account available information such as market conditions and internally approved pricing guidelines related to the performance obligations.

The Group recognizes revenues when (or as) it satisfies the performance obligation by transferring a promised product and/or service to a customer. Revenues from supplying security systems and products and installation services are recognized at a point in time when the legal title and control of the products and services has been transferred, being when the products and services are delivered, and accepted by the customer, there is no unfulfilled obligation that could affect the customers' acceptance of the products and services, and it is highly probable that a significant reversal will not occur. The Group recognizes revenue from the maintenance services ratably over the term of the arrangement, because the customer simultaneously receives and consumes the benefits provided by the Group.

In addition, the Group provides equipment rental services to the customers with use of dedicated security-related systems and equipment for contractual periods. The Group assesses the service for equipment rental arrangements under ASC Topic 842, Leases ("ASC 842"). Revenues are recognized on a straight-line basis over the lease period, usually two to three years.

Customers related to security-related engineering services generally make the payment monthly or quarterly, in accordance with the contract terms, except for the payment related to the supply of security systems and products which is payable upon client's acceptance.

#### **Security guarding and screening services**

The Group enters into contracts with customers to provide security guarding services, by dispatching security guards with corresponding abilities and qualifications on demand, to fulfill the customers' needs such as securing and guarding physical properties by, among other things, conducting 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. The Group also offers security guarding services targeted at crowd coordination and management.

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#### **NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (cont.)**

The Group also enters into contracts with customers to provide security screening services, by dispatching certified screeners to the premises of the customers. The Group's screening services include

the detection of explosives, incendiary devices in air cargo consignment and detection of dangerous goods for safety purpose through the operation of threat detection system by the screeners.

The Group identifies one performance obligation in security guarding and screening services as the contract comprises of a series of distinct services that are substantially the same and have the same pattern of transfer to the customers, which is to provide security guards and screeners in accordance with the demand orders.

Since the customer simultaneously receives and consumes the benefits as the dispatched security guards and screeners perform the services, revenue from security guarding and screening services is recognized over the contractual term, starting from the date that the Group's services are made available to the customers. The contracts have a transaction price that includes a fixed consideration and a variable consideration that is charged based on ad-hoc overtime work demanded, less any deduction due to absence. The considerations are reconciled with customers monthly before billing. For variable considerations, the Group uses the practical expedient that allows it to recognize revenue in the amount to which the Group has a right to invoice.

In addition to the abovementioned security guarding and screening services, the Group also offers various types of related vocational training courses. The fees are usually billed and paid in advance before commencement of the training. Revenues are recognized at the course fees over time during the training course period, usually within several days.

The following table disaggregates the Group's revenue for the six months ended March 31, 2022 and 2023:

	<b>For the Six Months Ended</b>	
	<b>March 31,</b>	
	<b>2022</b>	<b>2023</b>
	<b>HK\$</b>	<b>HK\$</b>
<b><i>By revenue type</i></b>		
Security-related engineering services		
Security systems and products and installations	32,315,859	54,606,010
Security systems maintenance services	5,411,710	6,533,944
Equipment leasing	4,112,171	3,986,920
	<b>41,839,740</b>	<b>65,126,874</b>
Security guarding and screening services		
Security guarding services	17,496,634	24,073,856
Screening services	9,126,275	5,744,266
Related vocational training services	1,440,191	2,098,829

	28,063,100	31,916,951
Total	69,902,840	97,043,825
<b><i>By timing of revenue recognition</i></b>		
<b>Security-related engineering services</b>		
Goods and services transferred at a point in time	26,806,867	49,356,259
Services rendered over time	15,032,873	15,770,615
	41,839,740	65,126,874
<b>Security guarding and screening services</b>		
Goods and services transferred at a point in time	—	—
Services rendered over time	28,063,100	31,916,951
	28,063,100	31,916,951
Total	69,902,840	97,043,825

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**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES** (cont.)

***Contract balances***

Timing of revenue recognition may differ from the timing of invoicing to the customers. Trade receivables represent amounts invoiced when the Group has satisfied its performance obligations and has the unconditional right to payment. Contract assets are primarily unbilled trade receivables that are conditional on something other than the passage of time, and the Group reviews the contract assets for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

As of September 30, 2022 and March 31, 2023, contracts assets amounted to HK\$4,653,025 and HK\$5,518,543, respectively. HK\$2.3 million, or 42.0%, of the contract assets as of March 31, 2023 have been subsequently realized as of the date of this report, and the remaining balance is expected to be utilized within 1 year from March 31, 2023. No provision was made for doubtful accounts of contract assets for the six months ended March 31, 2022 and 2023.



If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers the promised goods or services to the customer, the Group presents the amount as a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer the promised goods to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Contract liabilities were HK\$27,225,278 and HK\$18,670,883 as of September 30, 2022 and March 31, 2023, respectively. Due to the generally short-term duration of the contracts, the majority of the performance obligations are satisfied in the following reporting period. Revenue recognized during the six months ended March 31, 2022 and 2023, respectively, relating to contract liabilities as of October 1, 2021 and 2022 was HK\$15,328,017 and HK\$17,878,100, respectively.

**(v) Cost of revenues**

Cost of revenues mainly consists of cost of goods sold, employee benefit expense of direct labor, depreciation, subcontracting fee, transportation fee, travelling expenses, freight charge, course expenses, sample, uniform, insurance for direct labor, and provision for obsolete inventories.

**(w) Selling, general and administrative expenses**

Selling, general and administrative expenses mainly represented employee benefit expense of sales and administrative staff, rental, depreciation, professional service fees, research and development expenses, and other corporate expenses. Research and development expenses relating to improving development efficiency and quality of the Group's products and services are expensed as incurred. The Group recognized research and development expenses of HK\$181,128 and nil for the six months ended March 31, 2022 and 2023, respectively.

**(x) Employee benefits**

Employee benefits include employees' leave entitlements, bonus entitlements, and pension obligations, other than those expenses arising from basic salaries as a result of services rendered by the Group's employees.

Employees' entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by the employees up to the end of the reporting period. Employee entitlements to sick leave and maternity or paternity leave are not recognized until the time of leave.

Bonus entitlements are recognized as a liability at its expected cost when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

Regarding pension obligations, the Group participates in defined contribution retirement benefit plans which are available to all relevant employees in Hong Kong. These plans are generally funded through payments to schemes established by publicly or privately administered funds. A defined contribution plan is a pension plan under which the

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**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (cont.)**

Group pays contributions on mandatory, contractual or voluntary basis into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee services in the current period. The Group's contributions to the defined contribution plans are expensed.

**(y) Leases**

The Group adopted ASC 842 effective October 1, 2020.

Lease classification for leases under which the Group is a lessor is evaluated at lease commencement and leases not classified as sales-type leases or direct financing leases are classified as operating leases. Leases qualify as sales-type leases if the contract includes either transfer of ownership clauses, certain purchase options, a lease term representing a major part of the economic life of the asset, or the present value of the lease payments and residual guarantees provided by the lessee exceeds substantially all of the fair value of the asset. Additionally, leasing an asset so specialized that it is not deemed to have any value to the Group at the end of the lease term may also result in classification as a sales-type lease. Leases qualify as direct financing leases when the present value of the lease payments and residual value guarantees provided by the lessee and unrelated third parties exceeds substantially all of the fair value of the asset and collection of the payments is probable.

Lease classification for leases under which the Group is a lessee is evaluated at lease commencement as finance or operating leases. Leases qualify as finance leases if the lease transfers ownership of the asset at the end of the lease term, the lease grants an option to purchase the asset that the Group is reasonably certain to exercise, the lease term is for a major part of the remaining economic life of the asset, or the present value of the lease payments exceeds substantially all of the fair value of the asset. Leases that do not qualify as finance leases are deemed to be operating leases. At lease commencement the Group records a lease liability which is measured as the present value of the lease payments and a right-of-use ("ROU") asset which is measured as the amount of the lease liability and any initial direct costs

incurred. The Group applies the rate implicit in the lease, if available, as a discount rate to determine the present value of the lease payments. If the rate implicit in the lease is not known, the Group uses a discount rate reflective of the incremental borrowing rate. In the unaudited condensed consolidated statements of income, operating leases are expensed through rent expense while financing leases are expensed through amortization and interest expense.

*Leases — the Group as lessor*

The Group's lease arrangements are all operating leases which typically have a maturity of 2 to 3 years. Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognized as an expense in the unaudited condensed consolidated statements of income over the lease term on the same basis as equipment leasing income. See Note 2(s) for the accounting policy for revenue from equipment rental services.

*Leases — the Group as lessee*

The Group owns leasehold land in Hong Kong and lease training center, offices, workshops, warehouse, and carparking spaces, which are classified as operating leases in accordance with ASC 842. Under ASC 842, the Group as a lessee is required to recognize the following for all leases (with the exception of short-term leases, usually with initial term of 12 months or less) on the commencement date: (i) lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (ii) ROU asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term.

At the commencement date, the Group recognizes the lease liability at the present value of the lease payments not yet paid, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate for the same term as the underlying lease. The ROU asset is recognized initially at cost, which primarily comprises the initial amount of the lease liability, plus any initial direct costs incurred, consisting mainly of brokerage commissions, less any lease incentives received. All ROU assets are reviewed for impairment annually. There was no impairment for ROU asset as of September 30, 2022 and March 31, 2023.

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**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (cont.)**

The Group elected the practical expedient to account for leases with lease terms which end within twelve months of the initial date of application as a short-term lease. The lease payments for short-term leases are recognized on a straight-line basis over the lease term and variable lease payments in the period in which the obligation for those payments is incurred.

**(z) Income tax**

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax is provided on the basis of net income for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes, in accordance with the regulations of the relevant tax jurisdictions. It is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is accounted for using the asset and liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the unaudited condensed consolidated financial statements and the corresponding tax basis used in the computation of assessable tax profit. In principle, deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilized. Deferred tax is calculated using tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Deferred tax is charged or credited in the profit or loss, except when it is related to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

An uncertain tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded. Penalties and interests incurred related to underpayment of income tax are classified as income tax expense in the period incurred. For the six months ended March 31, 2022 and 2023, the amount of penalties and interests incurred related to underpayment of income tax was nil. Hong Kong Profits Tax returns filed in 2018 to 2022 are subject to examination by any applicable tax authorities.

**(aa) Government grants**

Government grants are recognized at their fair values when there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Grants that compensate the Group for expenses incurred are recognized in other income on the unaudited condensed consolidated statements of income on a systematic basis in the same periods in which the expenses are recognized.

When the grant relates to an asset, the fair value is deducted against the carrying amount of the assets. The Group recognized government grants of HK\$102,000 and HK\$592,091 for the six months ended March 31, 2022 and 2023, respectively.

**(ab) Earnings per share**

Earnings per share (“EPS”) is computed by dividing net income by the weighted average number of ordinary shares outstanding. Diluted EPS presents the dilutive effect on a per share basis of the potential ordinary shares (e.g., convertible securities, options and warrants) as if they had been converted at the beginning of the periods presented, or issuance date, if later. Potential ordinary shares that have an anti-dilutive effect (i.e., those that increase income per share or decrease loss per share) are excluded from the calculation of diluted EPS. For the six months ended March 31, 2022 and 2023, there were no dilutive shares.

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**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (cont.)**

**(ac) Segment reporting**

The Group has organized its continuing operations into two operating segments. The segments reflect the way the Group evaluates its business performance and manages its operations by the Group’s chief operating decision maker (“CODM”) for making decisions, allocating resources and assessing performance. The Group’s CODM has been identified as the chief executive officer, who reviews consolidated results when making decisions about allocating resources and assessing performance of the Group.

The Group has two reportable segments from continuing operations, including security-related engineering services business and security guarding and screening services business. The Group considers a “management approach” concept as the basis for identifying reportable segments. The management approach is based on the way that

management organizes the segments within the Group for making operating decisions, allocating resources, and assessing performance. The Group’s reportable segments are strategic business units that offer different services and are managed separately because each business requires different technology and marketing strategies. As the Group’s long-lived assets are substantially located in the Hong Kong, no geographical segments are presented.

**(ad) Recently issued accounting pronouncements**

In May 2019, the Financial Accounting Standards Board (“FASB”) issued ASU 2019-05, which is an update to ASU 2016-13, Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which introduced the expected credit losses methodology for the measurement of credit losses on financial assets measured at amortized cost basis, replacing the previous incurred loss methodology. The amendments in ASU 2016-13 added ASC 326, Financial Instruments — Credit Losses, and made several consequential amendments to the ASC. ASU 2016-13 also modified the accounting for available-for-sale debt securities, which must be individually assessed for credit losses when fair value is less than the amortized cost basis, in accordance with Subtopic 326-30, Financial Instruments — Credit Losses — Available-for-Sale Debt Securities. The amendments in this ASU address those stakeholders’ concerns by providing an option to irrevocably elect the fair value option for certain financial assets previously measured at amortized cost basis. For those entities, the targeted transition relief will increase comparability of financial statement information by providing an option to align measurement methodologies for similar financial assets. Furthermore, the targeted transition relief also may reduce the costs for some entities to comply with the amendments in ASU 2016-13 while still providing financial statement users with decision-useful information. ASU 2019-05 is effective for the Group for annual and interim reporting periods beginning October 1, 2023 after FASB delayed the effective date for non-public companies with ASU 2019-10. The Group is currently evaluating the impact of this new standard on its unaudited condensed consolidated financial statements and related disclosures.

In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740) Simplifying the Accounting for Income Taxes. The FASB is issuing this ASU as part of its initiative to reduce complexity in accounting standards (the Simplification Initiative). The objective of the Simplification Initiative is to identify, evaluate, and improve areas of U.S. GAAP for which cost and complexity can be reduced while maintaining or improving the usefulness of the information provided to users of financial statements. The specific areas of potential simplification in this ASU were submitted by stakeholders as part of the Simplification Initiative. The amendments are effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Group is currently evaluating the impact ASU 2019-12 will have on the Group’s unaudited condensed consolidated financial statements.

In August 2020, the FASB issued ASU 2020-06, Debt — Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging — Contracts in Entity’s Own Equity (Subtopic 815-40). ASU 2020-06 simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity’s own equity. The ASU is part of the FASB’s simplification initiative, which aims to reduce unnecessary complexity in U.S. GAAP. The ASU is effective for fiscal years beginning after December 15, 2023, and interim

periods within those fiscal years. The Group is currently evaluating the impact ASU 2020-06 will have on the Group's unaudited condensed consolidated financial statements.

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**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (cont.)**

The Group does not believe other recently issued but not yet effective accounting standards, if currently adopted, would have a material effect on the unaudited condensed consolidated balance sheets, unaudited condensed consolidated statements of income and unaudited condensed consolidated statements of cash flows.

**NOTE 3. TRADE RECEIVABLES, NET**

Trade receivables, net consisted of the following:

	As of September 30, 2022	As of March 31, 2023
	HK\$	HK\$
Trade receivables	23,740,180	43,021,883
Allowance for doubtful accounts	(44,000)	(44,000)
	<u>23,696,180</u>	<u>42,977,883</u>

The Group recorded provision for allowance for doubtful accounts of HK\$30,000 and nil for the six months ended March 31, 2022 and 2023, respectively.

Movement of allowance for doubtful accounts is as follows:

	For the Six Months Ended March 31,	
	2022	2023
	HK\$	HK\$
Balance at beginning of the period	14,000	44,000
Provision for allowance for doubtful accounts	30,000	—
Balance at end of the period	<u>44,000</u>	<u>44,000</u>

#### NOTE 4. INVENTORIES

Inventories consisted of the following:

	As of September 30, 2022	As of March 31, 2023
	HK\$	HK\$
Spare parts and other materials	3,803,085	3,581,709
Work-in-progress	18,889,076	13,937,449
	<u>22,692,161</u>	<u>17,519,158</u>

#### NOTE 5. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consisted of the following:

		As of September 30, 2022	As of March 31, 2023
		HK\$	HK\$
Prepaid expenses		238,659	730,551
Advances to staff	(A)	106,523	84,366
Deposits	(B)	628,609	673,806
		<u>973,791</u>	<u>1,488,723</u>

(A) Advances are made to staff for their purchases of miscellaneous consumables in order to perform daily work.

(B) Deposits consist of deposits paid to utility service providers such as power and water supplies, landlords of the leased properties and carparking spaces, and management offices of the leased or owned properties. The deposits are refundable upon termination or expiry of corresponding services and rental.

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#### NOTE 5. PREPAID EXPENSES AND OTHER CURRENT ASSETS (cont.)

No provision was made for doubtful accounts of prepaid expenses and other current assets for the six months ended March 31, 2022 and 2023.



## NOTE 6. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following:

	As of September 30, 2022	As of March 31, 2023
	HK\$	HK\$
Building	565,000	565,000
Leasehold improvements	320,000	320,000
Motor vehicles	1,463,000	1,463,000
Furniture, fixtures and equipment	100,747	100,747
Equipment for leasing	14,491,150	13,823,900
Less: accumulated depreciation	(6,216,280)	(6,706,623)
Property and equipment, net	<u>10,723,617</u>	<u>9,566,024</u>

Depreciation expenses were HK\$1,120,835 and HK\$1,018,583 for the six months ended March 31, 2022 and 2023, respectively.

No impairment loss was made for property and equipment for the six months ended March 31, 2022 and 2023.

During the six months ended March 31, 2022, certain customers who leased the equipment for leasing under operating lease arrangements decided to terminate the leasing arrangements with the Group. This was mainly triggered by the launch of the Pilot Subsidy Scheme for Third-party Logistics Service Providers on October 12, 2020 with a granting budget of HK\$300 million, which subsidizes the procurement of screening equipment including X-ray machines and explosive trace detection equipment adopted under the regulated air cargo screening facilities scheme to encourage the adoption of technology by the logistics sector for enhancing efficiency and productivity. Accordingly, the Group believes that this is a one-time event. The related loss on disposal of equipment for leasing, which was classified as in the security-related engineering services, amounted to HK\$624,907. No such activity occurred during the six months ended March, 31, 2023.

## NOTE 7. INTANGIBLE ASSETS, NET

Intangible assets, net consisted of the following:

	As of September 30, 2022	As of March 31, 2023
	HK\$	HK\$
Computer software	425,000	425,000

Less: accumulated amortization	(195,120)	(237,620)
Intangible assets, net	229,880	187,380

Amortization expenses were HK\$40,083 and HK\$42,500 for the six months ended March 31, 2022 and 2023, respectively.

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**NOTE 7. INTANGIBLE ASSETS, NET (cont.)**

Future estimated amortization expenses are disclosed as follows:

Twelve months ending March 31,	HK\$
2024	85,000
2025	56,463
2026	29,000
2027	16,917
	187,380

No impairment loss was made for intangible assets for the six months ended March 31, 2022 and 2023.

**NOTE 8. INVESTMENT IN KEY MANAGEMENT INSURANCE POLICY**

The Group entered into a key management insurance policy for the founder to secure that the operation of the Group will not be affected by the death and loss of position of the founder. The fair value of the investment in key management insurance policy is determined at end of each reporting period at the cash surrender value that could be realized under the insurance policy, which is primarily based on the guaranteed cash value stated on the annual statement from the insurance company. The fair value measurement of the investment in key management insurance policy has been categorized as Level 3 based on the inputs to the valuation technique used and is positively correlated to the surrender cash value.

	For the Six Months Ended	
	March 31,	
	2022	2023
	HK\$	HK\$

Balance at beginning of the period	979,680	1,065,480
Premium paid	47,932	47,932
Change in fair value recognized in the unaudited condensed consolidated statements of income	37,868	44,108
Balance at end of the period	1,065,480	1,157,520

## NOTE 9. LEASES

### *The Group as lessor*

The Group acts as a lessor of dedicated security-related systems and equipment, and recorded the income from the leases as revenues in the unaudited condensed consolidated statements of income. Equipment leasing income was HK\$4,112,171 and HK\$3,986,920 for the six months ended March 31, 2022 and 2023, respectively.

The leases are classified as operating leases, which have remaining terms of 1 to 27 months. The equipment leasing income is recognized on a straight-line basis over the lease term.

Assets leased under operating leases are included in property and equipment, net in the unaudited condensed consolidated balance sheets and depreciated over its estimated useful life. It had a cost of HK\$14,491,150 and HK\$13,823,900 as of September 30, 2022 and March 31, 2023, respectively, and accumulated amortization associated with these assets was HK\$4,405,042 and HK\$4,794,264 as of September 30, 2022 and March 31, 2023, respectively. Amortization expense for the six months ended March 31, 2022 and 2023 amounted to HK\$941,778 and HK\$917,462, respectively.

There were no variable lease conditions or purchase options.

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## NOTE 9. LEASES (cont.)

### *The Group as lessee*

The Group leases land use rights in Hong Kong, and leases office spaces and warehouse under operating leases with terms ranging from 1 to 2 years. For the lease of land, the Group signed an agreement on November 8, 2007 for leasing the land use rights associated with a parcel of land, on which the Group's

workshop is located. Payments were made upfront to obtain the leased land from the owner with a lease period of 55 years.

The Group considers those termination options that are reasonably certain not to be exercised in the determination of the lease term and initial measurement of ROU assets and lease liabilities. Leases with initial term of 12 months or less are short-term leases not recorded on the unaudited condensed consolidated balance sheets. Lease expenses for short-term leases are recognized on a straight-line basis over the lease term.

The Group's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The table below presents the operating leases related assets and liabilities recorded on the unaudited condensed consolidated balance sheets:

	<b>As of September 30, 2022</b>	<b>As of March 31, 2023</b>
	<b>HK\$</b>	<b>HK\$</b>
Operating lease ROU lease assets, net	1,449,859	2,206,551
Operating lease liabilities – current	541,118	885,442
Operating lease liabilities – non-current	38,000	461,468
	<u>579,118</u>	<u>1,346,910</u>

The weighted average remaining lease terms and discount rates for the operating leases were as follows:

	<b>As of September 30, 2022</b>	<b>As of March 31, 2023</b>
Weighted average remaining lease term (years)	23.65	16.07
Weighted average discount rate	<u>3.96%</u>	<u>3.96%</u>

A summary of lease expenses recognized in the Group's unaudited condensed consolidated statements of income and supplemental cash flow information related to operating leases is as follows:

	<b>For the Six Months Ended March 31,</b>	
	<b>2022</b>	<b>2023</b>
	<b>HK\$</b>	<b>HK\$</b>
Depreciation of operating lease ROU assets	815,925	498,383
Interest of operating lease liabilities	24,175	19,917

Principal elements of lease payments	829,000	507,200
Short-term operating lease expenses	145,888	545,514
Non-cash information:		
Operating lease ROU assets obtained in exchange for operating lease liabilities	878,321	1,255,075

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**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL**  
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**NOTE 9. LEASES (cont.)**

The following is a schedule, by year, of maturities of operating lease liabilities as of March 31, 2023:

Twelve months ended March 31,	HK\$
2024	917,600
2025	467,400
Total lease payments	1,385,000
Less: imputed interest	(38,090)
Present value of operating lease liabilities	1,346,910
Less: operating lease liabilities – non-current	(461,468)
Operating lease liabilities – current	885,442

**NOTE 10. OTHER PAYABLES**

Other payables consisted of the following:

	As of September 30, 2022	As of March 31, 2023
	HK\$	HK\$
Rental deposit received – current	1,470,450	1,740,000
Rental deposit received – non-current	1,433,190	1,118,529
Accrued expenses	339,300	235,607
Listing expenses	540,000	540,000

Others	15,874	—
	3,798,814	3,634,136
Other payables – current	2,365,624	2,515,607
Other payables – non-current	1,433,190	1,118,529
	3,798,814	3,634,136

#### NOTE 11. ACCRUED PAYROLL AND WELFARE

Accrued payroll and welfare consisted of the following:

	As of September 30, 2022	As of March 31, 2023
	HK\$	HK\$
Accrued paid time leave	662,837	702,061
Employees	7,754,233	8,021,621
Mandatory provident fund	380,771	370,792
	8,797,841	9,094,474

#### NOTE 12. LONG-TERM BANK LOANS AND BANKING FACILITIES

On June 24, 2019, the Group entered into a loan agreement with Standard Chartered Bank (Hong Kong) Limited to borrow HK\$2.0 million as working capital for 3 years. The entire amount was drawn down on June 24, 2019 with maturity on June 24, 2022. The loan bears a fixed interest rate of 0.33% per month flat and is guaranteed by the founder of the Company. The loan was early repaid in full on April 22, 2021.

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#### NOTE 12. LONG-TERM BANK LOANS AND BANKING FACILITIES (cont.)

On May 11, 2020, the Group applied for Special 100% Loan Guarantee Business Instalment Loan under SME Financing Guarantee Scheme launched by HKMC Insurance Limited via Standard Chartered Bank (Hong Kong) Limited to borrow HK\$4.0 million as working capital for 3 years. The entire amount was drawn down on June 3, 2020 with maturity on June 3, 2023. The loan bears an interest rate at prime rate

minus 2.5% per annum and is guaranteed by the Hong Kong government and the founder of the Company. The loan was early repaid in full on June 30, 2021.

Interest expense for the long-term bank loans was nil and nil for the six months ended March 31, 2022 and 2023, respectively.

Shine Union entered into a banking facility agreement with CMB Wing Lung Bank Limited, pursuant to which Shine Union is entitled to trade facilities of HK\$20.0 million. The facilities are secured by a property owned by Shine Union and a property jointly owned by the founder of the Company and his family member, and jointly guaranteed by the founder of the Company and his family member (see Note 18). The trade facilities include letter of credit, trust receipt, invoice financing and letter of guarantee. As of September 30, 2022 and March 31, 2023, Shine Union had utilized HK\$2,931,934 and HK\$2,825,856, respectively. The unutilized banking facilities were HK\$17,068,066 and HK\$17,174,144 as of September 30, 2022 and March 31, 2023, respectively. The interest expenses incurred during the six months ended March 31, 2022 and 2023 were HK\$21,165 and HK\$16,881, respectively.

#### **NOTE 13. ORDINARY SHARES**

The Company's authorized share capital is HK\$7,500,000 divided into 750,000,000 ordinary shares of par value HK\$0.01 each. On March 11, 2021 and April 16, 2021, the Company issued 1 and 949 ordinary shares to its then shareholder, respectively. With the effect of resolutions passed by board of directors on February 27, 2023 and June 20, 2023, 9,000 and 11,990,000 ordinary shares were issued with a par value of HK\$0.01, respectively. The issuances were considered as being part of the Reorganization of the Group and was retrospectively applied as if the transaction occurred at beginning of the period presented.

On April 29, 2021, the Company entered into a subscription agreement (the "Subscription Agreement") with its existing shareholder and two investors (together the "Subscribers"). Pursuant to the Subscription Agreement, the Company has allotted and issued 50 shares in aggregate to the Subscribers at a cash consideration of HK\$160,000 per ordinary share. A total of HK\$8.0 million was received by the Company.

Shares subscription receivables represents the receivable for the issuance of ordinary shares of the Company and is reported as a deduction of equity and presented on a retroactive basis. It has no payment terms nor any interest receivable accrual.

#### **NOTE 14. INCOME TAX**

##### *Cayman Islands*

Under the current laws of the Cayman Islands, the Group is not subject to tax on income or capital gains. Additionally, upon payments of dividends to the shareholders, no withholding tax will be imposed.

##### *British Virgin Islands*

Under the current laws of the BVI, an entity incorporated in the BVI are not subject to tax on income or capital gains.

### ***Hong Kong***

In accordance with the relevant tax laws and regulations in Hong Kong, a company with trading activities in Hong Kong is subject to Profits Tax within Hong Kong at the applicable tax rate on its assessable profits. In March 2018, the Hong Kong government introduced a two-tiered Profits Tax rate regime by enacting the Inland Revenue (Amendment) (No.3) Ordinance 2018 (the “Ordinance”). Under the two-tiered Profits Tax rate regime, the first HK\$2.0 million of assessable profits of qualifying entity is taxed at 8.25% and the remaining assessable profits at 16.5%. The Ordinance

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#### **NOTE 14. INCOME TAX (cont.)**

is effective from the year of assessment 2018/19. According to the relevant policy, if no election of the qualifying entity has been made, the whole of the taxpaying entity’s assessable profits will be chargeable to the Profits Tax at the rate of 16.5%. The Group had elected Shine Union to have its qualifying profits of HK\$2.0 million charged at half rate. Under the current laws of Hong Kong, payments of dividends are not subject to withholding tax.

#### ***Uncertain tax positions***

The Group evaluates the level of authority for each uncertain tax position (including the potential application of penalties and interests) based on the technical merits, and measures the unrecognized benefits associated with the tax positions. As of September 30, 2022 and March 31, 2023, the Group did not have any significant unrecognized uncertain tax positions.

The Group did not incur any penalty or interest related to potential underpaid income tax expenses for the six months ended March 31, 2022 and 2023, and also does not anticipate any significant increases or decreases in unrecognized tax benefits in the next 12 months from March 31, 2023.

Income before income tax expenses for the six months ended March 31, 2022 and 2023 is attributable to the following geographic locations:

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**For the Six Months Ended**  
**March 31,**

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	2022	2023
	HK\$	HK\$
Hong Kong	9,398,052	12,206,559
Foreign	(5,116,125)	(329,470)
Income before income tax expenses	<u>4,281,927</u>	<u>11,877,089</u>

The Group's income tax expenses consisted of the following:

	For the Six Months Ended March 31,	
	2022	2023
	HK\$	HK\$
Current income tax expenses	1,603,904	1,975,660
Deferred income tax credit	(248,108)	(202,306)
	<u>1,355,796</u>	<u>1,773,354</u>

The tax on the Group's income before income tax expenses differs from the theoretical amount that would arise using the enacted tax rate of the companies comprising the Group can be reconciled as follows:

	For the Six Months Ended March 31,	
	2022	2023
	HK\$	HK\$
Income tax expenses calculated at Hong Kong Profits Tax rate	706,519	1,959,720
Income not taxable for tax purposes	(14,833)	(1,884,222)
Expenses not deductible for tax purposes	849,110	1,862,856
Tax concession	(20,000)	—
Effect on tax expenses due to preferential tax rate	(165,000)	(165,000)
	<u>1,355,796</u>	<u>1,773,354</u>

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**NOTE 14. INCOME TAX** (cont.)

Deferred tax assets and liabilities, net consisted of the following:

	As of September 30, 2022	As of March 31, 2023
	HK\$	HK\$
Deferred tax assets:		
Decelerated tax depreciation of property and equipment	1,242	6,411
	<u>1,242</u>	<u>6,411</u>
Deferred tax liabilities:		
Accelerated tax depreciation of property and equipment	(1,768,737)	(1,571,600)
	<u>(1,768,737)</u>	<u>(1,571,600)</u>
Deferred tax liabilities, net	<u>(1,767,495)</u>	<u>(1,565,189)</u>

#### NOTE 15. NON-CONTROLLING INTERESTS

Non-controlling interests consisted of the following:

	As of September 30, 2022	As of March 31, 2023
	HK\$	HK\$
Paid-in capital	743,572	—
Unappropriated retained earnings	832,362	—
	<u>1,575,934</u>	<u>—</u>

On March 1, 2023, the non-controlling shareholder of Fortune Jet transferred its 10.0% equity interest in Fortune Jet to SU Investment at a consideration of HK\$1,000. After the transfer, Fortune Jet is wholly-owned by SU Investment.

#### NOTE 16. CONCENTRATIONS

##### *Credit risk*

As of September 30, 2022 and March 31, 2023, HK\$25,175,007 and HK\$23,756,356 of the Group's cash was on deposit at financial institutions in Hong Kong, respectively. In accordance with the relevant regulations in Hong Kong, the maximum insured bank deposit amount is HK\$500,000 for each financial institution. Accordingly, the Group's total unprotected cash held in banks amounted to HK\$22,884,962 and HK\$22,117,582 as of September 30, 2022 and March 31, 2023, respectively.

***Customer concentration risk***

No customers represented more than 10% of the Group’s revenues for the six months ended March 31, 2022 and 2023.

One customer accounted for 14.9% of the Group’s trade receivables, net as of March 31, 2023. No customers represented more than 10% of the Group’s trade receivables, net as of September 30, 2022.

***Supplier concentration risk***

For the six months ended March 31, 2022, one supplier represented 15.4% of the Group’s purchases. For the six months ended March 31, 2023, two suppliers represented 22.4% and 11.6% of the Group’s purchases respectively.

Four suppliers accounted for 20.6%, 18.4%, 13.2%, and 13.2% of the Group’s trade and notes payables as of March 31, 2023 respectively. One supplier accounted for 54.1% of the Group’s trade and notes payables as of September 30, 2022.

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**NOTE 17. COMMITMENTS AND CONTINGENCIES**

***Commitments***

The Group has not entered into any off-balance sheet financial guarantees or other off-balance sheet commitments to guarantee the payment obligations of any third parties. The Group has not entered into any derivative contracts that are indexed to its shares and classified as shareholder’s equity or that are not reflected in the unaudited condensed consolidated financial statements. Furthermore, the Group does not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. The Group does not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or product development services with the Group.

The following table sets forth the Group’s future minimum contractual obligations as of March 31, 2023:

---

	<b>Payments due by period</b>	
	<b>Within</b>	<b>Within</b>
<b>Total</b>	<b>one year</b>	<b>1 – 2 years</b>

	HK\$	HK\$	HK\$
Operating lease payment – short-term leases	1,222,065	1,222,065	—
Operating lease payment – leases with lease term of more than 12 months	1,385,000	917,600	467,400
Non-cancellable purchase contracts	5,506,530	5,506,530	—
Total	8,113,595	7,646,195	467,400

### *Contingencies*

#### *Severance Payment and Long Service Payment*

Employment Ordinance of the Laws of Hong Kong requires employers to assure the liability of severance payment if an employee who has been working for the employer for not less than 24 months under a continuous contract is, due to redundancy, dismissed, laid off, or upon expiry of a fixed-term employment contract. The ordinance also requires employers to assure the liability of long service payment if an employee who has been working for the employer for not less than 5 years under a continuous contract is dismissed, dies, resigns on ground of ill health or on or after 65 years old, or upon expiry of a fixed-term employment contract.

As of September 30, 2022 and March 31, 2023, the Group estimated its long service payment to be HK\$956,388 and HK\$982,922, respectively. The provision for long service payment as at September 30, 2022 and March 31, 2023 have been reflected in the unaudited condensed consolidated balance sheets as “other liabilities” under non-current liabilities.

No severance payment is provided since the Group has no plan to dismiss any staff due to redundancy, and therefore considers the possibility of meeting the criteria of making severance payment is remote.

#### *Legal Contingencies*

In the ordinary course of business, the Group may be subject to legal proceedings regarding contractual and employment relationships and a variety of other matters. The Group records contingent liabilities resulting from such claims, when a loss is assessed to be probable, and the amount of the loss is reasonably estimable. In the opinion of management, there were no pending or threatened claims and litigation as of September 30, 2022 and March 31, 2022, and through the issuance date of the unaudited condensed consolidated financial statements.

**SU GROUP HOLDINGS LIMITED**  
**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL**  
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**NOTE 18. RELATED PARTY TRANSACTIONS AND BALANCES**

The table below sets forth the major related parties and their relationships with the Group as of September 30, 2022 and March 31, 2023:

Name	Relationship
Mr. Chan Ming Dave	Founder, ultimate shareholder
Ms. Yam Fung Yee Carrie	Founder's family member
Exceptional Engineering Limited	Shareholder who owned 95% and 70.19% of the equity interest of the Company as of September 30, 2022 and March 31, 2023 respectively

*Amounts due from related parties*

Amounts due from related parties represented current accounts with related parties, which are used for daily operations, as follows:

	As of September 30, 2022	As of March 31, 2023
	HK\$	HK\$
Exceptional Engineering Limited	15,210	—
Ms. Yam Fung Yee Carrie	7,600	—
	<u>22,810</u>	<u>—</u>

*Amount due to a related party*

Amount due to a related party represented a current account with a related party, which is used for daily operations, as follows:

	As of September 30, 2022	As of March 31, 2023
	HK\$	HK\$
Mr. Chan Ming Dave	195,958	—

*Leases from related parties*

The Group has various agreements for the leases of office, workshop, warehouse, and carparking space owned by the founder and his family member. The terms of the agreements in effect as of March 31, 2023 state that the Group will continue to lease the property at a monthly rent of HK\$78,100 with annual rental expense at HK\$937,200.

The details of leases from related parties in effect as of March 31, 2023 are as below:

Lessee	Lessor	Rent Period		Monthly Rental
		From	To	
HK\$				
Shine Union	Mr. Chan Ming Dave and Ms. Yam Fung Yee Carrie	April 1, 2023	March 31, 2024	37,500
Shine Union	Mr. Chan Ming Dave	April 1, 2023	March 31, 2024	13,000
Shine Union	Mr. Chan Ming Dave and Ms. Yam Fung Yee Carrie	April 1, 2023	March 31, 2024	20,000
Shine Union	Ms. Yam Fung Yee Carrie	September 1, 2022	August 31, 2023	7,600

The lease expenses charged by the above related parties during the six months ended March 31, 2022 and 2023 was HK\$411,000 and HK\$438,970, respectively.

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**SU GROUP HOLDINGS LIMITED**  
**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL**  
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**NOTE 18. RELATED PARTY TRANSACTIONS AND BALANCES (cont.)**

As of September 30, 2022 and March 31, 2023, no operating lease ROU assets and operating lease liabilities of leases from related parties were recognized on the unaudited condensed consolidated balance sheets since all of these leases were short-term leases.

***Guarantee/collateral provided by related parties***

Mr. Chan Ming Dave and Ms. Yam Fung Yee Carrie provided guarantee for the Group's long-term bank loans and banking facilities of a subsidiary (see Note 12).

**NOTE 19. EARNINGS PER SHARE**

The following table sets forth the computation of basic and diluted EPS for the six months ended March 31, 2022 and 2023:

	<b>For the Six Months Ended</b>	
	<b>March 31,</b>	
	<b>2022</b>	<b>2023</b>
	<b>HK\$</b>	<b>HK\$</b>
<b><i>Numerator:</i></b>		
Numerator for basic and diluted earnings per share – net income attributable to the SU Group Holdings Limited’s shareholders	2,783,544	9,997,960
<b><i>Denominator:</i></b>		
Denominator for basic and diluted net income per share – weighted average number of shares	12,000,000	12,000,000
<b>Earnings per share – basic and diluted</b>	0.23	0.83

#### **NOTE 20. SEGMENT REPORTING**

The CODM reviews financial information of operating segments based on internal management report when making decisions about allocating resources and assessing the performance of the Group. As a result of the assessment made by CODM, the Group has two reportable segments for continuing operations, including security-related engineering services business and security guarding and screening services business. The Group’s CODM evaluates performance based on the operating segment’s revenues and their operating results.

The following tables present summary information by segment for the six months ended March 31, 2022 and 2023:

	<b>For the Six Months Ended March 31, 2023</b>		
	<b>Security-related engineering services</b>	<b>Security guarding and screening services</b>	<b>Total</b>
	<b>HK\$</b>	<b>HK\$</b>	<b>HK\$</b>
Revenues	65,126,874	31,916,951	97,043,825
Cost of revenues	(44,817,879)	(26,727,797)	(71,545,676)
Gross profit	20,308,995	5,189,154	25,498,149

Depreciation and amortization	1,033,840	525,626	1,559,466
Total capital expenditures	<u>663,000</u>	<u>—</u>	<u>663,000</u>

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**SU GROUP HOLDINGS LIMITED**  
**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL**  
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**NOTE 20. SEGMENT REPORTING (cont.)**

	For the Six Months Ended March 31, 2022		
	Security-related engineering services	Security guarding and screening services	Total
	HK\$	HK\$	HK\$
Revenues	41,839,740	28,063,100	69,902,840
Cost of revenues	(27,053,268)	(21,555,065)	(48,608,333)
Gross profit	14,786,472	6,508,035	21,294,507
Depreciation and amortization	1,490,558	486,285	1,976,843
Total capital expenditures	<u>45,000</u>	<u>58,000</u>	<u>103,000</u>
		As of September 30, 2022	As of March 31, 2023
		HK\$	HK\$
Total assets:			
Security-related engineering services		70,889,268	84,099,375
Security guarding and screening services		18,895,828	20,559,817
Unallocated assets		3,750,993	3,368,454
		<u>93,536,089</u>	<u>108,027,646</u>

**NOTE 21. SUBSEQUENT EVENTS**



The Group has evaluated subsequent events through September 29, 2023, the date of issuance of the unaudited condensed consolidated financial statements. Except for the events mentioned above, the Group did not identify any subsequent events with material financial impact on the Group’s unaudited condensed consolidated financial statements.

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# MARCUMASIA

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of  
SU Group Holdings Limited

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of SU Group Holdings Limited (the “Company”) as of September 30, 2021 and 2022, the related consolidated statements of income, changes in equity and cash flows for each of the years in the two-year period ended September 30, 2022, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 2021 and 2022, and the results of its operations and its cash flows for each of the years in the two-year period ended September 30, 2022, in conformity with accounting principles generally accepted in the United States of America.

### Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are

required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Marcum Asia CPAs LLP

Marcum Asia CPAs LLP

We have served as the Company's auditor since 2022.

New York, NY

May 16, 2023, except for Notes 13 and 20, as to which the date is June 30, 2023

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**SU GROUP HOLDINGS LIMITED  
CONSOLIDATED BALANCE SHEETS**

	As of September 30,		
	2021	2022	2022
	HK\$	HK\$	US\$
<b>Assets</b>			
Current assets			
Cash and cash equivalents	31,080,973	25,185,630	3,208,524
Trade receivables, net	30,376,096	23,696,180	3,018,775
Inventories	17,949,372	22,692,161	2,890,868
Prepaid expenses and other current assets	727,799	973,791	124,055
Contract assets	2,226,252	4,653,025	592,772
Amounts due from related parties	10	22,810	2,906
<b>Total current assets</b>	<b>82,360,502</b>	<b>77,223,597</b>	<b>9,837,900</b>

**Non-current assets**

Property and equipment, net	12,734,914	10,723,617	1,366,136
Intangible assets, net	167,463	229,880	29,286
Goodwill	1,271,160	1,271,160	161,939
Deferred offering expenses	—	1,571,254	200,170
Operating lease right-of-use assets, net	1,839,494	1,449,859	184,705
Investment in key management insurance policy	979,680	1,065,480	135,737
Deferred tax assets	10,513	1,242	158
<b>Total non-current assets</b>	<b>17,003,224</b>	<b>16,312,492</b>	<b>2,078,131</b>
<b>TOTAL ASSETS</b>	<b>99,363,726</b>	<b>93,536,089</b>	<b>11,916,031</b>

#### LIABILITIES AND SHAREHOLDERS' EQUITY

##### Current liabilities

Trade payables	5,550,378	3,174,806	404,454
Notes payables	1,980,993	2,931,934	373,514
Other payables	3,320,665	2,365,624	301,369
Amount due to a related party	204,518	195,958	24,964
Accrued payroll and welfare	7,281,476	8,797,841	1,120,801
Operating lease liabilities – current	851,803	541,118	68,936
Income tax payable	4,097,767	2,446,138	311,626
Contract liabilities	30,068,653	27,225,278	3,468,365
<b>Total current liabilities</b>	<b>53,356,253</b>	<b>47,678,697</b>	<b>6,074,029</b>

##### Non-current liabilities

Operating lease liabilities – non-current	94,750	38,000	4,841
Other payables – non-current	1,376,640	1,433,190	182,581
Deferred tax liabilities	2,198,066	1,768,737	225,328
Other liabilities	886,714	956,388	121,839
<b>Total non-current liabilities</b>	<b>4,556,170</b>	<b>4,196,315</b>	<b>534,589</b>
<b>Total liabilities</b>	<b>57,912,423</b>	<b>51,875,012</b>	<b>6,608,618</b>

##### Commitments and contingencies

##### Shareholders' Equity

Ordinary shares (par value of HK\$0.01 per share; 750,000,000 ordinary shares authorized and 12,000,000 and 12,000,000 ordinary shares issued and outstanding as of September 30, 2021 and 2022, respectively.)*	120,000	120,000	15,287
Shares subscription receivables*	(119,990)	(119,990)	(15,286)
Additional paid-in capital	8,000,000	8,000,000	1,019,160
Retained earnings	32,322,456	32,085,133	4,087,486
<b>Total SU Group Holdings Limited shareholders' equity</b>	<b>40,322,466</b>	<b>40,085,143</b>	<b>5,106,647</b>
<b>Non-controlling interests</b>	<b>1,128,837</b>	<b>1,575,934</b>	<b>200,766</b>
<b>Total shareholders' equity</b>	<b>41,451,303</b>	<b>41,661,077</b>	<b>5,307,413</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>99,363,726</b>	<b>93,536,089</b>	<b>11,916,031</b>

\* Retrospectively restated for effect of the nominal issuance of shares effected on February 27, 2023 and June 20, 2023 (Note 13).

The accompanying notes are an integral part of these consolidated financial statements.

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**SU GROUP HOLDINGS LIMITED**  
**CONSOLIDATED STATEMENTS OF INCOME**

	For the Years Ended September 30,		
	2021	2022	2022
	HK\$	HK\$	US\$
Revenues	117,565,797	136,447,442	17,382,725
Cost of revenues	(81,595,840)	(97,220,327)	(12,385,386)
<b>Gross profit</b>	<b>35,969,957</b>	<b>39,227,115</b>	<b>4,997,339</b>
<b>Operating expenses</b>			
Selling, general and administrative expenses	(31,759,057)	(30,539,155)	(3,890,536)
Gains (losses) on disposal of property and equipment	3,932,639	(1,862,704)	(237,300)
<b>Income from operations</b>	<b>8,143,539</b>	<b>6,825,256</b>	<b>869,503</b>

<b>Other income (expenses)</b>				
Other income		1,207,336	3,576,366	455,611
Finance expenses		(244,202)	(82,843)	(10,554)
Other expenses		—	(96,028)	(12,233)
<b>Total other income, net</b>		<b>963,134</b>	<b>3,397,495</b>	<b>432,824</b>
<b>Income before income tax expenses</b>				
		9,106,673	10,222,751	1,302,327
Income tax expenses		(3,084,527)	(1,972,577)	(251,296)
<b>Net income</b>		<b>6,022,146</b>	<b>8,250,174</b>	<b>1,051,031</b>
Less: Net income attributable to non-controlling interests		(222,970)	(487,497)	(62,105)
<b>Net income attributable to SU Group Holdings</b>				
<b>Limited's ordinary shareholders</b>		<b>5,799,176</b>	<b>7,762,677</b>	<b>988,926</b>
<b>Net income per share</b>				
Basic and diluted*		0.48	0.65	0.08
<b>Weighted average number of shares</b>				
Basic and diluted*		12,000,000	12,000,000	12,000,000

\* Retrospectively restated for effect of the nominal issuance of shares effected on February 27, 2023 and June 20, 2023 (Note 13).

The accompanying notes are an integral part of these consolidated financial statements.

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**SU GROUP HOLDINGS LIMITED**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Total SU Group							
	Ordinary shares*		Shares	Additional	Retained	Holdings Limited	Non-	Total
	Share	Amount	subscription	paid-in	earnings	shareholders'	controlling	shareholders'
		receivables*	capital			equity	interest	equity
	HK\$	HK\$	HK\$	HK\$		HK\$	HK\$	HK\$
<b>Balance as of</b>								
<b>September 30,</b>								
<b>2020</b>	11,999,950	119,999	(119,990)	—	43,473,280	43,473,289	955,867	44,429,156

Net income	—	—	—	—	5,799,176	5,799,176	222,970	6,022,146
Ordinary shares issued	50	1	—	8,000,000	—	8,000,001	—	8,000,001
Dividend distribution	—	—	—	—	(16,950,000)	(16,950,000)	(50,000)	(17,000,000)
<b>Balance as of</b>								
<b>September 30,</b>								
<b>2021</b>	12,000,000	120,000	(119,990)	8,000,000	32,322,456	40,322,466	1,128,837	41,451,303
Net income	—	—	—	—	7,762,677	7,762,677	487,497	8,250,174
Dividend distribution	—	—	—	—	(8,000,000)	(8,000,000)	(40,400)	(8,040,400)
<b>Balance as of</b>								
<b>September 30,</b>								
<b>2022</b>	12,000,000	120,000	(119,990)	8,000,000	32,085,133	40,085,143	1,575,934	41,661,077
<b>Balance as of</b>								
<b>September 30,</b>								
<b>2022 (US\$)</b>		15,287	(15,286)	1,019,160	4,087,486	5,106,647	200,766	5,307,413

\* Retrospectively restated for effect of the nominal issuance of shares effected on February 27, 2023 and June 20, 2023 (Note 13).

The accompanying notes are an integral part of these consolidated financial statements.

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**SU GROUP HOLDINGS LIMITED**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	For the Years Ended September 30,		
	2021	2022	2022
	HK\$	HK\$	US\$
<b>Cash flows from operating activities:</b>			
Net income	6,022,146	8,250,174	1,051,031
Adjustments to reconcile net income to net cash provided by operating activities:			

Change in fair value of investment in key management insurance policy	(36,315)	(37,868)	(4,824)
Depreciation of property and equipment	2,775,397	2,253,593	287,097
Amortization of intangible assets	56,000	82,583	10,521
Amortization of operating lease right-of-use assets	1,287,745	1,267,957	161,531
Provision for allowance for doubtful accounts	3,000	30,000	3,822
Deferred tax	(1,119,374)	(420,058)	(53,513)
(Gains) Losses on disposal of property and equipment	(3,932,639)	1,862,704	237,300
Foreign exchange losses (gains) - unrealized	45,827	(28,928)	(3,685)
<b>Changes in operating assets and liabilities</b>			
Inventories	(3,473,527)	(4,742,789)	(604,208)
Trade receivables	(952,674)	6,649,916	847,166
Prepaid expenses and other current assets	(22,138)	(1,865,178)	(237,614)
Contract assets	(2,184,252)	(2,426,773)	(309,159)
Trade and notes payables	(1,681,673)	(1,368,207)	(174,303)
Other payables, accrued payroll and welfare	4,469,013	617,874	78,714
Contract liabilities	14,840,609	(2,843,375)	(362,232)
Operating lease liabilities	(1,265,545)	(1,245,757)	(158,703)
Other liabilities	140,235	69,674	8,876
Income tax payable	3,611,330	(1,651,629)	(210,409)
<b>Net cash provided by operating activities</b>	<b>18,583,165</b>	<b>4,453,913</b>	<b>567,408</b>
<b>Cash flows from investing activities:</b>			
Purchases of property and equipment	(2,890,250)	(2,153,000)	(274,281)
Proceeds from disposal of property and equipment	17,760,116	48,000	6,115
Purchases of intangible assets	—	(145,000)	(18,472)
<b>Net cash provided by (used in) investing activities</b>	<b>14,869,866</b>	<b>(2,250,000)</b>	<b>(286,638)</b>
<b>Cash flows from financing activities:</b>			
Repayments of long-term bank loans	(4,901,968)	—	—
Dividend payment	(17,000,000)	(8,040,400)	(1,024,307)
Proceeds from capital contribution	8,000,000	—	—
Proceeds from issuance of shares upon incorporation	10	—	—
Payments to related parties	(2,907,975)	(256,389)	(32,663)

Payments by related parties	257,740	225,029	28,668
<b>Net cash used in financing activities</b>	<b>(16,552,193)</b>	<b>(8,071,760)</b>	<b>(1,028,302)</b>
Effect of exchange rate changes	(20,302)	(27,496)	(3,505)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>16,880,536</b>	<b>(5,895,343)</b>	<b>(751,037)</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>14,200,437</b>	<b>31,080,973</b>	<b>3,959,561</b>
<b>Cash and cash equivalents at end of the year</b>	<b>31,080,973</b>	<b>25,185,630</b>	<b>3,208,524</b>

**Supplemental disclosure of cash flow information:**

Interest expense paid	195,748	43,600	5,554
Income tax paid	592,571	4,044,264	515,219

**Supplemental non-cash investing and financing information:**

Operating lease right-of-use assets obtained in exchange for operating lease obligations	820,002	878,321	111,894
Modification of lease on operating lease right-of-use assets and operating lease liabilities	239,305	—	—
Extinguishment of operating lease right-of-use assets and operating lease liabilities due to termination of lease	83,620	—	—

The accompanying notes are an integral part of these consolidated financial statements.

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**SU GROUP HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1. ORGANIZATION AND PRINCIPAL ACTIVITIES**

SU Group Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) are principally engaged in the provision of security-related engineering services, and security guarding and screening services in Hong Kong Special Administrative Region (“Hong Kong”) of the People’s Republic of China.



The Company was incorporated under the law of Cayman Islands as an exempted company with limited liability on March 11, 2021. The registered office of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

SU Group Investment Limited (“SU Investment”), which is 100% owned by the Company, was incorporated in British Virgin Islands (the “BVI”) on November 21, 2019. SU Investment is an investment holding company with no operations.

Shine Union Limited (“Shine Union”), which was incorporated on January 2, 1998 in Hong Kong, has been 100% owned by SU Investment since December 11, 2019. It is engaged in providing security-related engineering services.

Fortune Jet Management & Training Co. Limited (“Fortune Jet”), which was incorporated on February 13, 2015 in Hong Kong, has been 90% owned by SU Investment since December 9, 2019. It is engaged in providing security guarding and screening services.

Since December 2019, Shine Union and Fortune Jet were consolidated by SU Investment.

### ***Reorganization***

In anticipation of an initial public offering (“IPO”) of its equity securities, the Company undertook a reorganization (the “Reorganization”). Since December 2019, SU Investment became the holding company of Shine Union and Fortune Jet. Effective on April 16, 2021, upon the transfer of all equity ownership of SU Investment to the Company, it became the ultimate holding company of SU Investment, Shine Union and Fortune Jet, which were all controlled by the same shareholder before and after the Reorganization.

The consolidation of the Company and its subsidiaries has been accounted for at historical cost and prepared on the basis as if the Reorganization had become effective as of the beginning of the first period presented in the accompanying consolidated financial statements. Results of operations for the periods presented comprise those of the previously separate entities combined from the beginning of the period to the end of the period, eliminating the effects of intra-entity transactions.

## **NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

### **(a) Basis of presentation**

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

### **(b) Principal of consolidation**

The consolidated financial statements include the financial statements of the Company and all the subsidiaries of the Company. All transactions and balances among the Company and its subsidiaries have been eliminated upon consolidation. A subsidiary is an entity in which the Company, directly or

indirectly, controls more than one half of the voting powers; or has the power to appoint or remove the majority of the members of the board of directors; or to cast a majority of votes at the meeting of directors; or has the power to govern the financial and operating policies of the investee under a statute or agreement among the shareholders or equity holders.

Non-controlling interests represent the portion of the net assets of a subsidiary attributable to interests that are not entitled by the Company. The non-controlling interest is presented in the consolidated balance sheets, separately from equity attributable to the shareholders of the Group. Non-controlling interest's operating result is presented in the consolidated statements of income as an allocation of the total profit or loss for the year between non-controlling shareholders and the shareholders of the Group.

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**SU GROUP HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES** (cont.)

**(c) Foreign currency translation and transactions**

The Company uses Hong Kong dollars (“HK\$”) as its reporting currency. The functional currency of the Company and its subsidiaries is HK\$, based on the criteria of Accounting Standards codification (“ASC”) Topic 830, Foreign Currency Matters.

Transactions denominated in currencies other than the functional currency are translated into the functional currency at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency using the applicable exchange rates at end of the reporting period. The resulting exchange differences are recorded in the consolidated statements of income.

In the consolidated financial statements, the financial information of the Company and its subsidiaries with functional currency other than HK\$ has been translated into HK\$ using the exchange rate at the end of the reporting period for assets and liabilities and average exchange rate for the years for income and expense items. The equity denominated in the functional currency other than HK\$ is translated at the historical rate of exchange at the time of capital contribution.

No foreign currency translation adjustments were made for the years ended September 30, 2021 and 2022.

**(d) Convenience translation**

The consolidated financial statements as of and for the year ended September 30, 2022 have been translated into U.S. dollars (“US\$”) solely for the convenience of the readers. The translation has been made at the rate of US\$1.00 = HK\$7.8496, representing the close rate on September 30, 2022 as set forth in the statistical release of Yahoo.com. No representation is made that the HK\$ amounts represent or could have been, or could be, converted, realized or settled into US\$ at that rate, or at any other rates.

**(e) Use of estimates and assumptions**

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenues and expenses during the reporting periods.

Estimates are adjusted to reflect actual experience when necessary. Significant accounting estimates reflected in the Group’s consolidated financial statements include allowance for doubtful accounts related to trade receivables, allowance for inventories, the useful lives of property and equipment, impairment assessment for goodwill and long-lived assets, the discount rates for leases and the impairment assessment, revenue recognition, deferred tax, and uncertain tax positions. The use of estimates is an integral component of the financial reporting process. Actual results could differ from those estimates.

**(f) Fair values of financial instruments**

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. When available, the Group uses quoted market prices to determine the fair value of an asset or liability. If quoted market prices are not available, the Group will measure fair value using valuation techniques that use, when possible, current market-based or independently sourced market parameters, such as interest rates and exchange rates. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs.

Fair value measurements are based on a fair value hierarchy, based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value which are the following:

Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group has the ability to access at the measurement date.

**SU GROUP HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (cont.)**

Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted market prices for similar assets and liabilities; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3 — Unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

Financial assets and liabilities of the Group primarily consist of cash and cash equivalents, trade receivables, deposits and other receivables included in prepaid expenses and other current assets, amounts due from related parties, investment in key management insurance policy, trade payables, notes payables, other payables, amount due to a related party, and other liabilities. The carrying amounts of cash and cash equivalents, trade receivables, deposits and other receivables included in prepaid expenses and other current assets, amounts due from related parties, trade payables, notes payables, other payables, amount due to a related party, and other liabilities approximate their fair values due to the short-term maturities. Investment in key management insurance policy is measured at fair value using unobservable inputs which is positively correlated to the surrender cash value and categorized in Level 3 of the fair value hierarchy.

**(g) Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, and other short-term and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**(h) Trade receivables, net**

Trade receivables, net are stated at the original amount less an allowance for doubtful accounts. Trade receivables are recognized in the period when the Group has delivered goods or rendered services to its customers and when the right to consideration is unconditional. The amounts due are stated at their net estimated realizable value. The credit terms are generally between 0 to 90 days. In establishing the required allowance for doubtful accounts, management considers historical collection experience, aging of the receivables, the economic environment, industry trend analysis, and the credit history and financial conditions of the customers. Management reviews its receivables on a regular basis to determine if the allowance is adequate, and adjusts the allowance when necessary. Delinquent account balances are

written off against allowance for doubtful accounts after management has determined that the likelihood of collection is not probable.

**(i) Inventories**

Inventories consist of spare parts and other materials and work-in-progress. Spare parts and other materials primarily comprise of components and parts for the security systems. Work-in-progress primarily comprises of certain costs incurred for installation of security systems that will be sold to customers, which are partially installed and have yet to meet the criteria for revenue recognition.

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the moving weighted average method and in the case of work-in-progress, comprises raw materials and other direct costs. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to disposal.

Where there is evidence that the utility of inventories, in their disposal in the ordinary course of business, will be less than cost, whether due to physical deterioration, obsolescence, changes in price levels, or other causes, the inventories are written down to net realizable value. No write-down of inventories was made for the years ended September 30, 2021 and 2022.

**(j) Prepaid expenses and other current assets**

Prepaid expenses and other current assets are mainly prepaid insurance, deposits for utilities and items in daily operations, and employee advances. These amounts are refundable and bear no interest. Management reviews its prepaid expenses and other current assets on a regular basis to determine if the allowance is adequate, and adjusts the allowance when necessary. Management continues to evaluate the reasonableness of the allowance policy and update it if necessary.

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**SU GROUP HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (cont.)**

**(k) Related party**

A related party may be any of the following: a) an affiliate, which is a party that directly or indirectly controls, is controlled by, or is under common control with an entity; b) a principal owner, owner of record or known beneficial owner of more than 10% of the voting interest of an entity; c) management, which are persons having responsibility for achieving objectives of the entity and requisite authority to make decision; d) immediate family of management or principal owners; e) a parent company and its

subsidiaries; and f) other parties that have ability to significantly influence the management or operating policies of the entity. The Group discloses all significant related party transactions.

**(l) Property and equipment, net**

Property and equipment, net is stated at historical cost less accumulated depreciation and impairment, if any. Cost represents the purchase price of the asset and other costs incurred to bring the asset into its intended use. Depreciation is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

<b>Items</b>	<b>Useful life</b>
Building	25 years
Leasehold improvements	Shorter of the lease terms or the estimated useful lives
Motor vehicles	4 years
Furniture, fixtures and equipment	5 years
Equipment for leasing	8 years

The cost and related accumulated depreciation of assets sold or otherwise retired are eliminated from the accounts and any gain or loss is included in the consolidated statements of income. Expenditures for maintenance and repairs are charged to consolidated statements of income as incurred, while additions, renewals and betterments, which are expected to extend the useful lives of assets, are capitalized. The Group also re-evaluates the periods of depreciation to determine whether subsequent events and circumstances warrant revised estimates of useful lives.

**(m) Intangible assets, net**

Indefinite-lived intangible assets are tested for impairment at least annually and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Indefinite-lived intangible assets are impaired if their estimated fair values are less than their carrying values.

Finite-lived intangible assets are carried at cost less accumulated amortization and impairment if any. The finite-lived intangible assets are amortized over their estimated useful lives, which are the period over which the assets are expected to contribute directly or indirectly to the future cash flows of the Group. These intangible assets are tested for impairment at the time of a triggering event, if one were to occur. Finite-lived intangible assets may be impaired when the estimated undiscounted future cash flows generated from the assets are less than their carrying amounts.

The Group may rely on a qualitative assessment when performing impairment test for its intangible asset. Otherwise, the impairment evaluation is performed at the lowest level of identifiable cash flows independent of other assets.

The Group's intangible assets mainly represented computer software. Computer software is classified as finite-lived intangible assets and amortized over its useful life of 5 years.

**(n) Goodwill**

Goodwill represents the excess of the consideration paid of an acquisition over the fair value of the net identifiable assets of the acquired subsidiaries at the date of acquisition. Goodwill is not amortized and is tested for impairment at least annually, or more often when circumstances indicate that impairment may have occurred. Goodwill is carried at cost less accumulated impairment. If impairment exists, goodwill is immediately written off to its fair value and the loss is recognized in the consolidated statements of income. Impairment losses on goodwill are not reversed.

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**SU GROUP HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (cont.)**

The Group reviews the carrying value of intangible assets not subject to amortization, including goodwill, to determine whether impairment may exist annually or more frequently if events and circumstances indicate that it is more likely than not that an impairment has occurred. The Group has the opinion to assess qualitative factors to determine whether it is necessary to perform the two-step in accordance with ASC Topic 350, Intangibles — Goodwill and Other. If the Group believes, as a result of the qualitative assessment, that it is more likely than not that the fair value of the reporting unit is less than its carrying amount, the two-step quantitative impairment test described below is required. The first step compares the fair value of a reporting unit to its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill is not considered to be impaired and the second step will not be required. If the carrying amount of the reporting unit exceeds its fair value, the second step compares the implied fair value of goodwill to the carrying value of a reporting unit's goodwill. The implied fair value of goodwill is determined in a manner similar to accounting for a business acquisition with the allocation of the assessed fair value determined in the first step to the assets and liabilities of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to the assets and liabilities is the implied fair value of goodwill. Estimating fair value is performed by utilizing various valuation techniques, with the primary technique being discounted cash flows.

No impairment of goodwill was made for the years ended September 30, 2021 and 2022.

**(o) Deferred offering expenses**

The Group capitalizes certain underwriting, legal, professional, and other third-party fees that are directly related to the IPO, as deferred offering expenses until such IPO is consummated. Upon consummation of the IPO, these fees will be recorded in the stockholders' equity as a reduction of additional paid-in capital generated from the offering. In the event the offering is aborted, deferred offering costs will be expensed. The Group recorded nil and HK\$1,571,254 as deferred offering expenses under non-current assets in the consolidated balance sheets as of September 30, 2021 and 2022, respectively.

**(p) Investment in key management insurance policy**

The Group invests in a key management insurance policy which is a life insurance policy. The key management insurance policy is initially recognized at the amount of premium paid, and subsequently measured at the end of each reporting period at the cash surrender value that could be realized under the insurance policy, which is primarily based on the guaranteed cash value stated on the annual statement from the insurance company. Changes to the cash surrender value at the end of each reporting period will be recognized in other income or other expenses in the consolidated statements of income. Any gain or loss on the derecognition of the investment in the event of death of the insured person, the surrender of the policy, or upon the maturity of the policy, will be recognized in other income or other expenses in the consolidated statements of income.

**(q) Impairment for long-lived assets**

Long-lived assets such as property and equipment are evaluated for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be fully recoverable or that the useful life is shorter than that the Group had originally estimated. When these events occur, the Group evaluates the impairment for the long-lived asset by comparing the carrying value of the asset to an estimate of future undiscounted cash flows expected to be generated from the use of the asset and its eventual disposition. If the sum of the expected future undiscounted cash flows is less than the carrying value of the asset, the Group recognizes an impairment loss based on the excess of the carrying value of the asset over the fair value of the asset.

No impairment of long-lived assets was recognized for the years ended September 30, 2021 and 2022.

**(r) Notes payables**

Notes payables represent outstanding bills with bank, mainly consist of outstanding letter of credit, import bills acceptance, and trust receipt. Notes payables are non-interest bearing and generally mature within six months.



## **NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (cont.)**

### **(s) Commitments and contingencies**

In the normal course of business, the Group is subject to commitments and contingencies, including operating lease commitments, legal proceedings and claims arising out of its business that relate to a wide range of matters, such as government investigations and tax matters. The Group recognizes a liability for such contingency if it determines that it is probable that a loss will occur and a reasonable estimate of the loss can be made. The Group may consider many factors in making these assessments on liability for contingencies, including historical and the specific facts and circumstances of each matter.

### **(t) Revenue recognition**

The Group recognized its revenue under ASC Topic 606, Revenue from Contracts with Customers (“ASC 606”). The core principle underlying the revenue recognition of this Accounting Standards Update (“ASU”) allows the Group to recognize revenue that represents the transfer of goods and services to customers in an amount that reflects the consideration to which the Group expects to be entitled in such exchange. This will require the Group to identify contractual performance obligations and determine whether revenue should be recognized at a point in time or over time, based on when control of goods and services transfers to a customer.

To achieve that core principle, the Group applies five-step model to recognize revenue from customer contracts. The five-step model requires the Group to (i) identify the contract with the customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price, including variable consideration to the extent that it is probable that a significant future reversal will not occur; (iv) allocate the transaction price to the respective performance obligations in the contract; and (v) recognize revenue when (or as) the Group satisfies the performance obligation.

The Group accounts for a contract with a customer when the contract is committed in writing, the rights of the parties, including payment terms, are identified, the contract has commercial substance, and consideration is probable of substantially collection.

The Group derives its revenues principally from providing security-related engineering services, and security guarding and screening services.

Revenue recognition policies for each type of revenue stream are as follows:

#### **Security-related engineering services**

The Group offers security-related engineering services to customers, and signs project contracts with them. The contracts typically comprise one or multiple arrangements, such as: i) supplies of security systems and products, provision of installation, and related maintenance services; ii) supplies of security systems and products only; or iii) maintenance services only.

The Group determines whether arrangements are distinct based on whether the customer can benefit from the product or service on its own or together with other resources that are readily available and whether the Group's commitment to transfer the product or service to the customer is separately identifiable from other obligations in the contract.

The Group has identified that the supply of security systems and products with the installation services are a combined performance obligation, as they are interdependent and interrelated services as one promise to the customer. The Group also determines that the related maintenance services are distinct and represent a separate performance obligation.

The transaction price of a contract containing multiple performance obligations is allocated to the separate performance obligations on a relative standalone selling price basis, which is determined using observable inputs, such as standalone sales of the maintenance services and historical contract pricing. If the standalone selling price is not observable through past transactions, we estimate the standalone selling price taking into account available information such as market conditions and internally approved pricing guidelines related to the performance obligations.

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**SU GROUP HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES** (cont.)

The Group recognizes revenues when (or as) it satisfies the performance obligation by transferring a promised product and/or service to a customer. Revenues from supplying security systems and products and installation services are recognized at a point in time when the legal title and control of the products and services has been transferred, being when the products and services are delivered, and accepted by the customer, there is no unfulfilled obligation that could affect the customers' acceptance of the products and services, and it is highly probable that a significant reversal will not occur. The Group recognizes revenue from the maintenance services ratably over the term of the arrangement, because the customer simultaneously receives and consumes the benefits provided by the Group.

In addition, the Group provides equipment rental services to the customers with use of dedicated security-related systems and equipment for contractual periods. The Group assesses the service for equipment rental arrangements under ASC Topic 842, Leases ("ASC 842"). Revenues are recognized on a straight-line basis over the lease period, usually two to three years.

Customers related to security-related engineering services generally make the payment monthly or quarterly, in accordance with the contract terms, except for the payment related to the supply of security systems and products which is payable upon client's acceptance.

### *Security guarding and screening services*

The Group enters into contracts with customers to provide security guarding services, by dispatching security guards with corresponding abilities and qualifications on demand, to fulfill the customers' needs such as securing and guarding physical properties by, among other things, conducting 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. The Group also offers security guarding services targeted at crowd coordination and management.

The Group also enters into contracts with customers to provide security screening services, by dispatching certified screeners to the premises of the customers. The Group's screening services include the detection of explosives, incendiary devices in air cargo consignment and detection of dangerous goods for safety purpose through the operation of threat detection system by the screeners.

The Group identifies one performance obligation in security guarding and screening services as the contract comprises of a series of distinct services that are substantially the same and have the same pattern of transfer to the customers, which is to provide security guards and screeners in accordance with the demand orders.

Since the customer simultaneously receives and consumes the benefits as the dispatched security guards and screeners perform the services, revenue from security guarding and screening services is recognized over the contractual term, starting from the date that the Group's services are made available to the customers. The contracts have a transaction price that includes a fixed consideration and a variable consideration that is charged based on ad-hoc overtime work demanded, less any deduction due to absence. The considerations are reconciled with customers monthly before billing. For variable considerations, the Group uses the practical expedient that allows it to recognize revenue in the amount to which the Group has a right to invoice.

In addition to the abovementioned security guarding and screening services, the Group also offers various types of related vocational training courses. The fees are usually billed and paid in advance before commencement of the training. Revenues are recognized at the course fees over time during the training course period, usually within several days.

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## **SU GROUP HOLDINGS LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (cont.)**

The following table disaggregates the Group's revenue for the years ended September 30, 2021 and 2022:

	<b>For the Years Ended</b>	
	<b>September 30,</b>	
	<b>2021</b>	<b>2022</b>
	<b>HK\$</b>	<b>HK\$</b>
<b><i>By revenue type</i></b>		
Security-related engineering services		
Security systems and products and installation	59,089,502	57,829,366
Security systems maintenance services	9,840,023	10,698,776
Equipment leasing	12,617,616	8,716,360
	<u>81,547,141</u>	<u>77,244,502</u>
Security guarding and screening services		
Security guarding services	15,822,222	38,615,289
Screening services	15,267,528	16,755,336
Related vocational training services	4,928,906	3,832,315
	<u>36,018,656</u>	<u>59,202,940</u>
Total	<u>117,565,797</u>	<u>136,447,442</u>
<b><i>By timing of revenue recognition</i></b>		
Security-related engineering services		
Goods and services transferred at a point in time	48,088,609	44,353,052
Services rendered over time	33,458,532	32,891,450
	<u>81,547,141</u>	<u>77,244,502</u>
Security guarding and screening services		
Goods and services transferred at a point in time	—	—
Services rendered over time	36,018,656	59,202,940
	<u>36,018,656</u>	<u>59,202,940</u>
Total	<u>117,565,797</u>	<u>136,447,442</u>

### ***Contract balances***

Timing of revenue recognition may differ from the timing of invoicing to the customers. Trade receivables represent amounts invoiced when the Group has satisfied its performance obligations and has the unconditional right to payment. Contract assets are primarily unbilled trade receivables that are conditional on something other than the passage of time, and the Group reviews the contract assets for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

As of September 30, 2021 and 2022, contracts assets amounted to HK\$2,226,252 and HK\$4,653,025, respectively. HK\$3.1 million, or 66.5%, of the contract assets as of September 30, 2022 have been subsequently realized as of the date of this report, and the remaining balance is expected to be utilized within 1 year from September 30, 2022. No provision was made for doubtful accounts of contract assets for the years ended September 30, 2021 and 2022.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers the promised goods or services to the customer, the Group presents the amount as a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer the promised goods to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Contract liabilities were HK\$30,068,653 and HK\$27,225,278 as of September 30, 2021 and 2022, respectively. Due to the generally short-term duration of the contracts, the majority of the performance obligations are satisfied in the following reporting period. Revenue recognized during the years ended September 30, 2021 and 2022, respectively, relating to contract liabilities as of October 1, 2020 and 2021 was HK\$13,690,507 and HK\$19,344,394, respectively.

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**SU GROUP HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (cont.)**

**(u) Cost of revenues**

Cost of revenues mainly consists of cost of goods sold, employee benefit expense of direct labor, depreciation, subcontracting fee, transportation fee, travelling expenses, freight charge, course expenses, sample, uniform, insurance for direct labor, and provision for obsolete inventories.

**(v) Selling, general and administrative expenses**

Selling, general and administrative expenses mainly represented employee benefit expense of sales and administrative staff, rental, depreciation, professional service fees, research and development expenses, and other corporate expenses. Research and development expenses relating to improving development efficiency and quality of the Group's products and services are expensed as incurred. The Group recognized research and development expenses of HK\$17,200 and HK\$200,028 for the years ended September 30, 2021 and 2022, respectively.

**(w) Employee benefits**

Employee benefits include employees' leave entitlements, bonus entitlements, and pension obligations, other than those expenses arising from basic salaries as a result of services rendered by the Group's employees.

Employees' entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by the employees up to the end of the reporting period. Employee entitlements to sick leave and maternity or paternity leave are not recognized until the time of leave.

Bonus entitlements are recognized as a liability at its expected cost when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

Regarding pension obligations, the Group participates in defined contribution retirement benefit plans which are available to all relevant employees in Hong Kong. These plans are generally funded through payments to schemes established by publicly or privately administered funds. A defined contribution plan is a pension plan under which the Group pays contributions on mandatory, contractual or voluntary basis into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee services in the current period. The Group's contributions to the defined contribution plans are expensed.

#### **(x) Leases**

The Group adopted ASC 842 effective October 1, 2020.

Lease classification for leases under which the Group is a lessor is evaluated at lease commencement and leases not classified as sales-type leases or direct financing leases are classified as operating leases. Leases qualify as sales-type leases if the contract includes either transfer of ownership clauses, certain purchase options, a lease term representing a major part of the economic life of the asset, or the present value of the lease payments and residual guarantees provided by the lessee exceeds substantially all of the fair value of the asset. Additionally, leasing an asset so specialized that it is not deemed to have any value to the Group at the end of the lease term may also result in classification as a sales-type lease. Leases qualify as direct financing leases when the present value of the lease payments and residual value guarantees provided by the lessee and unrelated third parties exceeds substantially all of the fair value of the asset and collection of the payments is probable.

Lease classification for leases under which the Group is a lessee is evaluated at lease commencement as finance or operating leases. Leases qualify as finance leases if the lease transfers ownership of the asset at the end of the lease term, the lease grants an option to purchase the asset that the Group is reasonably certain to exercise, the lease term is for a major part of the remaining economic life of the asset, or the

present value of the lease payments exceeds substantially all of the fair value of the asset. Leases that do not qualify as finance leases are deemed to be operating

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**SU GROUP HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES** (cont.)

leases. At lease commencement the Group records a lease liability which is measured as the present value of the lease payments and a right-of-use (“ROU”) asset which is measured as the amount of the lease liability and any initial direct costs incurred. The Group applies the rate implicit in the lease, if available, as a discount rate to determine the present value of the lease payments. If the rate implicit in the lease is not known, the Group uses a discount rate reflective of the incremental borrowing rate. In the consolidated statements of income, operating leases are expensed through rent expense while financing leases are expensed through amortization and interest expense.

*Leases — the Group as lessor*

The Group’s lease arrangements are all operating leases which typically have a maturity of 2 to 3 years. Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognized as an expense in the consolidated statements of income over the lease term on the same basis as equipment leasing income. See Note 2(s) for the accounting policy for revenue from equipment rental services.

*Leases — the Group as lessee*

The Group owns leasehold land in Hong Kong and lease training center, offices, workshops, warehouse, and carparking spaces, which are classified as operating leases in accordance with ASC 842. Under ASC 842, the Group as a lessee is required to recognize the following for all leases (with the exception of short-term leases, usually with initial term of 12 months or less) on the commencement date: (i) lease liability, which is a lessee’s obligation to make lease payments arising from a lease, measured on a discounted basis; and (ii) ROU asset, which is an asset that represents the lessee’s right to use, or control the use of, a specified asset for the lease term.

At the commencement date, the Group recognizes the lease liability at the present value of the lease payments not yet paid, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group’s incremental borrowing rate for the same term as the underlying lease. The ROU asset is recognized initially at cost, which primarily comprises the initial amount of the lease liability, plus any initial direct costs incurred, consisting mainly of brokerage commissions, less any lease

incentives received. All ROU assets are reviewed for impairment annually. There was no impairment for ROU asset as of September 30, 2021 and 2022.

The Group elected the practical expedient to account for leases with lease terms which end within twelve months of the initial date of application as a short-term lease. The lease payments for short-term leases are recognized on a straight-line basis over the lease term and variable lease payments in the period in which the obligation for those payments is incurred.

**(y) Income tax**

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax is provided on the basis of net income for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes, in accordance with the regulations of the relevant tax jurisdictions. It is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is accounted for using the asset and liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax basis used in the computation of assessable tax profit. In principle, deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilized. Deferred tax is calculated using tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Deferred tax is charged or credited in the profit or loss, except when it is related to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

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**SU GROUP HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (cont.)**

An uncertain tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded. Penalties and interests incurred related to underpayment of income tax are classified as income tax



expense in the period incurred. For the years ended September 30, 2021 and 2022, the amount of penalties and interests incurred related to underpayment of income tax was nil. Hong Kong Profits Tax returns filed in 2018 to 2022 are subject to examination by any applicable tax authorities.

**(z) Government grants**

Government grants are recognized at their fair values when there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Grants that compensate the Group for expenses incurred are recognized in other income on the consolidated statements of income on a systematic basis in the same periods in which the expenses are recognized. When the grant relates to an asset, the fair value is deducted against the carrying amount of the assets. The Group recognized government grants of HK\$1,023,300 and HK\$3,471,615 for the years ended September 30, 2021 and 2022, respectively.

**(aa) Earnings per share**

Earnings per share (“EPS”) is computed by dividing net income by the weighted average number of ordinary shares outstanding. Diluted EPS presents the dilutive effect on a per share basis of the potential ordinary shares (e.g., convertible securities, options and warrants) as if they had been converted at the beginning of the periods presented, or issuance date, if later. Potential ordinary shares that have an anti-dilutive effect (i.e., those that increase income per share or decrease loss per share) are excluded from the calculation of diluted EPS. For the years ended September 30, 2021 and 2022, there were no dilutive shares.

**(ab) Segment reporting**

The Group has organized its continuing operations into two operating segments. The segments reflect the way the Group evaluates its business performance and manages its operations by the Group’s chief operating decision maker (“CODM”) for making decisions, allocating resources and assessing performance. The Group’s CODM has been identified as the chief executive officer, who reviews consolidated results when making decisions about allocating resources and assessing performance of the Group.

The Group has two reportable segments from continuing operations, including security-related engineering services business and security guarding and screening services business. The Group considers a “management approach” concept as the basis for identifying reportable segments. The management approach is based on the way that management organizes the segments within the Group for making operating decisions, allocating resources, and assessing performance. The Group’s reportable segments are strategic business units that offer different services and are managed separately because each business requires different technology and marketing strategies. As the Group’s long-lived assets are substantially located in the Hong Kong, no geographical segments are presented.

**(ac) Recently issued accounting pronouncements**

In May 2019, the Financial Accounting Standards Board (“FASB”) issued ASU 2019-05, which is an update to ASU 2016-13, Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which introduced the expected credit losses methodology for the measurement of credit losses on financial assets measured at amortized cost basis, replacing the previous incurred loss methodology. The amendments in ASU 2016-13 added ASC 326, Financial Instruments — Credit Losses, and made several consequential amendments to the ASC. ASU 2016-13 also modified the accounting for available-for-sale debt securities, which must be individually assessed for credit losses when fair value is less than the amortized cost basis, in accordance with Subtopic 326-30, Financial Instruments — Credit Losses — Available-for-Sale Debt Securities. The amendments in this ASU address those stakeholders’ concerns by providing an option to irrevocably elect the fair value option for certain financial assets

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**SU GROUP HOLDINGS LIMITED**  
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**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES** (cont.)

previously measured at amortized cost basis. For those entities, the targeted transition relief will increase comparability of financial statement information by providing an option to align measurement methodologies for similar financial assets. Furthermore, the targeted transition relief also may reduce the costs for some entities to comply with the amendments in ASU 2016-13 while still providing financial statement users with decision-useful information. ASU 2019-05 is effective for the Group for annual and interim reporting periods beginning January 1, 2023 after FASB delayed the effective date for non-public companies with ASU 2019-10. The Group is currently evaluating the impact of this new standard on its consolidated financial statements and related disclosures.

In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740) Simplifying the Accounting for Income Taxes. The FASB is issuing this ASU as part of its initiative to reduce complexity in accounting standards (the Simplification Initiative). The objective of the Simplification Initiative is to identify, evaluate, and improve areas of U.S. GAAP for which cost and complexity can be reduced while maintaining or improving the usefulness of the information provided to users of financial statements. The specific areas of potential simplification in this ASU were submitted by stakeholders as part of the Simplification Initiative. The amendments are effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Group is currently evaluating the impact ASU 2019-12 will have on the Group’s consolidated financial statements.

In August 2020, the FASB issued ASU 2020-06, Debt — Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging — Contracts in Entity’s Own Equity (Subtopic 815-40).

ASU 2020-06 simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity's own equity. The ASU is part of the FASB's simplification initiative, which aims to reduce unnecessary complexity in U.S. GAAP. The ASU is effective for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. The Group is currently evaluating the impact ASU 2020-06 will have on the Group's consolidated financial statements.

The Group does not believe other recently issued but not yet effective accounting standards, if currently adopted, would have a material effect on the consolidated balance sheets, consolidated statements of income and consolidated statements of cash flows.

### NOTE 3. TRADE RECEIVABLES, NET

Trade receivables, net consisted of the following:

	As of September 30,	
	2021	2022
	HK\$	HK\$
Trade receivables	30,390,096	23,740,180
Allowance for doubtful accounts	(14,000)	(44,000)
	<u>30,376,096</u>	<u>23,696,180</u>

The Group recorded provision for allowance for doubtful accounts of HK\$3,000 and HK\$30,000 for the years ended September 30, 2021 and 2022, respectively.

Movement of allowance for doubtful accounts is as follows:

	For the Years Ended	
	September 30,	
	2021	2022
	HK\$	HK\$
Balance at beginning of the year	11,000	14,000
Provision for allowance for doubtful accounts	3,000	30,000
Balance at end of the year	<u>14,000</u>	<u>44,000</u>

#### NOTE 4. INVENTORIES

Inventories consisted of the following:

	As of September 30,	
	2021	2022
	HK\$	HK\$
Spare parts and other materials	3,692,382	3,803,085
Work-in-progress	14,256,990	18,889,076
	<u>17,949,372</u>	<u>22,692,161</u>

#### NOTE 5. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consisted of the following:

		As of September 30,	
		2021	2022
		HK\$	HK\$
Prepaid expenses		174,859	238,659
Advances to staff	(A)	237,356	106,523
Deposits	(B)	314,774	628,609
Others		810	—
		<u>727,799</u>	<u>973,791</u>

(A) Advances are made to staff for their purchases of miscellaneous consumables in order to perform daily work.

(B) Deposits consist of deposits paid to utility service providers such as power and water supplies, landlords of the leased properties and carparking spaces, and management offices of the leased or owned properties. The deposits are refundable upon termination or expiry of corresponding services and rental.

No provision was made for doubtful accounts of prepaid expenses and other current assets for the years ended September 30, 2021 and 2022.

#### NOTE 6. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following:

	As of September 30,	
	2021	2022

	HK\$	HK\$
Building	565,000	565,000
Leasehold improvements	320,000	320,000
Motor vehicles	1,461,000	1,463,000
Furniture, fixtures and equipment	1,170,056	100,747
Equipment for leasing	15,390,300	14,491,150
Less: accumulated depreciation	(6,171,442)	(6,216,280)
Property and equipment, net	<u>12,734,914</u>	<u>10,723,617</u>

Depreciation expenses were HK\$2,775,397 and HK\$2,253,593 for the years ended September 30, 2021 and 2022, respectively.

No impairment loss was made for property and equipment for the years ended September 30, 2021 and 2022.

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**SU GROUP HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 6. PROPERTY AND EQUIPMENT, NET (cont.)**

During the years ended September 30, 2021 and 2022, certain customers who leased the equipment under operating lease arrangements decided to terminate the leasing arrangements with the Group. This was mainly triggered by the launch of the Pilot Subsidy Scheme for Third-party Logistics Service Providers on October 12, 2020 with a granting budget of HK\$300 million, which subsidizes the procurement of screening equipment including X-ray machines and explosive trace detection equipment adopted under the regulated air cargo screening facilities scheme to encourage the adoption of technology by the logistics sector for enhancing efficiency and productivity. Accordingly, the Group believes that this is a one-time event. Such activities resulted in the disposal of equipment for leasing, which was classified as in the security-related engineering services, as follows:

	For the Years Ended September 30,	
	2021	2022
	HK\$	HK\$
Cost	16,417,750	2,888,150
Accumulated depreciation	<u>(2,590,273)</u>	<u>(1,024,258)</u>

Carrying amount of the equipment for leasing disposed	13,827,477	1,863,892
Proceeds from disposal	17,760,116	—
Gain (loss) on disposal	3,932,639	(1,863,892)

#### NOTE 7. INTANGIBLE ASSETS, NET

Intangible assets, net consisted of the following:

	As of September 30,	
	2021	2022
	HK\$	HK\$
Computer software	280,000	425,000
Less: accumulated amortization	(112,537)	(195,120)
Intangible assets, net	167,463	229,880

Amortization expenses were HK\$56,000 and HK\$82,583 for the years ended September 30, 2021 and 2022, respectively.

Future estimated amortization expenses are disclosed as follows:

Twelve months ending September 30,	HK\$
2023	85,000
2024	84,463
2025	29,000
2026	29,000
2027	2,417
	229,880

No impairment loss was made for intangible assets for the years ended September 30, 2021 and 2022.

The Group entered into a key management insurance policy for the founder to secure that the operation of the Group will not be affected by the death and loss of position of the founder. The fair value of the investment in key management insurance policy is determined at end of each reporting period at the cash surrender value that could be realized under the insurance policy, which is primarily based on the guaranteed cash value stated on the annual statement from the insurance company. The fair value measurement of the investment in key management insurance policy has been categorized as Level 3 based on the inputs to the valuation technique used and is positively correlated to the surrender cash value.

	<b>For the Years Ended</b>	
	<b>September 30,</b>	
	<b>2021</b>	<b>2022</b>
	<b>HK\$</b>	<b>HK\$</b>
Balance at beginning of the year	895,440	979,680
Premium paid	47,925	47,932
Change in fair value recognized in the consolidated statements of income	36,315	37,868
Balance at end of the year	<u>979,680</u>	<u>1,065,480</u>

#### **NOTE 9. LEASES**

##### ***The Group as lessor***

The Group acts as a lessor of dedicated security-related systems and equipment, and recorded the income from the leases as revenues in the consolidated statements of income. Equipment leasing income was HK\$12,617,616 and HK\$8,716,360 for the years ended September 30, 2021 and 2022, respectively.

The leases are classified as operating leases, which have remaining terms of 1 to 27 months. The equipment leasing income is recognized on a straight-line basis over the lease term.

Assets leased under operating leases are included in property and equipment, net in the consolidated balance sheets and depreciated over its estimated useful life. It had a cost of HK\$15,390,300 and HK\$14,491,150 as of September 30, 2021 and 2022, respectively, and accumulated amortization associated with these assets was HK\$3,511,406 and HK\$4,405,042 as of September 30, 2021 and 2022, respectively. Amortization expense for the years ended September 30, 2021 and 2022 amounted to HK\$2,476,944 and HK\$1,917,894, respectively.

There were no variable lease conditions or purchase options.

##### ***The Group as lessee***

The Group leases land use rights in Hong Kong, and leases office spaces and warehouse under operating leases with terms ranging from 1 to 2 years. For the lease of land, the Group signed an agreement on

November 8, 2007 for leasing the land use rights associated with a parcel of land, on which the Group's workshop is located. Payments were made upfront to obtain the leased land from the owner with a lease period of 55 years.

The Group considers those termination options that are reasonably certain not to be exercised in the determination of the lease term and initial measurement of ROU assets and lease liabilities. Leases with initial term of 12 months or less are short-term leases not recorded on the consolidated balance sheets. Lease expenses for short-term leases are recognized on a straight-line basis over the lease term.

The Group's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

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**SU GROUP HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 9. LEASES** (cont.)

The table below presents the operating leases related assets and liabilities recorded on the consolidated balance sheets:

	As of September 30,	
	2021	2022
	HK\$	HK\$
Operating lease ROU lease assets, net	1,839,494	1,449,859
Operating lease liabilities – current	851,803	541,118
Operating lease liabilities – non-current	94,750	38,000
	<u>946,553</u>	<u>579,118</u>

The weighted average remaining lease terms and discount rates for the operating leases were as follows:

	As of September 30,	
	2021	2022
Weighted average remaining lease term (years)	19.77	23.65
Weighted average discount rate	<u>3.96%</u>	<u>3.96%</u>



A summary of lease expenses recognized in the Group's consolidated statements of income and supplemental cash flow information related to operating leases is as follows:

	For the Years Ended	
	September 30,	
	2021	2022
	HK\$	HK\$
Depreciation of operating lease ROU assets	1,287,745	1,267,957
Interest of operating lease liabilities	48,455	39,243
Principal elements of lease payments	1,314,000	1,285,000
Short-term operating lease expenses	666,585	681,952
Non-cash information:		
Operating lease ROU assets obtained in exchange for operating lease liabilities	820,002	878,321
Modification of lease on operating lease ROU assets and operating lease liabilities	239,305	—
Extinguishment of ROU assets and operating lease liabilities due to termination of lease	83,620	—

The following is a schedule, by year, of maturities of operating lease liabilities as of September 30, 2022:

Twelve months ended September 30,	HK\$
2023	551,000
2024	38,000
Total lease payments	589,000
Less: imputed interest	(9,882)
Present value of operating lease liabilities	579,118
Less: operating lease liabilities – non-current	(38,000)
Operating lease liabilities – current	541,118

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**SU GROUP HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 10. OTHER PAYABLES**

Other payables consisted of the following:

	As of September 30,	
	2021	2022
	HK\$	HK\$
Rental deposit received – current	1,137,000	1,470,450
Rental deposit received – non-current	1,376,640	1,433,190
Accrued expenses	823,665	339,300
Listing expenses	1,350,000	540,000
Others	10,000	15,874
	<u>4,697,305</u>	<u>3,798,814</u>
Other payables – current	3,320,665	2,365,624
Other payables – non-current	1,376,640	1,433,190
	<u>4,697,305</u>	<u>3,798,814</u>

#### NOTE 11. ACCRUED PAYROLL AND WELFARE

Accrued payroll and welfare consisted of the following:

	As of September 30,	
	2021	2022
	HK\$	HK\$
Accrued paid time leave	396,981	662,837
Employees	6,513,159	7,754,233
Mandatory provident fund	371,336	380,771
	<u>7,281,476</u>	<u>8,797,841</u>

#### NOTE 12. LONG-TERM BANK LOANS AND BANKING FACILITIES

On June 24, 2019, the Group entered into a loan agreement with Standard Chartered Bank (Hong Kong) Limited to borrow HK\$2.0 million as working capital for 3 years. The entire amount was drawn down on June 24, 2019 with maturity on June 24, 2022. The loan bears a fixed interest rate of 0.33% per month flat and is guaranteed by the founder of the Company. The loan was early repaid in full on April 22, 2021.

On May 11, 2020, the Group applied for Special 100% Loan Guarantee Business Instalment Loan under SME Financing Guarantee Scheme launched by HKMC Insurance Limited via Standard Chartered Bank (Hong Kong) Limited to borrow HK\$4.0 million as working capital for 3 years. The entire amount was

drawn down on June 3, 2020 with maturity on June 3, 2023. The loan bears an interest rate at prime rate minus 2.5% per annum and is guaranteed by the Hong Kong government and the founder of the Company. The loan was early repaid in full on June 30, 2021.

Interest expense for the long-term bank loans was HK\$143,836 and nil for the years ended September 30, 2021 and 2022, respectively.

Shine Union entered into a banking facility agreement with CMB Wing Lung Bank Limited, pursuant to which Shine Union is entitled to trade facilities of HK\$20.0 million. The facilities are secured by a property owned by Shine Union and a property jointly owned by the founder of the Company and his family member, and jointly guaranteed by the founder of the Company and his family member (see Note 19). The trade facilities include letter of credit, trust receipt, invoice financing and letter of guarantee. As of September 30, 2021 and 2022, Shine Union had utilized HK\$1,980,993 and HK\$2,931,934, respectively. The unutilized banking facilities were HK\$18,019,007 and HK\$17,068,066 as of September 30, 2021 and 2022, respectively.

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**SU GROUP HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 13. ORDINARY SHARES**

The Company's authorized share capital is HK\$7,500,000 divided into 750,000,000 ordinary shares of par value HK\$0.01 each. On March 11, 2021 and April 16, 2021, the Company issued 1 and 949 ordinary shares to its then shareholder, respectively. With the effect of resolutions passed by board of directors on February 27, 2023 and June 20, 2023, 9,000 and 11,990,000 ordinary shares were issued with a par value of HK\$0.01, respectively. The issuances were considered as being part of the Reorganization of the Group and was retrospectively applied as if the transaction occurred at beginning of the period presented.

On April 29, 2021, the Company entered into a subscription agreement (the "Subscription Agreement") with its existing shareholder and two investors (together the "Subscribers"). Pursuant to the Subscription Agreement, the Company has allotted and issued 50 shares in aggregate to the Subscribers at a cash consideration of HK\$160,000 per ordinary share. A total of HK\$8.0 million was received by the Company.

Shares subscription receivables represents the receivable for the issuance of ordinary shares of the Company and is reported as a deduction of equity and presented on a retroactive basis. It has no payment terms nor any interest receivable accrual.

**NOTE 14. DIVIDEND DECLARATION**

During the years ended September 30, 2021 and 2022, the Group declared dividends to its shareholder of HK\$17.0 million and HK\$8.0 million, respectively. The dividends were settled on July 30, 2021 and August 1, 2022 respectively.

## **NOTE 15. INCOME TAX**

### ***Cayman Islands***

Under the current laws of the Cayman Islands, the Group is not subject to tax on income or capital gains. Additionally, upon payments of dividends to the shareholders, no withholding tax will be imposed.

### ***British Virgin Islands***

Under the current laws of the BVI, an entity incorporated in the BVI are not subject to tax on income or capital gains.

### ***Hong Kong***

In accordance with the relevant tax laws and regulations in Hong Kong, a company with trading activities in Hong Kong is subject to Profits Tax within Hong Kong at the applicable tax rate on its assessable profits. In March 2018, the Hong Kong government introduced a two-tiered Profits Tax rate regime by enacting the Inland Revenue (Amendment) (No.3) Ordinance 2018 (the “Ordinance”). Under the two-tiered Profits Tax rate regime, the first HK\$2.0 million of assessable profits of qualifying entity is taxed at 8.25% and the remaining assessable profits at 16.5%. The Ordinance is effective from the year of assessment 2018/19. According to the relevant policy, if no election of the qualifying entity has been made, the whole of the taxpaying entity’s assessable profits will be chargeable to the Profits Tax at the rate of 16.5%. The Group had elected Shine Union to have its qualifying profits of HK\$2.0 million charged at half rate. Under the current laws of Hong Kong, payments of dividends are not subject to withholding tax.

### ***Uncertain tax positions***

The Group evaluates the level of authority for each uncertain tax position (including the potential application of penalties and interests) based on the technical merits, and measures the unrecognized benefits associated with the tax positions. As of September 30, 2021 and 2022, the Group did not have any significant unrecognized uncertain tax positions.

The Group did not incur any penalty or interest related to potential underpaid income tax expenses for the years ended September 30, 2021 and 2022, and also does not anticipate any significant increases or decreases in unrecognized tax benefits in the next 12 months from September 30, 2022.

**SU GROUP HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 15. INCOME TAX (cont.)**

Income before income tax expenses for the years ended September 30, 2021 and 2022 is attributable to the following geographic locations:

	For the Years Ended	
	September 30,	
	2021	2022
	HK\$	HK\$
Hong Kong	20,605,424	16,342,125
Foreign	(11,498,751)	(6,119,374)
Income before income tax expenses	<u>9,106,673</u>	<u>10,222,751</u>

The Group's income tax expenses consisted of the following:

	For the Years Ended	
	September 30,	
	2021	2022
	HK\$	HK\$
Current income tax expenses	4,203,901	2,392,635
Deferred income tax credit	(1,119,374)	(420,058)
	<u>3,084,527</u>	<u>1,972,577</u>

The tax on the Group's income before income tax expenses differs from the theoretical amount that would arise using the enacted tax rate of the companies comprising the Group can be reconciled as follows:

	For the Years Ended	
	September 30,	
	2021	2022
	HK\$	HK\$
Income tax expenses calculated at Hong Kong Profits Tax rate	1,502,601	1,686,755
Income not taxable for tax purposes	(131,208)	(563,875)
Expenses not deductible for tax purposes	1,898,134	1,014,697
Tax concession	(20,000)	—
Effect on tax expenses due to preferential tax rate	<u>(165,000)</u>	<u>(165,000)</u>
	<u>3,084,527</u>	<u>1,972,577</u>

Deferred tax assets and liabilities, net consisted of the following:

	As of September 30,	
	2021	2022
	HK\$	HK\$
<b>Deferred tax assets:</b>		
Decelerated tax depreciation of property and equipment	10,513	1,242
	<u>10,513</u>	<u>1,242</u>
<b>Deferred tax liabilities:</b>		
Accelerated tax depreciation of property and equipment	(2,198,066)	(1,768,737)
	<u>(2,198,066)</u>	<u>(1,768,737)</u>
Deferred tax liabilities, net	<u>(2,187,553)</u>	<u>(1,767,495)</u>

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**SU GROUP HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 16. NON-CONTROLLING INTERESTS**

Non-controlling interests consisted of the following:

	As of September 30,	
	2021	2022
	HK\$	HK\$
Paid-in capital	743,572	743,572
Unappropriated retained earnings	385,265	832,362
	<u>1,128,837</u>	<u>1,575,934</u>

During the years ended September 30, 2021 and 2022, Fortune Jet declared dividends of HK\$0.5 million and HK\$404,000, respectively, to its shareholders. Dividends of HK\$50,000 and HK\$40,400 for the years ended September 30, 2021 and 2022, respectively, represented the amount attributable to the 10% non-controlling interests of Fortune Jet.

## **NOTE 17. CONCENTRATIONS**

### ***Credit risk***

As of September 30, 2021 and 2022, HK\$31,065,019 and HK\$25,175,007 of the Group's cash was on deposit at financial institutions in Hong Kong, respectively. In accordance with the relevant regulations in Hong Kong, the maximum insured bank deposit amount is HK\$500,000 for each financial institution. Accordingly, the Group's total unprotected cash held in banks amounted to HK\$28,521,298 and HK\$22,884,962 as of September 30, 2021 and 2022, respectively.

### ***Customer concentration risk***

No customers represented more than 10% of the Group's revenues for the years ended September 30, 2021 and 2022.

No customers represented more than 10% of the Group's trade receivables, net as of September 30, 2021 and 2022.

### ***Supplier concentration risk***

For the year ended September 30, 2022, one supplier represented 20.2% of the Group's purchases. One supplier accounted for 54.1% of the Group's trade and notes payables as of September 30, 2022.

For the year ended September 30, 2021, one supplier represented 36.6% of the Group's purchases. Two suppliers accounted for 31.5% and 13.5% of the Group's trade and notes payables as of September 30, 2021.

## **NOTE 18. COMMITMENTS AND CONTINGENCIES**

### ***Commitments***

The Group has not entered into any off-balance sheet financial guarantees or other off-balance sheet commitments to guarantee the payment obligations of any third parties. The Group has not entered into any derivative contracts that are indexed to its shares and classified as shareholder's equity or that are not reflected in the consolidated financial statements. Furthermore, the Group does not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. The Group does not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or product development services with the Group.

**SU GROUP HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 18. COMMITMENTS AND CONTINGENCIES (cont.)**

The following table sets forth the Group's future minimum contractual obligations as of September 30, 2022:

	Payments due by period		
	Total	Within one year	Within 1-2 years
	HK\$	HK\$	HK\$
Operating lease payment – short-term leases	494,600	494,600	—
Operating lease payment – leases with lease term of more than 12 months	589,000	551,000	38,000
Non-cancellable purchase contracts	8,988,703	8,988,703	—
<b>Total</b>	<b>10,072,303</b>	<b>10,034,303</b>	<b>38,000</b>

***Contingencies***

*Severance Payment and Long Service Payment*

Employment Ordinance of the Laws of Hong Kong requires employers to assure the liability of severance payment if an employee who has been working for the employer for not less than 24 months under a continuous contract is, due to redundancy, dismissed, laid off, or upon expiry of a fixed-term employment contract. The ordinance also requires employers to assure the liability of long service payment if an employee who has been working for the employer for not less than 5 years under a continuous contract is dismissed, dies, resigns on ground of ill health or on or after 65 years old, or upon expiry of a fixed-term employment contract.

As of September 30, 2021 and 2022, the Group estimated its long service payment to be HK\$886,714 and HK\$956,388, respectively. The provision for long service payment as at September 30, 2021 and 2022 have been reflected in the consolidated balance sheets as “other liabilities” under non-current liabilities.

No severance payment is provided since the Group has no plan to dismiss any staff due to redundancy, and therefore considers the possibility of meeting the criteria of making severance payment is remote.

*Legal Contingencies*



In the ordinary course of business, the Group may be subject to legal proceedings regarding contractual and employment relationships and a variety of other matters. The Group records contingent liabilities resulting from such claims, when a loss is assessed to be probable, and the amount of the loss is reasonably estimable. In the opinion of management, there were no pending or threatened claims and litigation as of September 30, 2021 and 2022, and through the issuance date of the consolidated financial statements.

#### **NOTE 19. RELATED PARTY TRANSACTIONS AND BALANCES**

The table below sets forth the major related parties and their relationships with the Group as of September 30, 2021 and 2022:

<b>Name</b>	<b>Relationship</b>
Mr. Chan Ming Dave	Founder, ultimate shareholder
Ms. Yam Fung Yee Carrie	Founder's family member
Exceptional Engineering Limited	Shareholder who owned 95% of the equity interest of the Company

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### **SU GROUP HOLDINGS LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **NOTE 19. RELATED PARTY TRANSACTIONS AND BALANCES (cont.)**

##### *Amounts due from related parties*

Amounts due from related parties represented current accounts with related parties, which are used for daily operations, as follows:

	<b>As of September 30,</b>	
	<b>2021</b>	<b>2022</b>
	<b>HK\$</b>	<b>HK\$</b>
Exceptional Engineering Limited	10	15,210
Ms. Yam Fung Yee Carrie	—	7,600
	<u>10</u>	<u>22,810</u>

##### *Amount due to a related party*

Amount due to a related party represented a current account with a related party, which is used for daily operations, as follows:

	As of September 30,	
	2021	2022
	HK\$	HK\$
Mr. Chan Ming Dave	204,518	195,958

***Leases from related parties***

The Group has various agreements for the leases of office, workshop, warehouse, and carparking space owned by the founder and his family member. The terms of the agreements in effect as of September 30, 2022 state that the Group will continue to lease the property at a monthly rent of HK\$76,100 with annual rental expense at HK\$913,200.

The details of leases from related parties in effect as of September 30, 2022 are as below:

Lessee	Lessor	Rent Period		Monthly
		From	To	Rental
				HK\$
Shine Union	Mr. Chan Ming Dave and Ms. Yam Fung Yee Carrie	April 1, 2022	March 31, 2023	37,500
Shine Union	Mr. Chan Ming Dave	April 1, 2022	March 31, 2023	13,000
Shine Union	Mr. Chan Ming Dave and Ms. Yam Fung Yee Carrie	April 1, 2022	March 31, 2023	18,000
Shine Union	Ms. Yam Fung Yee Carrie	September 1, 2022	August 31, 2023	7,600

The lease expenses charged by the above related parties during the years ended September 30, 2021 and 2022 was HK\$822,000 and HK\$829,600, respectively.

As of September 30, 2021, the operating lease ROU assets and corresponding operating lease liabilities of leases from related parties were HK\$407,635 and HK\$407,635, respectively.

As of September 30, 2022, no operating lease ROU assets and operating lease liabilities of leases from related parties were recognized on the consolidated balance sheets since all of these leases were short-term leases.

***Guarantee/collateral provided by related parties***

Mr. Chan Ming Dave and Ms. Yam Fung Yee Carrie provided guarantee for the Group's long-term bank loans and banking facilities of a subsidiary (see Note 12).

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**SU GROUP HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 20. EARNINGS PER SHARE**

The following table sets forth the computation of basic and diluted EPS for the years ended September 30, 2021 and 2022:

	As of September 30,	
	2021	2022
	HK\$	HK\$
<b><i>Numerator:</i></b>		
Numerator for basic and diluted earnings per share – net income attributable to the SU Group Holdings Limited’s shareholders	5,799,176	7,762,677
<b><i>Denominator:</i></b>		
Denominator for basic and diluted net income per share – weighted average number of shares	12,000,000	12,000,000
<b>Earnings per share – basic and diluted</b>	0.48	0.65

**NOTE 21. SEGMENT REPORTING**

The CODM reviews financial information of operating segments based on internal management report when making decisions about allocating resources and assessing the performance of the Group. As a result of the assessment made by CODM, the Group has two reportable segments for continuing operations, including security-related engineering services business and security guarding and screening services business. The Group’s CODM evaluates performance based on the operating segment’s revenues and their operating results.

The following tables present summary information by segment for the years ended September 30, 2021 and 2022:

**For the Year Ended September 30, 2022**

	Security-related engineering services	Security guarding and screening services	Total
	HK\$	HK\$	HK\$
Revenues	77,244,502	59,202,940	136,447,442
Cost of revenues	(50,395,302)	(46,825,025)	(97,220,327)
Gross profit	26,849,200	12,377,915	39,227,115
Depreciation and amortization	2,584,624	1,019,509	3,604,133
Total capital expenditures	2,034,000	264,000	2,298,000

**For the Year Ended September 30, 2021**

	Security-related engineering services	Security guarding and screening services	Total
	HK\$	HK\$	HK\$
Revenues	81,547,141	36,018,656	117,565,797
Cost of revenues	(53,444,991)	(28,150,849)	(81,595,840)
Gross profit	28,102,150	7,867,807	35,969,957
Depreciation and amortization	3,527,373	591,769	4,119,142
Total capital expenditures	2,660,250	230,000	2,890,250

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**SU GROUP HOLDINGS LIMITED  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 21. SEGMENT REPORTING (cont.)**

	As of September 30,	
	2021	2022
	HK\$	HK\$
Total assets:		

Security-related engineering services	84,989,453	70,889,268
Security guarding and screening services	8,898,506	18,895,828
Unallocated assets	5,475,767	3,750,993
	<u>99,363,726</u>	<u>93,536,089</u>

#### NOTE 22. SUBSEQUENT EVENTS

On March 1, 2023, the non-controlling shareholder of Fortune Jet transferred its 10.0% equity interest in Fortune Jet to SU Investment at a consideration of HK\$1,000. After the transfer, Fortune Jet is a wholly-owned by SU Investment.

The Group has evaluated subsequent events through May 16, 2023, the date of issuance of the consolidated financial statements. Except for the events mentioned above, the Group did not identify any subsequent events with material financial impact on the Group's consolidated financial statements.

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## 1,250,000 Ordinary Shares



**SU Group Holdings Limited**

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## PROSPECTUS

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### The Benchmark Company

, 2023

Until \_\_\_\_\_, 2023 (25 days after the date of this prospectus), all dealers that buy, sell or trade our ordinary shares, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to its unsold allotments or subscriptions.

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#### PART II INFORMATION NOT REQUIRED IN PROSPECTUS

##### ITEM 6. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

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 Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime. Our amended and restated articles of association, which will become effective upon or before completion of this offering, provide that, to the extent permitted by law, we shall indemnify each existing or former secretary, director (including alternate director), and any of our other officers (including an investment adviser or an administrator or liquidator) and their personal representatives against:

- (a) all actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred or sustained by the existing or former director (including alternate director), secretary or officer in or about the conduct of our business or affairs or in the execution or discharge of the existing or former director (including alternate director), secretary's or officer's duties, powers, authorities or discretions; and

- (b) without limitation to paragraph (a) above, all costs, expenses, losses or liabilities incurred by the existing or former director (including alternate director), secretary or officer in defending (whether successfully or otherwise) any civil, criminal, administrative or investigative proceedings (whether threatened, pending or completed) concerning us or our affairs in any court or tribunal, whether in the Cayman Islands or elsewhere.

No such existing or former director (including alternate director), secretary or officer, however, shall be indemnified in respect of any matter arising out of his own dishonesty.

To the extent permitted by law, we may make a payment, or agree to make a payment, whether by way of advance, loan or otherwise, for any legal costs incurred by an existing or former director (including alternate director), secretary or any of our officers in respect of any matter identified in above on condition that the director (including alternate director), secretary or officer must repay the amount paid by us to the extent that it is ultimately found not liable to indemnify the director (including alternate director), the secretary or that officer for those legal costs.

Pursuant to our offer letters to directors and employment agreements with executive officers, we will agree to indemnify our directors and executive officers against certain liabilities and expenses incurred by such persons in connection with claims made by reason of their being such a director or executive officer.

The form of underwriting agreement to be filed as Exhibit 1.1 to this registration statement will also provide for indemnification of us and our officers and directors.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling us under the foregoing provisions, we have been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

#### **ITEM 7. RECENT SALES OF UNREGISTERED SECURITIES.**

During the past three years, we have issued the following ordinary shares. We believe that each of the following issuances was exempt from registration under the Securities Act pursuant to Section 4(a)(2) of the Securities Act regarding transactions not involving a public offering, or in reliance on Regulation S under the Securities Act regarding sales by an issuer in offshore transactions. No underwriters were involved in these issuances of ordinary shares.

In March 2021, we issued one ordinary share to Charlotte Cloete, a representative of the registered office provider in the Cayman Islands who transferred same to Exceptional Engineering Limited on the same day, of which, Mr. Chan Ming Dave, our Chairman of the board of directors and Chief Executive Officer, is the sole shareholder and director. On April 16, 2021, we issued 949 ordinary shares to Exceptional Engineering Limited. On April 29, 2021, we issued 25 ordinary shares to Mr. Koo Lon Tien and 25 ordinary shares to Ms. Chan Wai Ling for an aggregate consideration of HK\$8,000,000.

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On February 27, 2023, we issued 8,550 ordinary shares to Exceptional Engineering Limited and 450 ordinary shares to Mr. Koo Lon Tien. On the same day, Ms. Chan Wai Ling transferred her entire interest in the Company to Mr. Koo Lon Tien. In February and March 2023, Exceptional Engineering Limited and Mr. Koo Lon Tien also effectuated a series of share transfers. On June 20, 2023, the Company issued an aggregate of 11,990,000 ordinary shares to its existing shareholders. Upon completion of the above mentioned share issuance and share transfers, Mr. Chan Ming Dave owns 75.14% of the equity interests of our company, through Exceptional Engineering Limited and DC & Partners Incorporation Limited. Minority shareholders own the remaining 24.86% of the Company. Other than Mr. Chan Ming Dave, the members of management own an aggregate of 8.06% of the Company, among which, Mr. Koo Lon Tien owns 4.36%, Mr. Kong Wing Fai owns 1.00%, Mr. Au Yeung Wai Kit, Mr. Kong Wai Lun, Ms. Kwong Hoi Lam, and Mr. Leung Yuet Wai each owns 0.40%, respectively, Mr. Chu Hon Wai, Mr. Liu Chun Ming and Mr. Ng Chi Keung each owns 0.30%, respectively, and Ms. Chan Shuk Jing Connie, Mr. Chot Kin Tak Alfred each owns 0.10%, respectively.

**ITEM 8. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.**

## a) Exhibits

See the Exhibit Index of this registration statement.

The agreements included as exhibits to this registration statement contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties were made solely for the benefit of the other parties to the applicable agreement and (i) were not intended to be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate; (ii) may have been qualified in such agreement by disclosure that was made to the other party in connection with the negotiation of the applicable agreement; (iii) may apply contract standards of “materiality” that are different from “materiality” under the applicable securities laws; and (iv) were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement.

We acknowledge that, notwithstanding the inclusion of the foregoing cautionary statements, we are responsible for considering whether additional specific disclosure of material information regarding material contractual provisions is required to make the statements in this registration statement not misleading.

## b) Financial Statement Schedules

Schedules have been omitted because the information required to be set forth therein is not applicable or is shown in our consolidated financial statements or the notes thereto.



## ITEM 9. UNDERTAKINGS.

The undersigned registrant hereby undertakes to provide to the underwriter at the closing specified in the underwriting agreements, certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the provisions described in Item 6, or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

- (1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

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- (2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.
- (3) For the purpose of determining liability under the Securities Act to any purchaser, each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness; provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a

purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

- (4) For the purpose of determining any liability of the registrant under the Securities Act to any purchaser in the initial distribution of the securities, the undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:
- (i) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;
  - (ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;
  - (iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and
  - (iv) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

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**EXHIBIT INDEX**

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<b>Exhibit No.</b>	<b>Description of document</b>
1.1	<a href="#">Form of Underwriting Agreement</a>
3.1+	<a href="#">Memorandum and Articles of Association, as currently in effect</a>
3.2+	<a href="#">Form of Amended and Restated Memorandum and Articles of Association of the Registrant, as effective immediately prior to the completion of this offering</a>
4.1+	<a href="#">Registrant's Specimen Certificate for Ordinary Shares</a>
4.2+	<a href="#">Form of Underwriters' Warrants</a>
5.1+	<a href="#">Opinion of Conyers Dill &amp; Pearman regarding the legality of the shares</a>
5.2+	<a href="#">Opinion of Ellenoff Grossman &amp; Schole LLP regarding the validity of warrants being registered</a>

- 8.1+ [Opinion of Conyers Dill & Pearman regarding certain Cayman Islands tax matters \(included in Exhibit 5.1\)](#)
- 8.2+ [Opinion of Ellenoff Grossman & Schole LLP regarding certain United States tax matters](#)
- 10.1+†^ [Letter of Acceptance between Shine Union Limited and Customer A, dated September 30, 2021](#)
- 10.2+^ [Distribution Agreement between Shine Union Limited and Supplier A, dated February 1, 2021](#)
- 10.3#+ [Form of Employment Agreement by and between the Registrant and its executive officers](#)
- 10.4#\*\*\*+ [Labor Contract dated March 1, 1999, as amended on October 11, 2022, between Chan Ming Dave and Shine Union Limited](#)
- 10.5#\*\*\*+ [Labor Contract dated on October 2, 2018 between Kong Wing Fai and Shine Union Limited](#)
- 10.6#\*\*\*+ [Labor Contract dated on April 1, 2021 between Koo Lon Tien and Shine Union Limited](#)
- 10.7#+ [Form of Director Offer Letter](#)
- 10.8\*\*\*+ [Tenancy Agreement dated March 23, 2023 by and between Shine Union Limited and Chan Ming Dave](#)
- 10.9\*\*\*+ [Tenancy Agreement dated March 23, 2023 by and between Shine Union Limited, as tenant, and Yam Fung Yee Carrie and Chan Ming Dave](#)
- 10.10\*\*\*+ [Tenancy Agreement dated March 23, 2023 by and between Shine Union Limited, as tenant, and Yam Fung Yee Carrie and Chan Ming Dave](#)
- 10.11^\*\*\*+ [Tenancy Agreement dated March 9, 2023 by and between Shine Union Limited and Individual A](#)
- 10.12^\*\*\*+ [English Translation of the Leasing Agreement dated November 14, 2023 by and between Fortune Jet Management & Training Co. Limited and a real estate management company](#)
- 10.13^\*\*\* [Tenancy Agreement dated December 14, 2023 by and between Fortune Jet Management & Training Co. Limited and a real estate management company](#)
- 10.14^\*\*\*+ [Car Park Tenancy Agreement dated December 22, 2022 by and between Fortune Jet Management & Training Co. Limited, as tenant, and Individual B and Individual C](#)
- 21.1+ [List of Subsidiaries of the Registrant](#)
- 23.1+ [Consent of Marcum Asia CPAs LLP](#)
- 23.2+ [Consent of Conyers Dill & Pearman \(included in Exhibit 5.1\).](#)
- 23.3+ [Consent of Watson Farley & Williams LLP \(included in Exhibit 99.2\).](#)
- 23.4+ [Form of Consent of Han Kun Law Offices](#)
- 23.5+ [Consent of Frost & Sullivan Limited](#)
- 24.1+ [Power of Attorney](#)
- 99.1+ [Code of Business Conduct and Ethics of Registrant](#)
- 99.2+ [Opinion of Watson Farley & Williams LLP, as to certain Hong Kong legal matters](#)
- 99.3+ [Consent of To Hoi Pan](#)
- 99.4+ [Consent of Mark Allen Brisson](#)

99.5+	<a href="#">Consent of Tse Sui Man</a>
99.6+	<a href="#">Form of Audit Committee Charter</a>
99.7+	<a href="#">Form of Compensation Committee Charter</a>
99.8+	<a href="#">Form of Nominating and Corporate Governance Committee Charter</a>
99.9+	<a href="#">Request for Waiver and Representation under Item 8.A.4 of Form 20-F</a>
107+	<a href="#">Filing Fee Table</a>

† Certain schedules, annexes and exhibits have been omitted pursuant to Item 601(a)(5) of Regulation S-K, but will be furnished supplementally to the SEC upon request.

\*\*\* Portions of the exhibit have been omitted pursuant to Item 601(a)(6) of Regulation S-K. The Company hereby agrees to furnish a copy of any omitted portion to the SEC upon request.

^ Portions of this exhibit have been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K. The Company hereby agrees to furnish a copy of any omitted portion to the SEC upon request.

# Indicates a management contract or any compensatory plan, contract or arrangement.

+ Previously filed.

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**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form F-1 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Hong Kong on December 20, 2023.

**SU Group Holdings Limited**

By: /s/ Chan Ming Dave

Name: Chan Ming Dave

Title: Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

<b>Signature</b>	<b>Title</b>	<b>Date</b>
<u>/s/ Chan Ming Dave</u>	Chairman and Chief Executive Officer	December 20, 2023
Chan Ming Dave	(Principal Executive Officer)	

/s/ Kong Wing Fai

Director and Chief Financial Officer

December 20, 2023

Kong Wing Fai

(Principal Financial and Accounting Officer)

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**SIGNATURE OF AUTHORIZED REPRESENTATIVE IN THE UNITED STATES**

Pursuant to the Securities Act of 1933, as amended, the undersigned, the duly authorized representative in the United States of SU Group Holdings Limited has signed this registration statement or amendment thereto in City of Newark, State of Delaware on December 20, 2023.

**PUGLISI & ASSOCIATES**

By: /s/ Donald J. Puglisi

Name: Donald J. Puglisi

Title: Managing Director

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**Exhibit 1.1**

**UNDERWRITING AGREEMENT**

[•], 2023

The Benchmark Company, LLC  
150 E. 58th Street, 17th Floor  
New York, NY 10155

*As Representative of the several Underwriters  
named on Schedule 1 attached hereto*

Ladies and Gentlemen:

The undersigned, SU Group Holdings Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands (the “Company”), hereby confirms its agreement (this “Agreement”) with The Benchmark Company, LLC (the “Representative”) and with the other underwriters named on Schedule 1 hereto for which the Representative is acting as representative (the

Representative and such other underwriters being collectively called the “Underwriters” or, individually, an “Underwriter”) as follows:

1. Purchase and Sale of Shares.

(a) Shares.

(i) Nature and Purchase of Shares.

(A) On the basis of the representations and warranties herein contained, but subject to the terms and conditions herein set forth, the Company agrees to issue and sell to the several Underwriters an aggregate of [●] (the “Firm Shares”) of the Company’s ordinary shares, par value HK\$0.01 per share (the “Ordinary Shares”). In addition, the Company has granted to the Underwriters an option to purchase up to an additional 15% of the total number of Ordinary Shares to be offered by the Company in the Offering, or [●] Ordinary Shares (the “Optional Shares,” and together with the Firm Shares, the “Shares”), exercisable within 30 days after the First Closing Date. The offering and sale of the Shares is herein referred to as the “Offering.”

(B) The Underwriters, severally and not jointly, agree to purchase from the Company the number of Firm Shares set forth opposite their respective names on Schedule 1 attached hereto and made a part hereof. The purchase price for one Firm Share shall be (i) \$[●] (93% of the public offering price per Firm Share of \$[●]) with respect to investors introduced to the Company by the Underwriters or (ii) \$[●] (96% of the public offering price per Firm Share of \$[●]) with respect to investors introduced by the Company, provided that the purchase price shall not at any time fall below the nominal value of each Firm Share. The Firm Shares are to be offered initially to the public at the offering price set forth on the cover page of the Prospectus (as defined in Section 2(a)(i)(B) hereof).

(C) In addition, on the basis of the representations, warranties and agreements herein contained, and upon the terms but subject to the conditions herein set forth, the Company hereby grants an option to the Underwriters to purchase, severally and not jointly, up to an aggregate of [●] Optional Shares from the Company at the purchase price per share to be paid by the Underwriters for the Firm Shares. The option granted hereunder may be exercised at any time and from time to time in whole or in part upon notice by the Underwriters to the Company, which notice may be given at any time within 30 days from the date of this Agreement. Such notice shall set forth (i) the aggregate number of Optional Shares as to which the Underwriters are exercising the option and (ii) the time, date and place at which certificates for the Optional Shares will be delivered (which time and date may be simultaneous with, but not earlier than, the First Closing Date; and in the event that such time and date are simultaneous with the First Closing Date, the term “First Closing Date” shall refer to the time and date of delivery of

the Firm Shares and such Optional Shares). Any such time and date of delivery, if subsequent to the First Closing Date, is called an “Option Closing Date,” and shall be determined by the Underwriters and shall not be earlier than two or later than five full business days after delivery of such notice of exercise. If any Optional Shares are to be purchased, (a) each Underwriter agrees, severally and not jointly, to purchase the number of Optional Shares (subject to such adjustments to eliminate fractional shares as the Underwriters may determine) that bears the same proportion to the total number of Optional Shares to be purchased as the number of Firm Shares set forth on Schedule I opposite the name of such Underwriter bears to the total number of Firm Shares and (b) the Company agrees to sell the number of Optional Shares set forth in this section of this Agreement. The Underwriters may cancel the option at any time prior to its expiration by giving written notice of such cancellation to the Company.

(ii) Shares Payment and Delivery.

(A) Delivery and payment for the Firm Shares shall be made no later than 2:00 p.m., Eastern time, on the second (2<sup>nd</sup>) Business Day following the effective date (the “Effective Date”) of the Registration Statement (as defined in Section 2(a)(i)(A) below) (or the third (3<sup>rd</sup>) Business Day following the Effective Date if the Registration Statement is declared effective after 4:01 p.m., Eastern time) or at such other time as shall be agreed upon by the Representative and the Company, at the offices of Nelson Mullins Riley & Scarborough LLP, 101 Constitution Avenue NW, Suite 900, Washington, DC 20001 (“Representative’s Counsel”), or at such other place (or by electronic transmission) as shall be agreed upon by the Representative and the Company.

(B) Payment for the Firm Shares shall be made on the First Closing Date (and, if applicable, payment for the Optional Shares shall be made at the First Closing Date or at the applicable Option Closing Date, as the case may be) by wire transfer in federal (same day) funds, payable to the order of the Company upon delivery of the Shares (in form and substance satisfactory to the Underwriters) (or through the facilities of the Depository Trust Company (“DTC”)) for the account of the Underwriters. The Firm Shares shall be registered in such name or names and in such authorized denominations as the Representative may request in writing prior to the First Closing Date. The Company shall not be obligated to sell or deliver the Firm Shares except upon tender of payment by the Representative for all of the Shares or via delivery versus payment for the Firm Shares. The Company shall also deliver, or cause to be delivered to the Representative for the accounts of the Underwriters, the Optional Shares the Underwriters have agreed to purchase at the First Closing Date or the applicable Option Closing Date, as the case may be, against the release of a wire transfer of immediately available funds for the amount of the purchase price therefor. The term “Business Day” means any day other than a Saturday, a Sunday or a legal holiday or a day on which banking institutions are authorized or obligated by law to close in

New York, New York; provided, however, for clarification, commercial banks shall not be deemed to be authorized or required by law to remain closed due to “stay-at-home,” “shelter-in-place,” “non-essential employee” or any other similar orders or restrictions or the closure of any physical branch locations at the direction of any governmental authority so long as the electronic funds transfer systems (including for wire transfers) of commercial banks in The City of New York generally are open for use by customers on such day.

(b) Representative’s Warrant.

(i) Representative’s Warrant. The Company hereby agrees to issue to the Representative (and/or its designees) on the First Closing Date, and each Option Closing Date (if any), a warrant for the purchase of the number of Ordinary Shares equal to 5.0% of the Shares issued on such date, pursuant to a warrant agreement in the form attached hereto as Exhibit A (the “Representative’s Warrant”), at an initial exercise price of \$[●] per share, which is equal to 100% of the public offering price per Firm Share. The Representative’s Warrant shall have a term of five (5) years and shall not be exercisable for a period of six (6) months from the First Closing Date. The Representative’s Warrant and the Ordinary Shares issuable upon exercise of the Representative’s Warrant are hereinafter referred to together as the “Representative’s Securities.” The Representative understands and agrees that there are significant restrictions pursuant to Financial Industry Regulatory Authority, Inc. (“FINRA”) Rule 5110 against transferring the Representative’s Warrant and the underlying Ordinary Shares during the 180 days after the commencement date of sales in the Offering and by its acceptance thereof shall agree that it will not sell, transfer, assign, pledge or hypothecate the Representative’s Warrant, or any portion thereof, or be the subject of any hedging, short sale, derivative, put or call transaction that would result in the effective economic disposition of such securities for a period of 180 days after the commencement date of sales in the Offering, except as expressly permitted by FINRA Rule 5110(e), and only if any such transferee agrees to the foregoing lock-up restrictions.

(ii) Delivery. Delivery of the Representative’s Warrant shall be made on the First Closing Date and each Option Closing Date (if any), and shall be issued in the name or names and in such authorized denominations as the Representative may reasonably request.

2. Representations and Warranties of the Company. The Company represents and warrants to the Underwriters as of the Applicable Time (as defined below) and as of the First Closing Date and as of each Option Closing Date, if any, as follows:



(a) Registration Matters.

(i) Pursuant to the Securities Act.

(A) The Company has filed with the U.S. Securities and Exchange Commission (the “Commission”) a registration statement, and an amendment or amendments thereto, on Form F-1 (File No. 333-275705), including any related prospectus or prospectuses, for the registration of the Shares and the Representative’s Securities under the Securities Act of 1933, as amended (the “Securities Act”), which registration statement and amendment or amendments have been prepared by the Company in all material respects in conformity with the requirements of the Securities Act and the rules and regulations of the Commission under the Securities Act (the “Securities Act Regulations”) and will contain all material statements that are required to be stated therein in accordance with the Securities Act and the Securities Act Regulations. Except as the context may otherwise require, such registration statement, as amended, on file with the Commission at the time the registration statement became effective (including the Preliminary Prospectus included in the registration statement, financial statements, schedules, exhibits and all other documents filed as a part thereof and all information deemed to be a part thereof as of the Effective Date pursuant to paragraph (b) of Rule 430A of the Securities Act Regulations (the “Rule 430A Information”), is referred to herein as the “Registration Statement.” If the Company files any registration statement pursuant to Rule 462(b) of the Securities Act Regulations, then after such filing, the term “Registration Statement” shall include such registration statement filed pursuant to Rule 462(b). The Registration Statement has been declared effective by the Commission on the date hereof.

(B) Each prospectus used prior to the effectiveness of the Registration Statement, and each prospectus that omitted the Rule 430A Information that was used after such effectiveness and prior to the execution and delivery of this Agreement, is herein called a “Preliminary Prospectus.” The Preliminary Prospectus, subject to completion, dated [●], 2023, that was included in the Registration Statement immediately prior to the Applicable Time is hereinafter called the “Pricing Prospectus.” The final prospectus in the form first furnished to the Underwriters for use in the Offering is hereinafter called the “Prospectus.” Any reference to the “most recent Preliminary Prospectus” shall be deemed to refer to the latest Preliminary Prospectus included in the Registration Statement.

(C) “Applicable Time” means [●] p.m., Eastern time, on the date of this Agreement.

(D) “Issuer Free Writing Prospectus” means any “issuer free writing prospectus,” as defined in Rule 433 of the Securities Act Regulations (“Rule 433”), including without limitation any “free writing prospectus” (as defined in Rule 405 of the Securities Act Regulations)

relating to the Shares that is (i) required to be filed with the Commission by the Company, (ii) a “road show that is a written communication” within the meaning of Rule 433(d)(8)(i), whether or not required to be filed with the Commission, or (iii) exempt from filing with the Commission pursuant to Rule 433(d)(5)(i) because it contains a description of the Shares or of the Offering that does not reflect the final terms, in each case in the form filed or required to be filed with the Commission or, if not required to be filed, in the form retained in the Company’s records pursuant to Rule 433(g).

(E) “Issuer General Use Free Writing Prospectus” means any Issuer Free Writing Prospectus that is intended for general distribution to prospective investors (other than a “bona fide electronic road show,” as defined in Rule 433 (the “Bona Fide Electronic Road Show”)), as evidenced by its being specified in Schedule 2-B of this Agreement.

(F) “Pricing Disclosure Package” means (i) the Pricing Prospectus, and (ii) the information included on Schedule 2-A of this Agreement.

(ii) Pursuant to the Exchange Act. The Company has filed with the Commission a Form 8-A (File No. 001-[●]) providing for the registration pursuant to Section 12(b) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), of the Ordinary Shares. The registration of the Ordinary Shares under the Exchange Act has been declared effective by the Commission on or prior to the date hereof. The Company has taken no action designed to, or likely to have the effect of, terminating the registration of the Ordinary Shares under the Exchange Act, nor has the Company received any notification that the Commission is contemplating terminating such registration.

(b) Stock Exchange Listing. The Ordinary Shares have been approved for listing on The Nasdaq Capital Market (the “Exchange”), subject only to official notice of issuance, and the Company has taken no action designed to, or likely to have the effect of, delisting the Ordinary Shares from the Exchange, nor has the Company received any notification that the Exchange is contemplating terminating such listing.

(c) No Stop Orders, etc. Neither the Commission nor, to the Company’s knowledge, any state regulatory authority has issued any order preventing or suspending the use of the Registration Statement, any Preliminary Prospectus or the Prospectus or has instituted or, to the Company’s knowledge, threatened to institute, any proceedings with respect to such an order. The Company has complied with each request (if any) from the Commission for additional information.

(d) Disclosures in Registration Statement.

(i) Compliance with Securities Act and 10b-5 Representation.

(A) Each of the Registration Statement and any post-effective amendment thereto, at the time it became effective, complied in all material respects with the requirements of the Securities Act and the Securities Act Regulations. Each Preliminary Prospectus, including the prospectus filed as part of the Registration Statement as originally filed or as part of any amendment or supplement thereto, and the Prospectus, at the time each was filed with the Commission, complied in all material respects with the requirements of the Securities Act and the Securities Act Regulations. Each Preliminary Prospectus delivered to the Underwriters for use in connection with this Offering and the Prospectus was or will be identical to the electronically transmitted copies thereof filed with the Commission pursuant to the Commission's EDGAR filing system ("EDGAR"), except to the extent permitted by Regulation S-T promulgated under the Securities Act ("Regulation S-T").

(B) The Registration Statement, when it became effective, did not contain, and any amendment thereto as of the date of such amendment will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; provided, however, that this representation and warranty shall not apply to the Underwriters' Information (as defined below).

The Pricing Disclosure Package, as of the Applicable Time, and at the First Closing Date, did not, does not, and will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that these representations and warranties shall not apply to statements made or statements omitted in reliance upon and in conformity with written information furnished to the Company with respect to the Underwriters by the Representative expressly for use in the Registration Statement, the Preliminary Prospectus, the Pricing Prospectus or the Prospectus or any amendment thereof or supplement thereto. The parties acknowledge and agree that such information provided by or on behalf of any Underwriter consists solely of the following disclosure contained in the following paragraphs in the "Underwriting" section of the Prospectus: (i) the table showing the number of securities to be purchased by each Underwriter, (ii) the third full paragraph, and (iii) the sub-sections titled "Stabilization," "Electronic Offer, Sale and Distribution of Securities" and "Notice to Investors" (the "Underwriters' Information"); and

(C) Neither the Prospectus nor any amendment or supplement thereto (including any prospectus wrapper), as of its issue date, at the time of any filing with the Commission pursuant to Rule 424(b), or at the First Closing Date and, with respect to the Optional Shares, each Option

Closing Date, included, includes or will include an untrue statement of a material fact or omitted, omits or will omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that this representation and warranty shall not apply to statements made or statements omitted in reliance upon and in conformity with the Underwriters' Information.

(ii) Disclosure of Agreements. The agreements and documents described in the Registration Statement, the Pricing Disclosure Package and the Prospectus conform in all material respects to the descriptions thereof contained therein and there are no agreements or other documents required by the Securities Act and the Securities Act Regulations to be described in the Registration Statement, the Pricing Disclosure Package and the Prospectus or to be filed with the Commission as exhibits to the Registration Statement, that have not been so described or filed. Each agreement or other instrument (however characterized or described) to which the Company is a party or by which it is or may be bound or affected and (i) that is referred to in the Registration Statement, the Pricing Disclosure Package and the Prospectus, or (ii) is material to the Company's business, has been duly authorized and validly executed by the Company, is in full force and effect in all material respects and is enforceable against the Company and, to the Company's knowledge, the other parties thereto, in accordance with its terms, except (w) for such agreements or instruments for enforceability of which would not reasonably be expected to result, individually or in the aggregate, in a Material Adverse Change, (x) as such enforceability may be limited by bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally, (y) as enforceability of any indemnification or contribution provision may be limited under the federal and state securities laws, and (z) that the remedy of specific performance and injunctive and other forms of equitable relief may be subject to the equitable defenses and to the discretion of the court before which any proceeding therefor may be brought. None of such agreements or instruments has been assigned by the Company, and neither the Company nor, to the Company's knowledge, any other party is in default thereunder and, to the Company's knowledge, no event has occurred that, with the lapse of time or the giving of notice, or both, would constitute a default thereunder, except for such defaults that would not reasonably be expected to result, individually or in the aggregate, in a Material Adverse Change. To the Company's knowledge, performance by the Company of the material provisions of such agreements or instruments will not result in a violation of any existing applicable law, rule, regulation, judgment, order or decree of any governmental or regulatory agency, authority, body, entity or court, domestic or foreign, having jurisdiction over the Company or any of its assets or businesses (each, a "Governmental Entity"), including, without limitation, those relating to environmental laws and regulations, except such violations which would not reasonably be expected to result, individually or in the aggregate, in a Material Adverse Change.

(iii) Prior Securities Transactions. No securities of the Company have been sold by the Company or by or on behalf of, or for the benefit of, any person or persons controlling, controlled by or under common control with the Company, except as disclosed in the Registration Statement, the Pricing Disclosure Package and the Preliminary Prospectus.

(iv) Regulations. The disclosures in the Registration Statement, the Pricing Disclosure Package and the Prospectus concerning the effects of applicable federal, state, local and foreign laws, rules and regulations relating to the Company's business as currently contemplated are correct in all material respects and no other such regulations are required to be disclosed in the Registration Statement, the Pricing Disclosure Package and the Prospectus which are not so disclosed.

(e) Changes After Dates in Registration Statement.

(i) No Material Adverse Change. Since the respective dates as of which information is given in the Registration Statement, the Pricing Disclosure Package and the Prospectus, except as otherwise specifically stated therein: (i) there has been no material adverse change in the financial position or results of operations of the Company, nor, to the Company's knowledge, any change or development that, singularly or in the aggregate, would reasonably be expected to result in a material adverse effect on the business, properties, financial position, shareholders' equity or results of operations of the Company (a "Material Adverse Change"); (ii) other than in the ordinary course of business, there have been no material transactions entered into by the Company, other than as contemplated pursuant to this Agreement; and (iii) no executive officer or director of the Company has resigned from any position with the Company.

(ii) Recent Securities Transactions, etc. Subsequent to the respective dates as of which information is given in the Registration Statement, the Pricing Disclosure Package and the Prospectus, and except as may otherwise be indicated or contemplated herein or disclosed in the Registration Statement, the Pricing Disclosure Package and the Prospectus, the Company has not: (i) issued any securities or incurred any liability or obligation, direct or contingent, for borrowed money; or (ii) declared or paid any dividend or made any other distribution on or in respect to its capital stock.

(f) Independent Accountants. To the knowledge of the Company, Marcum Asia CPAs LLP (the "Auditor"), during such time as it was engaged by the Company, has been and is an independent registered public accounting firm as required by the Securities Act and the Securities Act Regulations

and the Public Company Accounting Oversight Board. To the knowledge of the Company, the Auditor has not, during the periods covered by the financial statements included in the Registration Statement, the Pricing Disclosure Package and the Prospectus, provided to the Company any non-audit services, as such term is used in Section 10A(g) of the Exchange Act.

(g) Financial Statements, etc. The financial statements, including the notes thereto and supporting schedules included in the Registration Statement, the Pricing Disclosure Package and the Prospectus, fairly present in all material respects the financial position and the results of operations of the Company at the dates and for the periods to which they apply; and such financial statements have been prepared in conformity with United States generally accepted accounting principles (“GAAP”), consistently applied throughout the periods involved (provided that unaudited interim financial statements are subject to year-end audit adjustments that are not expected to be material in the aggregate and do not contain all footnotes required by GAAP); and the supporting schedules, if any, included in the Registration Statement present fairly in all material respects the information required to be stated therein. Except as included therein, no historical or pro forma financial statements are required to be included in the Registration Statement, the Pricing Disclosure Package or the Prospectus under the Securities Act or the Securities Act Regulations. The pro forma and pro forma as adjusted financial information and the related notes, if any, included in the Registration Statement, the Pricing Disclosure Package and the Prospectus have been properly compiled and prepared in all material respects in accordance with the applicable requirements of the Securities Act and the Securities Act Regulations and present fairly in all material respects the information shown therein, and the assumptions used in the preparation thereof are reasonable and the adjustments used therein are appropriate to give effect to the transactions and circumstances referred to therein. All disclosures contained in the Registration Statement, the Pricing Disclosure Package or the Prospectus regarding “non-GAAP financial measures” (as such term is defined by the rules and regulations of the Commission), if any, comply with Regulation G of the Exchange Act and Item 10 of Regulation S-K of the Securities Act, to the extent applicable. Each of the Registration Statement, the Pricing Disclosure Package and the Prospectus discloses all material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons, if any, that may have a material current or future effect on the Company’s financial condition, changes in financial condition, results of operations, liquidity, capital expenditures, capital resources, or significant components of revenues or expenses. Except as disclosed in the Registration Statement, the Pricing Disclosure Package and the Prospectus, (a) the Company has not incurred any material liabilities or obligations, direct or contingent, or entered into any material transactions other than in the ordinary course of business, (b) the Company has not declared or paid any dividends or made any distribution of any kind with respect to its capital stock, (c) there has not been any change in the capital stock of the Company (other than (i) grants under any equity compensation plan and (ii) Ordinary Shares issued upon exercise or conversion of option, warrants or convertible securities described in the Registration Statement, the Pricing Disclosure

Package and the Prospectus), and (d) there has not been any Material Adverse Change in the Company's long-term or short-term debt.

(h) Authorized Capital; Options, etc. The Company had, at the date or dates indicated in the Registration Statement, the Pricing Disclosure Package and the Prospectus, the duly authorized, issued and outstanding capitalization as set forth therein. Based on the assumptions stated in the Registration Statement, the Pricing Disclosure Package and the Prospectus, the Company will have on the First Closing Date and, with respect to the Optional Shares, each Option Closing Date, the adjusted capitalization set forth therein. Except as set forth in, or contemplated by, the Registration Statement, the Pricing Disclosure Package and the Prospectus, on the Effective Date, as of the Applicable Time, and on the First Closing Date and, with respect to the Optional Shares, each Option Closing Date, there will be no options, warrants, or other rights to purchase or otherwise acquire any authorized, but unissued Ordinary Shares or any security convertible or exercisable into Ordinary Shares, or any contracts or commitments to issue or sell Ordinary Shares or any such options, warrants, rights or convertible securities.

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(i) Valid Issuance of Securities, etc.

(i) Outstanding Securities. All issued and outstanding securities of the Company issued prior to the transactions contemplated by this Agreement have been duly authorized and validly issued and are fully paid and non-assessable; the holders thereof have no rights of rescission with respect thereto, and are not subject to personal liability by reason of being such holders; and none of such securities were issued in violation of the preemptive rights of any holders of any security of the Company or similar contractual rights granted by the Company. The offers and sales of the outstanding Ordinary Shares were at all relevant times either registered under the Securities Act and the applicable state securities or "blue sky" laws or, based in part on the representations and warranties of the purchasers of such shares, exempt from such registration requirements. The authorized Ordinary Shares and other outstanding securities conform in all material respects to all statements relating thereto contained in the Registration Statement, the Pricing Disclosure Package and the Prospectus.

(ii) Securities Sold Pursuant to this Agreement. The Shares and the Representative's Securities have been duly authorized for issuance and sale and, when issued and paid for in accordance with the terms of this Agreement, will be validly issued, fully paid and non-assessable; the holders thereof are not and will not be subject to personal liability by reason of being such holders; the Shares and Representative's Securities are not and will not be subject to the preemptive rights of any holders of any

security of the Company or similar contractual rights granted by the Company; and all corporate action required to be taken for the authorization, issuance and sale of the Shares and Representative's Securities has been duly and validly taken. The Shares and Representative's Securities conform in all material respects to all statements with respect thereto contained in the Registration Statement, the Pricing Disclosure Package and the Prospectus. All corporate action required to be taken for the authorization, issuance and sale of the Representative's Warrant has been duly and validly taken; the Ordinary Shares issuable upon exercise of the Representative's Warrant have been duly authorized and reserved for issuance by all necessary corporate action on the part of the Company and when paid for and issued in accordance with such Representative's Warrant, or exercised on a cashless basis as set forth in such Representative's Warrant, if applicable, as the case may be, such Ordinary Shares will be validly issued, fully paid and non-assessable.

(j) Registration Rights of Third Parties. Except as set forth in the Registration Statement, the Pricing Disclosure Package and the Prospectus, no holders of any securities of the Company or any options, warrants, rights or other securities exercisable for or convertible or exchangeable into securities of the Company have the right to require the Company to register any such securities of the Company under the Securities Act or to include any such securities in the Registration Statement or any other registration statement to be filed by the Company.

(k) Validity and Binding Effect of Agreements. The execution, delivery and performance of this Agreement and the Representative's Warrant have been duly and validly authorized by the Company and, when executed and delivered, will constitute, the valid and binding agreements of the Company, enforceable against the Company in accordance with their respective terms, except: (i) as such enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, fraudulent transfer, moratorium or similar laws affecting creditors' rights generally; (ii) as enforceability of any indemnification or contribution provision may be limited under the federal and state securities laws; and (iii) that the remedy of specific performance and injunctive and other forms of equitable relief may be subject to the equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

(l) No Conflicts, etc. The execution, delivery and performance by the Company of this Agreement, the Representative's Warrant and all ancillary documents, the consummation by the Company of the transactions herein and therein contemplated and the compliance by the Company with the terms hereof and thereof do not and will not, with or without the giving of notice or the lapse of time or both: (i) result in a material breach of, or conflict with any of the terms and provisions of, or constitute a material default under, or result in the creation, modification, termination or imposition of any material lien, charge or encumbrance upon any property or assets of the Company or its subsidiaries (each a "Subsidiary," and together, the "Subsidiaries") pursuant to the terms of any agreement or instrument to



which the Company or its Subsidiaries is a party; (ii) result in any violation of the provisions of the Company's memorandum and articles of association (as the same may be amended or restated from time to time, the "Charter") in force on the date of this Agreement; or (iii) violate any existing law, rule, regulation, judgment, order or decree of any Governmental Entity applicable to the Company as of the date hereof, except in the case of clauses (i) and (iii) above for any such breaches, conflicts or violations which would not reasonably be expected to result in a Material Adverse Change.

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(m) No Defaults; Violations. Except as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus, no default exists in the due performance and observance of any term, covenant or condition of any material license, contract, indenture, mortgage, deed of trust, note, loan or credit agreement, or any other agreement or instrument evidencing an obligation for borrowed money, or any other material agreement or instrument to which the Company is a party or by which the Company may be bound or to which any of the properties or assets of the Company is subject, except as would not reasonably be expected to result, individually or in the aggregate, in a Material Adverse Change. The Company is not (i) in violation of any term or provision of its existing Charter, or (ii) except as would not reasonably be expected to result, individually or in the aggregate, in a Material Adverse Change, in violation of any franchise, license, permit, authorization, certificate, approval, consent, applicable law, rule, regulation, judgment or decree of any Governmental Entity applicable to the Company.

(n) Corporate Power; Licenses; Consents.

(i) Conduct of Business. Except as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus, the Company has all requisite corporate power and authority, and has all necessary consents, authorizations, approvals, licenses, certificates, clearances, permits and orders and supplements and amendments thereto (collectively, "Authorizations") of and from all Governmental Entities applicable to the Company that it needs as of the date hereof to conduct its business purpose as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus, except for such Authorizations, the absence of which would not reasonably be expected to result in a Material Adverse Change.

(ii) Transactions Contemplated Herein. The Company has all corporate power and authority to enter into this Agreement and the Representative's Warrant and to carry out the provisions and conditions hereof and thereof, and all Authorizations required in connection therewith have been obtained. No Authorization of, and no filing with, any Governmental Entity, the Exchange or another

body is required or has not been obtained for the valid issuance, sale and delivery of the Shares and the Representative's Securities and the consummation of the transactions and agreements contemplated by this Agreement and the Representative's Warrant and as contemplated by the Registration Statement, the Pricing Disclosure Package and the Prospectus, except with respect to applicable federal and state securities or blue-sky laws and the rules and regulations of FINRA.

(o) Litigation; Governmental Proceedings. There is no material action, suit, proceeding, inquiry, arbitration, investigation, litigation or governmental proceeding pending or, to the Company's knowledge, threatened against, or involving the Company or, to the Company's knowledge, any executive officer or director, which is required to be disclosed and has not been disclosed in the Registration Statement, the Pricing Disclosure Package and the Prospectus, or in connection with the Company's listing application for the listing of the Shares on the Exchange.

(p) Good Standing. Each of the Company and its Subsidiaries has been duly organized and is validly existing and is in good standing under the laws of its respective jurisdiction or organization as of the date hereof, and is duly qualified to do business and, in such jurisdictions in which good standing is recognized, is in good standing in each other jurisdiction in which its ownership or lease of property or the conduct of business requires such qualification, except where the failure to be so qualified or in good standing, singularly or in the aggregate, would not have or reasonably be expected to result in a Material Adverse Change.

(q) Insurance. The Company carries or is entitled to the benefits of insurance, with, to the Company's knowledge, reputable insurers, and in such amounts and covering such risks which the Company believes are reasonably adequate, and all such insurance is in full force and effect. The Company has no reason to believe that it will not be able (i) to renew its existing insurance coverage as and when such policies expire or (ii) to obtain comparable coverage from similar institutions as may be necessary or appropriate to conduct its business as now conducted and at a cost that would not reasonably be expected to result in a Material Adverse Change.

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(r) Transactions Affecting Disclosure to FINRA.

(i) Finder's Fees. Except as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus, there are no claims, payments, arrangements, agreements or understandings relating to the payment of a finder's, consulting or origination fee by the Company or any executive officer or director of the Company (each, an, "Insider") with respect to the sale of the

Shares hereunder or any other arrangements, agreements or understandings of the Company or, to the Company's knowledge, any of its shareholders that may affect the Underwriters' compensation, as determined by FINRA.

(ii) Payments Within 180 Days. The Company has not made any direct or indirect payments (in cash, securities or otherwise) to: (i) any person, as a finder's fee, consulting fee or otherwise, in consideration of such person raising capital for the Company or introducing to the Company persons who raised or provided capital to the Company; (ii) any FINRA member; or (iii) any person or entity that has any direct or indirect affiliation or association with any FINRA member, within the 180 days prior to the date of the initial filing of the Registration Statement, other than the payment to the Underwriters as provided hereunder in connection with the Offering, and the Company has not committed to making any direct or indirect payments described in clauses (i)-(iii) in the 60 days following the date hereof.

(iii) Use of Proceeds. None of the net proceeds of the Offering will be paid by the Company to any participating FINRA member or its affiliates, except as specifically authorized herein.

(iv) FINRA Affiliation. There is no, to the Company's knowledge, (i) officer or director of the Company, (ii) beneficial owner of 10% or more of any class of the Company's securities or (iii) beneficial owner of the Company's unregistered equity securities which were acquired during the 180-day period immediately preceding the filing of the Registration Statement that, in each such case, is an affiliate or associated person of a FINRA member participating in the Offering (as determined in accordance with the rules and regulations of FINRA).

(v) Information. To the Company's knowledge, all information provided by the Company's officers and directors in their FINRA Questionnaires to Representative's Counsel specifically for use by Representative's Counsel in connection with its Public Offering System filings (and related disclosure) with FINRA is true, correct and complete in all material respects.

(s) Foreign Corrupt Practices Act. Neither the Company nor, to the Company's knowledge, any director, officer, agent, employee or affiliate of the Company or any other person acting on behalf of the Company, has, directly or indirectly, given or agreed to give any money, gift or similar benefit (other than legal price concessions to customers in the ordinary course of business) to any customer, supplier, employee or agent of a customer or supplier, or official or employee of any governmental agency or instrumentality of any government (domestic or foreign) or any political party or candidate for office (domestic or foreign) or other person who was, is, or may be in a position to help or hinder the business of the Company (or assist it in connection with any actual or proposed transaction) in violation of the U.S. Foreign Corrupt Practices Act of 1977, as amended (the "FCPA") or any other applicable anti-bribery or anti-corruption law. The Company has taken reasonable steps to ensure that its accounting

controls and procedures are sufficient to cause the Company to comply in all material respects with the FCPA.

(t) Compliance with OFAC. Neither the Company nor any Subsidiary nor, to the Company's knowledge, any director, officer, agent, employee or affiliate of the Company or any Subsidiary or any other person acting on behalf of the Company or any Subsidiary, is currently the subject of any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury ("OFAC"), and the Company will not, directly or indirectly, use the proceeds of the Offering hereunder, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other person or entity, for the purpose of financing the activities of any person that, at the time of such financing, is the subject of any U.S. sanctions administered by OFAC prohibiting such financing.

(u) Money Laundering Laws. The operations of the Company and its Subsidiaries are and have been conducted at all times in compliance in all material respects with applicable financial recordkeeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, the money laundering statutes of all applicable jurisdictions, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any Governmental Entity (collectively, the "Money Laundering Laws"); and no action, suit or proceeding by or before any Governmental Entity involving the Company or any of its Subsidiaries with respect to the Money Laundering Laws is pending or, to the knowledge of the Company, threatened.

(v) Officers' Certificate. Any certificate signed by any duly authorized officer of the Company and delivered to the Representative or to Representative's Counsel shall be deemed a representation and warranty by the Company to the Underwriters as to the matters covered thereby.

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(w) Related Party Transactions. To the Company's knowledge, there are no business relationships or related party transactions involving the Company or any other person required to be described in the Registration Statement, the Pricing Disclosure Package and the Prospectus that have not been described as required.

(x) Subsidiaries. The Company's direct and indirect Subsidiaries are each set forth in the Registration Statement. There is no entity which the Company indirectly controls through contractual arrangements.

(y) Board of Directors. The Board of Directors of the Company is comprised of the persons set forth under the heading of the Pricing Prospectus and the Prospectus captioned “Management.” The qualifications of the persons serving as board members and the overall composition of the board comply with the Exchange Act, the Exchange Act Regulations, the Sarbanes-Oxley Act of 2002 and the rules promulgated thereunder (the “Sarbanes-Oxley Act”) applicable to the Company and the listing rules of the Exchange. At least one member of the Audit Committee of the Board of Directors of the Company qualifies as an “audit committee financial expert,” as such term is defined under Regulation S-K and the listing rules of the Exchange. In addition, at least a majority of the persons serving on the Board of Directors qualify as “independent,” as defined under the listing rules of the Exchange.

(z) Sarbanes-Oxley Compliance.

(i) Disclosure Controls. The Company has taken all necessary actions to ensure that, in the time periods required, the Company will comply with Rule 13a-15 or 15d-15 under the Exchange Act Regulations, and such controls and procedures are effective to ensure that all material information concerning the Company will be made known on a timely basis to the individuals responsible for the preparation of the Company’s Exchange Act filings and other public disclosure documents.

(ii) Compliance. Except as set forth in the Registration Statement, the Pricing Disclosure Package and the Prospectus, the Company is, or at the Applicable Time and on the First Closing Date will be, in material compliance with the provisions of the Sarbanes-Oxley Act that are then in effect and with which the Company is required to comply and has taken reasonable steps to ensure the Company’s future compliance (not later than the relevant statutory and regulatory deadlines therefor) with all of the material provisions of the Sarbanes-Oxley Act then applicable to the Company, except where the failure to be in compliance would not have or reasonably be expected to result in a Material Adverse Change.

(aa) Accounting Controls. Except as disclosed in the Registration Statement, the Pricing Disclosure Package and the Prospectus, the Company maintains systems of “internal control over financial reporting” (as defined under Rules 13a-15 and 15d-15 under the Exchange Act Regulations) that comply in all material respects with the requirements of the Exchange Act and have been designed by, or under the supervision of, its principal executive and principal financial officers, or persons performing similar functions, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP, including, but not limited to, internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management’s general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain asset accountability; (iii) access to assets is permitted only in accordance with

management's general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Except as disclosed in the Registration Statement, the Pricing Disclosure Package and the Prospectus, the Company has no knowledge of any material weaknesses in its internal controls. The Auditor and the Audit Committee of the Board of Directors of the Company have been advised of: (i) all significant deficiencies and material weaknesses, if any, in the design or operation of internal controls over financial reporting which are known to the Company's management and that have adversely affected or are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and (ii) any fraud, if any, known to the Company's management, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls over financial reporting.

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(bb) No Investment Company Status. The Company is not and, after giving effect to the Offering and the application of the proceeds thereof as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus, will not be, required to register as an "investment company," as defined in the Investment Company Act of 1940, as amended.

(cc) No Labor Disputes. No labor dispute with the employees of the Company exists or, to the knowledge of the Company, is imminent.

(dd) Intellectual Property Rights. To the Company's knowledge, the Company has, or can acquire on reasonable terms, ownership of and/or license to, or otherwise has the right to use, all inventions, know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures), patents and patent rights trademarks, service marks and trade names and copyrights (collectively "Intellectual Property") material to carrying on its businesses as described in the Pricing Prospectus. The Company has not received any written notice relating to any Intellectual Property, including written notice of: (A) infringement or misappropriation of, or conflict with, any Intellectual Property of a third party; (B) asserted rights of others with respect to any Intellectual Property of the Company; or (C) assertions that any Intellectual Property of the Company is invalid or otherwise inadequate to protect the interest of the Company, that in each case (if the subject of any unfavorable decision, ruling or finding), individually or in the aggregate, would have or would reasonably be expected to have a Material Adverse Change. To the Company's knowledge, there are no third parties who have been able to establish any material rights to any Intellectual Property, except for the retained rights of the owners or licensors of any Intellectual Property that is licensed to the Company. There is no pending or, to the Company's knowledge, threatened action, suit, proceeding or claim by

others: (A) challenging the validity, enforceability or scope of any Intellectual Property of the Company in any material respect or (B) challenging the Company's rights in or to any Intellectual Property in any material respect or (C) that the Company materially infringes, misappropriates or otherwise violates or conflicts with any Intellectual Property or other proprietary rights of others. The Company has complied in all material respects with the terms of each agreement described in the Registration Statement, Pricing Disclosure Package or Prospectus pursuant to which any Intellectual Property is licensed to the Company, except for such noncompliance as did not have a Material Adverse Change, and all such agreements related to products currently made or sold by the Company, or to product candidates currently under development, are in full force and effect. All patents issued in the name of, or assigned to, or licensed to the Company, and all patent applications made by or on behalf of the Company (collectively, the "Company Patents") have been duly and properly filed, except for such failures to file as would reasonably be expected to result in a Material Adverse Change. The Company has no knowledge of any material information that was required to be disclosed to the United States Patent and Trademark Office (the "PTO") but that was not disclosed to the PTO with respect to any issued Company Patent, or that is required to be disclosed and has not yet been disclosed in any pending application in the Company Patents and that would preclude the grant of a patent on such application. To the Company's knowledge, the Company is the sole owner or exclusive licensee of the Company Patents.

(ee) Taxes. The Company has filed all returns (as hereinafter defined) required to be filed with taxing authorities prior to the date hereof or has duly obtained extensions of time for the filing thereof. The Company has paid all taxes (as hereinafter defined) shown as due on such returns that were filed and has paid all taxes imposed on or assessed against the Company, except (i) such taxes the Company is challenging in good faith and (ii) for such exceptions as would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Change. The provisions for taxes payable, if any, shown on the financial statements filed with or as part of the Registration Statement are sufficient for all material accrued and unpaid taxes, whether or not disputed, and for all periods to and including the dates of such consolidated financial statements. Except as described in the Registration Statement, Pricing Disclosure Package, or the Prospectus, (i) no issues have been raised (and are currently pending) by any taxing authority in connection with any of the returns or taxes asserted as due from the Company, and (ii) no waivers of statutes of limitation with respect to the returns or collection of taxes have been given by or requested from the Company. To the Company's knowledge, there are no tax liens against the assets, properties or business of the Company. The term "taxes" means all federal, state, local, foreign and other net income, gross income, gross receipts, sales, use, ad valorem, transfer, franchise, profits, license, lease, service, service use, withholding, payroll, employment, excise, severance, stamp, occupation, premium, property, windfall profits, customs, duties or other taxes, fees, assessments or charges of any kind whatever, together with any interest and any penalties, additions to tax or additional amounts with respect thereto. The term "returns" means all returns, declarations, reports, statements and other documents required to be filed in respect to taxes.

(ff) ERISA Compliance. The Company is not subject to the Employee Retirement Income Security Act of 1974, as amended, or the regulations and published interpretations thereunder.

(gg) Compliance with Laws. Except as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Change, the Company: (A) to its knowledge, is and at all times has been in compliance with all statutes, rules, or regulations applicable to the business of the Company as currently conducted ("Applicable Laws"); (B) has not received any warning letter, untitled letter or other correspondence or written notice from any Governmental Entity alleging or asserting noncompliance with any Applicable Laws or any Authorizations; (C) to its knowledge, possesses all material Authorizations and such Authorizations are valid and in full force and effect and are not in material violation of any term of any such Authorizations; (D) has not received written notice of any claim, action, suit, proceeding, hearing, enforcement, investigation, arbitration or other action from any Governmental Entity or third party alleging that any activity conducted by the Company is in violation of any Applicable Laws or Authorizations and has no knowledge that any such Governmental Entity or third party is considering any such claim, litigation, arbitration, action, suit, investigation or proceeding that if brought, would result in a Material Adverse Change; (E) has not received written notice that any Governmental Entity has taken, is taking or intends to take action to limit, suspend, modify or revoke any Authorizations and has no knowledge that any such Governmental Entity is considering such action; and (F) has filed, obtained, maintained or submitted or taken reasonably practicable steps to file, obtain, maintain or submit all material reports, documents, forms, notices, applications, records, claims, submissions and supplements or amendments as required by any Applicable Laws or Authorizations and that all such reports, documents, forms, notices, applications, records, claims, submissions and supplements or amendments were complete and correct in all material respects on the date filed (or were corrected or supplemented by a subsequent submission).

(hh) Environmental Laws. The Company is in compliance with all foreign, federal, state and local rules, laws and regulations relating to the use, treatment, storage and disposal of hazardous or toxic substances or waste and protection of health and safety or the environment which are applicable to their businesses ("Environmental Laws"), except where the failure to comply would not, singularly or in the aggregate, result in a Material Adverse Change. There has been no storage, generation, transportation, handling, treatment, disposal, discharge, emission, or other release of any kind of toxic or other wastes or other hazardous substances by, due to, or caused by the Company (or, to the Company's knowledge, any other entity for whose acts or omissions the Company is or may otherwise be liable) upon any of the property now or previously owned or leased by the Company, or upon any other property, in violation



of any law, statute, ordinance, rule, regulation, order, judgment, decree or permit or which would, under any law, statute, ordinance, rule (including rule of common law), regulation, order, judgment, decree or permit, give rise to any liability, except for any violation or liability which would not have, singularly or in the aggregate with all such violations and liabilities, a Material Adverse Change; and there has been no disposal, discharge, emission or other release of any kind onto such property or into the environment surrounding such property of any toxic or other wastes or other hazardous substances with respect to which the Company has knowledge, except for any such disposal, discharge, emission, or other release of any kind which would not have, singularly or in the aggregate with all such discharges and other releases, a Material Adverse Change.

(ii) Title to Property. Except as set forth in the Registration Statement, the Pricing Disclosure Package and the Prospectus, the Company has good and marketable title in fee simple to, or has valid rights to lease or otherwise use, all items of real or personal property which are material to the business of the Company, in each case free and clear of all liens, encumbrances, security interests, claims and defects that do not, singly or in the aggregate, materially affect the value of such property and do not interfere with the use made and proposed to be made of such property by the Company; and all of the leases and subleases material to the business of the Company, and under which the Company holds properties described in the Registration Statement, the Pricing Disclosure Package and the Prospectus, are in full force and effect, and the Company has not received any notice of any material claim of any sort that has been asserted by anyone adverse to the rights of the Company under any of the leases or subleases mentioned above, or affecting or questioning the rights of the Company to the continued possession of the leased or subleased premises under any such lease or sublease.

(jj) Ineligible Issuer. At the time of filing the Registration Statement and any post-effective amendment thereto, at the time of effectiveness of the Registration Statement and any amendment thereto, at the earliest time thereafter that the Company or another offering participant made a bona fide offer (within the meaning of Rule 164(h)(2) of the Securities Act Regulations) of the Shares and at the date hereof, the Company was not and is not an “ineligible issuer,” as defined in Rule 405, without taking account of any determination by the Commission pursuant to Rule 405 that it is not necessary that the Company be considered an ineligible issuer.

(kk) Industry Data. The statistical and market-related data included in each of the Registration Statement, the Pricing Disclosure Package and the Prospectus are based on or derived from sources prepared by a third party provider that the Company reasonably and in good faith believes are reliable

and accurate or represent the Company's good faith estimates that are made on the basis of data derived from such sources by the third party provider.

(ll) Forward-Looking Statements. No forward-looking statement (within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act) contained in the Registration Statement, the Pricing Disclosure Package or the Prospectus has been made or reaffirmed without a reasonable basis or has been disclosed other than in good faith.

(mm) Reserved.

(nn) Foreign Private Issuer. The Company is a "foreign private issuer," as such term is defined in Rule 405 under the Securities Act.

(oo) Passive Foreign Investment Company Status. Based on the Company's current estimates of its gross income and the value of its gross assets (including goodwill) and the manner in which the Company conducts its business, the Company was not a Passive Foreign Investment Company within the meaning of Section 1297 of the Code (a "PFIC") for the taxable year ended September 30, 2022 and does not expect that it will become a PFIC for the taxable year ending September 30, 2023.

(pp) Reserved.

(qq) Emerging Growth Company. From the time of the initial confidential submission of the Registration Statement to the Commission (or, if earlier, the first date on which the Company engaged directly in or through any person authorized to act on its behalf in any Testing-the-Waters Communication) through the date hereof, the Company has been and is an "emerging growth company," as defined in Section 2(a) of the Securities Act (an "Emerging Growth Company"). "Testing-the-Waters Communication" means any oral or written communication with potential investors undertaken in reliance on Section 5(d) or Rule 163B of the Securities Act.

(rr) Testing-the-Waters Communications. The Company has not (i) engaged in any Testing-the-Waters Communications, other than Testing-the-Waters Communications with the consent of the Representative and with entities that are qualified institutional buyers within the meaning of Rule 144A under the Securities Act or institutions that are accredited investors within the meaning of Rule 501 under the Securities Act and (ii) authorized anyone other than the Representative to engage in Testing-the-Waters Communications. The Company confirms that the Representative has been authorized to act on its behalf in undertaking Testing-the-Waters Communications. The Company has not distributed any Written Testing-the-Waters Communications other than those listed on Schedule 2-C hereto. "Written

Testing-the-Waters Communication” means any Testing-the-Waters Communication that is a written communication within the meaning of Rule 405 under the Securities Act.

(ss) Electronic Road Show. The Company has made available a Bona Fide Electronic Road Show in compliance with Rule 433(d)(8)(ii) of the Securities Act Regulations such that no filing of any “road show” (as defined in Rule 433(h) of the Securities Act Regulations) is required in connection with the Offering.

(tt) Margin Securities. The Company owns no “margin securities” as that term is defined in Regulation U of the Board of Governors of the Federal Reserve System (the “Federal Reserve Board”), and none of the proceeds of Offering will be used, directly or indirectly, for the purpose of purchasing or carrying any margin security, for the purpose of reducing or retiring any indebtedness which was originally incurred to purchase or carry any margin security or for any other purpose which might cause any of the Ordinary Shares to be considered a “purpose credit” within the meanings of Regulation T, U or X of the Federal Reserve Board.

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(uu) Integration. Neither the Company, nor any of its affiliates, nor any person acting on its or their behalf has, directly or indirectly, made any offers or sales of any security or solicited any offers to buy any security, under circumstances that would cause the Offering to be integrated with prior offerings by the Company for purposes of the Securities Act that would require the registration of any such securities issued in such prior offerings under the Securities Act.

(vv) Confidentiality and Non-Competition. To the Company’s knowledge, no director, officer, key employee or consultant of the Company is subject to any confidentiality, non-disclosure, non-competition agreement or non-solicitation agreement with any employer (other than the Company) or prior employer that could reasonably be expected to materially affect his ability to be and act in his respective capacity of the Company or reasonably be expected to result in a Material Adverse Change.

(ww) Stabilization. Neither the Company nor, to its knowledge, any of its employees, directors or shareholders (without the consent of the Representative) has taken, directly or indirectly, any action designed to or that has constituted or that might reasonably be expected to cause or result in, under Regulation M of the Exchange Act, or otherwise, stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Shares.

(xx) Cayman Islands Legal Matters. The Company represents, warrants and covenants to the several Underwriters, as of the Applicable Time, as of the First Closing Date and as of any Option Closing Date, if any, as follows:

(i) Subject to conducting the Offering as provided for in the Section titled “Underwriting” in the Preliminary Prospectus, the Company is not required to publish a prospectus in the Cayman Islands under the Cayman Islands laws with respect to the offer and sale of the Shares and the Representative’s Warrant.

(ii) There are no proceedings that have been instituted in the Cayman Islands for the dissolution of the Company or any Subsidiary.

(iii) Assuming that the Underwriters do not maintain a permanent establishment in the Cayman Islands, are not otherwise subject to taxation in the Cayman Islands, or are exempt therefrom, the issuance, delivery and sale to the Underwriters of the Shares to be sold by the Company hereunder are not subject to any tax imposed by the Cayman Islands or any political subdivision thereof.

(iv) Neither the Company nor any of its properties or assets has any immunity from the jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution or otherwise) under the laws of the Cayman Islands.

(v) The Company has duly designated Puglisi & Associates as its authorized agent to receive service of process.

(vi) No stamp duty or similar tax or duty is payable under applicable laws or regulations of the Cayman Islands in connection with the creation, issuance or delivery of the Shares and the Representative’s Warrant.

(vii) Subject to the conditions, exceptions and qualifications set forth in the Registration Statement, and the Prospectus, a final and conclusive judgment against the Company for a definitive sum of money entered by any court in the United States may be enforced by a Cayman Islands court.

(viii) The choice of the laws of the State of New York as the governing law of this Agreement is a valid choice of law under the laws of the Cayman Islands.

(yy) Hong Kong and British Virgin Islands Representations and Warranties.

(i) Organization. The Subsidiaries have been duly organized and are validly existing as companies under the applicable laws of Hong Kong and the British Virgin Islands (“BVI”), and their business registrations are in full force and effect. 100% of the equity interests of the Subsidiaries are owned, directly or indirectly, by the Company as described in the Prospectus, and such equity interests are free and clear of all liens, encumbrances, equities or claims; to the Company’s knowledge, the constituent documents of each Subsidiary comply in all material respects with the requirements of applicable laws of its jurisdiction of incorporation and are in full force and effect; and the Subsidiaries have full power and authority (corporate and other) and all consents, approvals, authorizations, permits, licenses, orders, registrations, clearances and qualifications of or with any governmental agency having jurisdiction over the Subsidiaries or any of their properties required for the ownership or lease of property by them and the conduct of their business in accordance with their registered business scope, except for such that would not reasonably be expected to result in a Material Adverse Change and have the legal right and authority to own, use, lease and operate their assets and to conduct their business in the manner presently conducted and as described in the Prospectus.

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Each Subsidiary has legal and valid title to all of its properties and assets, free and clear of all liens, charges, encumbrances, equities, claims, options and restrictions; each lease agreement to which it is a party is duly executed and legally binding; its leasehold interests are set forth in and governed by the terms of any lease agreements, and, to the best of the Company’s knowledge, such agreements are valid, binding and enforceable in accordance with their respective terms under applicable jurisdictions laws, except where the invalidity of such lease agreements would not reasonably be expected to result in a Material Adverse Change on the Company or the Subsidiaries, taken as a whole; and, none of the Subsidiaries own, operate, manage or have any other right or interest in any other material real property of any kind, which would reasonably result in a Material Adverse Change to the Company and the Subsidiaries, taken as a whole, except as described in the Prospectus.

(ii) Hong Kong and BVI Taxes. Except as disclosed in the Registration Statement, the Pricing Disclosure Package and the Prospectus, to the Company’s knowledge, no transaction, stamp, capital or other issuance, registration, transaction, transfer or withholding taxes or duties are payable in Hong Kong or the British Virgin Islands to any Hong Kong or BVI taxing authority in connection with (A) the issuance, sale and delivery of the Shares to or for the account of the purchasers, and (B) the purchase from the Company and the sale and delivery of the Shares to purchasers thereof.

(iii) Dividends and Distributions. Except as disclosed in the Pricing Disclosure Package, Registration Statement and the Prospectus, and subject to solvency, no Subsidiary of the Company is

currently prohibited or restricted, directly or indirectly, from paying any dividends to the Company, from making any other distribution on such Subsidiary's capital stock, from repaying to the Company any loans or advances to such Subsidiary from the Company or from transferring any of such Subsidiary's property or assets to the Company or any other Subsidiary of the Company.

(iv) No Immunity. To the Company's knowledge, none of the Company, its Subsidiaries or any of its or their properties or assets has any immunity from the jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution or otherwise) under the laws of Hong Kong, BVI, New York or United States federal law; and, to the extent that the Company, its Subsidiaries or any of their respective properties, assets or revenues may have or may hereafter become entitled to any such right of immunity in any such court in which proceedings may at any time be commenced, each of the Company and its Subsidiaries waives or will waive such right to the extent permitted by law and has consented to such relief and enforcement under New York law as provided under this Agreement.

(v) Free Transferability of Dividends or Distributions. Except as disclosed in the Pricing Disclosure Package, Registration Statement and the Prospectus, to the Company's knowledge, all dividends and other distributions declared and payable on the Ordinary Shares may under current Cayman Islands, BVI and Hong Kong law and regulations be paid to the holders of Ordinary Shares in United States dollars and may be converted into foreign currency that may be transferred out of the Cayman Islands, BVI and Hong Kong in accordance with, and all such payments made to holders thereof or therein who are non-residents of the Cayman Islands, BVI or Hong Kong, will not be subject to income, withholding or other taxes under, the laws and regulations of the Cayman Islands, BVI and Hong Kong, or any political subdivision or taxing authority thereof or therein and will otherwise be free and clear of any other tax, duty, withholding or deduction in the Cayman Islands, BVI and Hong Kong or any political subdivision or taxing authority thereof or therein and without the necessity of obtaining any governmental authorization in the Cayman Islands, BVI and Hong Kong or any political subdivision or taxing authority thereof or therein.

(vi) Choice of Law. Except as disclosed in the Pricing Disclosure Package, Registration Statement and the Prospectus, the choice of law provision set forth in this Agreement constitutes a legal and valid choice of law under the laws of the BVI and Hong Kong and will be recognized and given effect to in any action brought before a court of competent jurisdiction in the BVI and Hong Kong, except in respect of the BVI, for those laws (a) which such court considers to be procedural in nature, (b) which are revenue or penal laws or (c) the application of which would be inconsistent with public policy, as

such term is interpreted under the laws of the BVI, and subject to compliance with relevant civil procedural requirements (that do not involve a re-examination of the merits of the claim) in the BVI and Hong Kong (if applicable). The Company has the power to submit, and pursuant to Section 9(f)(ii) of this Agreement, has legally, validly, effectively and submitted, to the personal jurisdiction of each of the New York Courts, and the Company has the power to designate, appoint and authorize, and pursuant to Section 9(f)(ii) of this Agreement, has legally, validly, effectively and irrevocably designated, appointed an authorized agent for service of process in any action arising out of or relating to this Agreement or the Shares or Representative's Securities in any New York Court, and service of process effected on such authorized agent will be effective to confer valid personal jurisdiction over the Company as provided in Section 9(f)(ii) of this Agreement.

(zz) No Scheme or Arrangement with Shareholders. None of the Company, its Subsidiaries, or its affiliates is a party to any scheme or arrangement through which shareholders or potential shareholders are being loaned, given or otherwise having money made available for the purchase of shares whether before, in or after the Offering. None of the Company, its Subsidiaries, or its affiliates is aware of any such scheme or arrangement, regardless of whether it is a party to a formal agreement.

3. Covenants of the Company. The Company covenants and agrees as follows:

(a) Amendments to Registration Statement. The Company shall deliver to the Representative, prior to filing, any amendment or supplement to the Registration Statement or Prospectus proposed to be filed after the Effective Date and not file any such amendment or supplement to which the Representative shall reasonably object in writing.

(b) Federal Securities Laws.

(i) Compliance. The Company shall comply with the requirements of Rule 430A of the Securities Act Regulations, and will, during the period required to permit the completion of the distribution of the Shares as contemplated in this Agreement and in the Registration Statement, the Pricing Disclosure Package and the Prospectus, notify the Representative promptly, and confirm the notice in writing, (i) when any amendment or supplement to the Prospectus shall have been filed; (ii) of the receipt of any comments from the Commission related to the Prospectus or Offering; (iii) of any request by the Commission for any amendment or supplement to the Prospectus or for additional information; (iv) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or any post-effective amendment or of any order preventing or suspending the use of any Preliminary Prospectus or the Prospectus, or of the suspension of the qualification of the Shares for offering or sale in any jurisdiction, or of the initiation or, to the Company's knowledge, threatening, of any proceedings for any of such purposes or of any examination pursuant to Section 8(d)

or 8(e) of the Securities Act concerning the Registration Statement; and (v) if the Company becomes the subject of a proceeding under Section 8A of the Securities Act in connection with the Offering of the Shares. The Company shall effect all filings required under Rule 424(b) of the Securities Act Regulations, in the manner and within the time period required by Rule 424(b) (without reliance on Rule 424(b)(8)), and shall take such steps as it deems necessary to ascertain promptly whether the form of prospectus transmitted for filing under Rule 424(b) was received for filing by the Commission and, in the event that it was not, it will promptly file such prospectus. The Company shall use its commercially reasonable efforts to prevent the issuance of any stop order, prevention or suspension and, if any such order is issued, to obtain the lifting thereof at the earliest possible moment.

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(ii) Continued Compliance. The Company shall comply with the Securities Act, the Securities Act Regulations, the Exchange Act and the Exchange Act Regulations so as to permit the completion of the distribution of the Shares as contemplated in this Agreement, the Registration Statement, the Pricing Disclosure Package and the Prospectus. If at any time when a prospectus relating to the Shares is (or, but for the exception afforded by Rule 172 of the Securities Act Regulations (“Rule 172”), would be) required by the Securities Act to be delivered in connection with sales of the Shares, any event shall occur or condition shall exist as a result of which it is necessary, in the opinion of Representative’s Counsel or Company Counsel, to (i) amend the Registration Statement in order that the Registration Statement will not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances existing at that subsequent time, not misleading; (ii) amend or supplement the Pricing Disclosure Package or the Prospectus in order that the Pricing Disclosure Package or the Prospectus, as the case may be, will not include any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein not misleading in the light of the circumstances existing at the time it is delivered to a purchaser or (iii) amend the Registration Statement or amend or supplement the Pricing Disclosure Package or the Prospectus, as the case may be, in order to comply with the requirements of the Securities Act or the Securities Act Regulations, the Company will promptly (A) give the Representative notice of such event; (B) prepare any amendment or supplement as may be necessary to correct such statement or omission or to make the Registration Statement, the Pricing Disclosure Package or the Prospectus comply with such requirements and, a reasonable amount of time prior to any proposed filing or use, furnish the Representative with copies of any such amendment or supplement and (C) file with the Commission any such amendment or supplement; provided that the Company shall not file or use any such amendment or supplement to which the Representative or Representative’s Counsel shall reasonably object. The Company will furnish to the Underwriters such number of copies of such amendment or supplement as the Underwriters may reasonably request. The



Company has given the Representative notice of any filings made pursuant to the Exchange Act or the Exchange Act Regulations within two (2) Business Days prior to the Applicable Time. The Company shall give the Representative notice of its intention to make any such filing from the Applicable Time until the First Closing Date and, with respect to the Optional Shares, each Option Closing Date.

(iii) Exchange Act Registration. The Company shall use its commercially reasonable efforts to maintain the registration of the Ordinary Shares under the Exchange Act.

(iv) Free Writing Prospectus. The Company agrees that, unless it obtains the prior consent of the Representative, it shall not make any offer relating to the Shares that would constitute an Issuer Free Writing Prospectus or that would otherwise constitute a “free writing prospectus,” or a portion thereof, required to be filed by the Company with the Commission or retained by the Company under Rule 433; provided that the Representative shall be deemed to have consented to each Issuer General Use Free Writing Prospectus set forth in Schedule 2-B and any “road show that is a written communication” within the meaning of Rule 433(d)(8)(i) that has been reviewed by the Representative. The Company represents that it has treated or agrees that it will treat each such free writing prospectus consented to, or deemed consented to, by the Underwriters as an “issuer free writing prospectus,” as defined in Rule 433, and that it has complied and will comply with the applicable requirements of Rule 433 with respect thereto, including timely filing with the Commission where required, legending and record keeping. If at any time following issuance of an Issuer Free Writing Prospectus there occurred or occurs an event or development as a result of which such Issuer Free Writing Prospectus conflicted or would conflict with the information contained in the Registration Statement or included or would include an untrue statement of a material fact or omitted or would omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at that subsequent time, not misleading, the Company will promptly notify the Underwriters and will promptly amend or supplement, at its own expense, such Issuer Free Writing Prospectus to eliminate or correct such conflict, untrue statement or omission.

(v) Testing-the-Waters Communications. If at any time following the distribution of any Written Testing-the-Waters Communication there occurred or occurs an event or development as a result of which such Written Testing-the-Waters Communication included or would include an untrue statement of a material fact or omitted or would omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at that subsequent time, not misleading, the Company shall promptly notify the Representative and shall promptly amend or supplement, at its own expense, such Written Testing-the-Waters Communication to eliminate or correct such untrue statement or omission.

(c) Delivery to the Underwriters of Registration Statements. The Company has delivered or made available or shall deliver or make available to the Representative and Representative's Counsel, without charge, signed copies of the Registration Statement as originally filed and each amendment thereto (including exhibits filed therewith) and signed copies of all consents and certificates of experts, and will also deliver to the Underwriters, without charge, a conformed copy of the Registration Statement as originally filed and each amendment thereto (without exhibits) for each of the Underwriters. The copies of the Registration Statement and each amendment thereto furnished to the Underwriters will be identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

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(d) Delivery to the Underwriters of Prospectuses. The Company has delivered or made available or will deliver or make available to each Underwriter, without charge, as many copies of each Preliminary Prospectus as such Underwriter reasonably requested, and the Company hereby consents to the use of such copies for purposes permitted by the Securities Act. The Company will furnish or make available, including pursuant to EDGAR, to each Underwriter, without charge, during the period when a prospectus relating to the Shares is (or, but for the exception afforded by Rule 172, would be) required to be delivered under the Securities Act, such number of copies of the Prospectus (as amended or supplemented) as such Underwriter may reasonably request. The Prospectus and any amendments or supplements thereto furnished to the Underwriters will be identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

(e) Events Requiring Notice to the Representative. The Company shall use its commercially reasonable efforts to cause the Registration Statement covering the issuance of Ordinary Shares underlying the Representative's Warrant to remain effective with a current prospectus for at least nine (9) months after the Applicable Time, and shall notify the Representative immediately and confirm the notice in writing: (i) of the cessation of the effectiveness of the Registration Statement and any amendment thereto; (ii) of the issuance by the Commission of any stop order or of the initiation, or to the Company's knowledge, the threatening, of any proceeding for that purpose; (iii) of the issuance by any state securities commission of any proceedings for the suspension of the qualification of the shares underlying the Representative's Warrant for offering or sale in any jurisdiction or of the initiation, or the threatening, of any proceeding for that purpose; (iv) of the mailing and delivery to the Commission for filing of any amendment or supplement to the Registration Statement or Prospectus; (v) of the receipt of any comments or request for any additional information from the Commission; and (vi) of the happening of any event during the period described in this Section 3(e) that, in the judgment of the Company, makes any statement of a material fact made in the Registration Statement, the Pricing Disclosure Package or

the Prospectus untrue or that requires the making of any changes in (a) the Registration Statement in order to make the statements therein, in the light of the circumstances existing at that subsequent time, not misleading, or (b) the Pricing Disclosure Package or the Prospectus in order to make the statements therein, in light of the circumstances under which they were made, not misleading. If the Commission or any state securities commission shall enter a stop order or suspend such qualification at any time, the Company shall use its commercially reasonable efforts to obtain promptly the lifting of such order.

(f) Listing. The Company shall use commercially reasonable effort to maintain the listing of the Ordinary Shares on the Exchange for at least three (3) years from the date of this Agreement.

(g) Transfer Agent. The Company shall maintain a transfer agent and registrar for the Ordinary Shares.

(h) Payment of Expenses. The Company hereby agrees to pay on the First Closing Date and, with respect to the Optional Shares, each Option Closing Date, all expenses incident to the performance of the obligations of the Company under this Agreement, including, but not limited to: (a) all filing fees and communication expenses relating to the registration of the Shares with the Commission; (b) all FINRA Public Offering System filing fees; (c) all fees and expenses relating to the listing of the Shares on the Exchange; (d) all fees, expenses and disbursements, if any, relating to the registration or qualification of the Shares under the “blue sky” securities laws of such states and other jurisdictions as the Underwriters may reasonably designate (including, without limitation, all filing and registration fees, and the reasonable fees and disbursements of “blue sky” counsel); (e) all fees, expenses and disbursements relating to the registration, qualification or exemption of the Shares under the securities laws of such foreign jurisdictions as the Underwriters may reasonably designate; (f) the costs of all mailing and printing of the Offering documents; (g) fees and expenses of Representative’s Counsel not to exceed \$100,000; and (h) expenses related to background checks (not to exceed \$7,500), lucite tombstones and mementos and “road show” expenses; provided that the aggregate amount of fees and expenses reimbursable pursuant to (g) and (h) above shall not exceed \$132,500, for which the Company has paid the Representative a \$25,000 advance. The Representative may deduct from the net proceeds of the Offering payable to the Company on the First Closing Date, the expenses set forth herein (less any amounts previously advanced against such actual reimbursable expense) to be paid by the Company to the Underwriters, provided, however, that in the event that the Offering is terminated, the Company agrees to reimburse the Underwriters pursuant to Section 8(c) hereof. For the avoidance of doubt, it is understood that the Company will not pay or reimburse any costs, fees or expenses incurred by any Underwriter that defaults on its obligations to purchase the Firm Shares.

(i) Non-accountable Expenses. The Company further agrees that, in addition to the expenses payable pursuant to Section 3(h), on the First Closing Date and each Option Closing Date, as applicable, it shall pay to the Representative, by deduction from the net proceeds of the Offering contemplated herein, a non-accountable expense allowance equal to one-half percent (0.5%) of the gross proceeds received by the Company from the sale of the Shares on such date.

(j) Application of Net Proceeds. The Company shall apply the net proceeds from the Offering received by it in a manner consistent with the application thereof described under the caption "Use of Proceeds" in the Prospectus.

(k) Rule 158. The Company will timely file such reports pursuant to the Exchange Act as are necessary in order to make generally available to its security holders as soon as practicable an earnings statement for the purposes of, and to provide to the Underwriters the benefits contemplated by, Rule 158(a) under Section 11(a) of the Securities Act covering a period of at least twelve (12) consecutive months beginning after the date of this Agreement.

(l) Stabilization. Neither the Company nor, to its knowledge, any of its employees, directors or shareholders (without the consent of the Representative) has taken or shall take, directly or indirectly, any action designed to or that has constituted or that might reasonably be expected to cause or result in, under Regulation M of the Exchange Act, or otherwise, stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Shares.

(m) Internal Controls. Except to the extent disclosed in the Registration Statement, Pricing Disclosure Package and the Prospectus, the Company shall maintain a system of internal accounting controls sufficient to provide reasonable assurances that: (i) transactions are executed in accordance with management's general or specific authorization; (ii) transactions are recorded as necessary in order to permit preparation of financial statements in accordance with GAAP and to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(n) FINRA. For a period of 60 days from the later of the First Closing Date or Option Closing Date, the Company shall advise the Representative (who shall make an appropriate filing with FINRA) if it has knowledge that (i) any officer or director of the Company, (ii) any beneficial owner of 10% or more of any class of the Company's securities or (iii) any beneficial owner of the Company's unregistered equity securities which were acquired during the 180 days immediately preceding the filing

of the Registration Statement is or becomes an affiliate or associated person of a FINRA member participating in the Offering (as determined in accordance with the rules and regulations of FINRA).

(o) No Fiduciary Duties. The Company acknowledges and agrees that the Underwriters' responsibility to the Company is solely contractual in nature and that none of the Underwriters or their affiliates or any selling agent shall be deemed to be acting in a fiduciary capacity, or otherwise owes any fiduciary duty to the Company or any of its affiliates in connection with the Offering and the other transactions contemplated by this Agreement.

(p) OFAC. The Company will not, directly or indirectly, use the proceeds of the Offering hereunder, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other person or entity, for the purpose of financing the activities of any person currently subject to any U.S. sanctions administered by OFAC.

(q) Company Lock-Up Agreement. The Company, on behalf of itself and any successor entity, agrees that, without the prior written consent of the Representative, it will not, for a period of six (6) months after the date of this Agreement (the "Lock-Up Period"), (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any shares of capital stock of the Company or any securities convertible into or exercisable or exchangeable for shares of capital stock of the Company; (ii) file or cause to be filed any registration statement with the Commission relating to the offering of any shares of capital stock of the Company or any securities convertible into or exercisable or exchangeable for shares of capital stock of the Company, other than pursuant to existing registration rights in favor of shareholders of the Company or on Form S-8 or successor form thereto; or (iii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of capital stock of the Company, whether any such transaction described in clause (i), (ii) or (iii) above is to be settled by delivery of shares of capital stock of the Company or such other securities, in cash or otherwise. The restrictions contained in this Section 3(q) shall not apply to (i) Ordinary Shares to be sold hereunder (including Ordinary Shares issuable upon the exercise of the Representative's Warrant), (ii) the issuance by the Company of Ordinary Shares upon the exercise of a stock option or warrant or the conversion of a security outstanding on the date hereof and disclosed in the Registration Statement, the Pricing Disclosure Package or the Prospectus, and (iii) the issuance by the Company of stock options or shares of capital stock of the Company under any equity compensation plan of the Company disclosed in the Registration Statement, the Pricing Disclosure Package or the Prospectus.

(r) Release of D&O Lock-up Period. If the Representative, in its sole discretion, agrees to release or waive the restrictions set forth in the Lock-Up Agreements described in Section 4(f) hereof for an officer or director of the Company and provides the Company with notice of the impending release or waiver at least three (3) Business Days before the effective date of the release or waiver, the Company agrees to announce the impending release or waiver by a press release in a form to be reasonably agreed upon between the Company and the Representative.

(s) Blue Sky Qualifications. The Company shall use its commercially reasonable efforts, in cooperation with the Underwriters, if necessary, to qualify the Shares for offering and sale under the applicable securities laws of such states and other jurisdictions (domestic or foreign) as the Representative may designate and to maintain such qualifications in effect so long as required to complete the distribution of the Shares; provided, however, that the Company shall not be obligated to file any general consent to service of process or to qualify as a foreign corporation or as a dealer in securities in any jurisdiction in which it is not so qualified or to subject itself to taxation in respect of doing business in any jurisdiction in which it is not otherwise so subject.

(t) Reporting Requirements. The Company, during the period when a prospectus relating to the Shares is (or, but for the exception afforded by Rule 172, would be) required to be delivered under the Securities Act, will file all documents required to be filed with the Commission pursuant to the Exchange Act within the time periods required by the Exchange Act and Exchange Act Regulations. Additionally, the Company shall report the use of proceeds from the issuance of the Shares as may be required under Rule 463 under the Securities Act Regulations.

(u) Emerging Growth Company Status. The Company shall promptly notify the Representative if the Company ceases to be an Emerging Growth Company at any time prior to the later of (i) completion of the distribution of the Shares within the meaning under the Securities Act and (ii) fifteen (15) days following the completion of the Lock-Up Period.

4. Conditions of Underwriters' Obligations. The obligations of the Underwriters to purchase and pay for the Shares, as provided herein, shall be subject to (i) the continuing accuracy of the representations and warranties of the Company as of the date hereof and as of the First Closing Date and, with respect to the Optional Shares, each Option Closing Date; (ii) the accuracy of the statements of officers of the Company made pursuant to the provisions hereof; (iii) the performance by the Company of its obligations hereunder; and (iv) the following conditions:

(a) Regulatory Matters.

(i) Effectiveness of Registration Statement. The Registration Statement has become effective not later than 5:00 p.m., Eastern time, on the date of this Agreement or such later date and time as shall be consented to in writing by the Representative, and, at the First Closing Date and, with respect to the Optional Shares, each Option Closing Date, no stop order suspending the effectiveness of the Registration Statement or any post-effective amendment thereto shall have been issued under the Securities Act, no order preventing or suspending the use of any Preliminary Prospectus or the Prospectus shall have been issued and no proceedings for any of those purposes shall have been instituted or are pending or, to the Company's knowledge, contemplated by the Commission. The Company has complied with each request (if any) from the Commission for additional information. The Prospectus containing the Rule 430A Information shall have been filed with the Commission in the manner and within the time frame required by Rule 424(b) (without reliance on Rule 424(b)(8)) or a post-effective amendment providing such information shall have been filed with, and declared effective by, the Commission in accordance with the requirements of Rule 430A.

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(ii) FINRA Clearance. On or before the date of this Agreement, the Representative shall have received correspondence from FINRA that it will raise no objection as to the underwriting terms and arrangements and amount of compensation allowable or payable to the Underwriters as described in the Registration Statement.

(iii) Exchange Clearance. On or before the First Closing Date, the Firm Shares, and on or before each Option Closing Date, the Optional Shares shall have been approved for listing on the Exchange, subject only to official notice of issuance.

(b) Company Counsel Matters.

(i) Closing Date Opinions of Counsel. On the First Closing Date and on each Option Closing Date (if any), the Representative shall have received (w) the favorable opinion and negative assurance letter of Ellenoff Grossman & Schole LLP ("Company Counsel"), counsel to the Company, (x) the favorable opinion of Conyers Dill & Pearman, Cayman Islands counsel to the Company, and (y) the favorable opinion of Watson Farley & Williams LLP, Hong Kong counsel to the Company, each dated the First Closing Date or Option Closing Date, as applicable, and addressed to the Representative, in form and substance reasonably satisfactory to the Representative.

(ii) Opinion of Representative's Counsel. On the First Closing Date and on each Option Closing Date (if any), the Representative shall have received from Representative's Counsel,

such negative assurances statement, dated the First Closing Date or Option Closing Date, as applicable, addressed to the Representative, with respect to such matters as the Representative may reasonably require, and the Company shall have furnished to such counsel such documents as they request for enabling them to pass upon such matters.

(iii) Reliance. The opinions referred to in Section 4(b)(i) above shall include a statement to the effect that such counsel may rely: (i) as to matters involving the application of laws other than the laws of the United States and jurisdictions in which they are admitted, to the extent such counsel deems proper and to the extent specified in such opinion, if at all, upon an opinion or opinions (in form and substance reasonably satisfactory to the Representative) of other counsel reasonably acceptable to the Representative, familiar with the applicable laws; and (ii) as to matters of fact, to the extent they deem proper, on certificates or other written statements of officers of the Company and officers of departments of various jurisdictions having custody of documents respecting the corporate existence or good standing of the Company, provided that copies of any such statements or certificates shall be delivered to Representative's Counsel if requested. The opinion of Ellenoff Grossman & Schole LLP and any opinion relied upon by Ellenoff Grossman & Schole LLP shall include a statement to the effect that it may be relied upon by Representative's Counsel in its opinion, if any, delivered to the Underwriters.

(c) Comfort Letters.

(i) Cold Comfort Letter. At the time this Agreement is executed, the Representative shall have received from the Auditor a cold comfort letter containing statements and information of the type customarily included in accountants' comfort letters with respect to the financial statements and certain financial information contained in the Registration Statement, the Pricing Disclosure Package and the Prospectus, addressed to the Representative and in form and substance satisfactory in all respects to the Representative and to Representative's Counsel from the Auditor, dated as of the date of this Agreement.

(ii) Bring-Down Comfort Letter. At the First Closing Date and on each Option Closing Date (if any), the Representative shall have received from the Auditor a letter, dated as of the First Closing Date or Option Closing Date, as applicable, to the effect that the Auditor reaffirms the statements made in the letter furnished pursuant to Section 4(c)(i), except that the specified date referred to shall be a date not more than three (3) Business Days prior to the First Closing Date or Option Closing Date.

(d) Officers' Certificates.



(i) Officers' Certificate. The Company shall have furnished to the Representative a certificate, dated the First Closing Date or Option Closing Date, as applicable, of its Chief Executive Officer and its Chief Financial Officer stating (on behalf of the Company and not in an individual capacity) that (i) such officers have carefully examined the Registration Statement, the Pricing Disclosure Package, and the Prospectus and, to their knowledge, the Registration Statement and each amendment thereto, as of the Applicable Time and as of the First Closing Date and each Option Closing Date (if any) did not include any untrue statement of a material fact and did not omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances existing at that subsequent time, not misleading, and the Pricing Disclosure Package, as of the Applicable Time and as of the First Closing Date and each Option Closing Date (if any), the Prospectus and each amendment or supplement thereto, as of the respective date thereof and as of the First Closing Date and each Option Closing Date (if any), did not include any untrue statement of a material fact and did not omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances in which they were made, not misleading, (ii) since the effective date of the Registration Statement, no event has occurred which should have been set forth in a supplement or amendment to the Registration Statement, the Pricing Disclosure Package or the Prospectus, (iii) to their knowledge after reasonable investigation, as of the First Closing Date and each Option Closing Date (if any), the representations and warranties of the Company in this Agreement are true and correct in all material respects (except for those representations and warranties qualified as to materiality, which shall be true and correct in all respects and except for those representations and warranties which refer to facts existing at a specific date, which shall be true and correct as of such date) and the Company has complied with all agreements and satisfied all conditions on its part to be performed or satisfied hereunder at or prior to the First Closing Date and Option Closing Date (if any) and (iv) there has not been, subsequent to the date of the most recent audited financial statements included in the Pricing Disclosure Package, any Material Adverse Change, or any change or development that, singularly or in the aggregate, would reasonably be expected to involve a Material Adverse Change, except as set forth in the Prospectus.

(ii) Secretary's Certificate. At the First Closing Date and on each Option Closing Date (if any), the Representative shall have received a certificate of the Company signed by the Company Secretary, dated the First Closing Date or Option Closing Date, as applicable, certifying: (i) that the Charter in force on the First Closing Date is true and complete, has not been modified and is in full force and effect; (ii) that the resolutions of the Company's Board of Directors relating to the Offering are in full force and effect and have not been modified; (iii) the good standing of the Company; and (iv) as to the incumbency of the officers of the Company. The documents referred to in such certificate shall be attached to such certificate.

(iii) Chief Financial Officer's Certificate on Registration Statement. At the time that this Agreement is executed, the Representative shall have received a certificate of the Company signed by the Chief Financial Officer of the Company, dated the date hereof, certifying as to the accuracy of certain information included in the Registration Statement, in form and substance reasonably satisfactory to the Representative, and at each of the First Closing Date and each Option Closing Date, if any, dated the First Closing Date or the Option Closing Date, as the case may be.

(e) No Material Changes. Prior to and on the First Closing Date and on each Option Closing Date (if any): (i) there shall have been no Material Adverse Change that, singularly or in the aggregate, would reasonably be expected to involve a Material Adverse Change, from the latest dates as of which such condition is set forth in the Registration Statement, the Pricing Disclosure Package and the Prospectus; (ii) no action, suit or proceeding, at law or in equity, shall have been pending or threatened against the Company or any Insider before or by any court or federal or state commission, board or other administrative agency wherein an unfavorable decision, ruling or finding would reasonably be expected to result in a Material Adverse Change, except as set forth in the Registration Statement, the Pricing Disclosure Package and the Prospectus; (iii) no stop order shall have been issued under the Securities Act and no proceedings therefor shall have been initiated or threatened by the Commission; and (iv) the Registration Statement, the Pricing Disclosure Package and the Prospectus and any amendments or supplements thereto shall contain all material statements which are required to be stated therein in accordance with the Securities Act and the Securities Act Regulations and shall conform in all material respects to the requirements of the Securities Act and the Securities Act Regulations, and neither the Registration Statement, the Pricing Disclosure Package nor the Prospectus nor any amendment or supplement thereto shall contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(f) Other Agreements to be Delivered. The Company has caused each the persons listed on Schedule 3 hereto to deliver to the Representative an executed Lock-Up Agreement, in a form substantially similar to that attached hereto as Exhibit B (the "Lock-Up Agreement"), prior to the execution of this Agreement. On the First Closing Date and each Option Closing Date (if any), the Company shall have delivered to the Representative an executed copy of the Representative's Warrant.

(g) Additional Documents. At the First Closing Date and on each Option Closing Date (if any), Representative's Counsel shall have been furnished with such documents and opinions as they may reasonably require for the purpose of enabling Representative's Counsel to deliver an opinion to the

Underwriters, or in order to evidence the accuracy of any of the representations or warranties, or the fulfillment of any of the conditions, herein contained; and all proceedings taken by the Company in connection with the issuance and sale of the Shares and the Representative's Securities as herein contemplated shall be satisfactory in form and substance to the Representative and Representative's Counsel.

#### 5. Indemnification.

(a) Indemnification of the Underwriters. Subject to the conditions set forth below, the Company agrees to indemnify and hold harmless each Underwriter, its affiliates and each person controlling such Underwriter (within the meaning of Section 15 of the Securities Act), and the directors, officers, agents and employees of each Underwriter, its affiliates and each such controlling person (each Underwriter, and each such entity or person hereafter is referred to as an "Indemnified Person") from and against any losses (other than losses of profits), claims, damages, judgments, assessments, costs and other liabilities (collectively, the "Liabilities"), and shall reimburse each Indemnified Person for all reasonable, documented out-of-pocket fees and expenses (including the reasonable, documented out-of-pocket fees and expenses of counsel for the Indemnified Persons, except as otherwise expressly provided in this Agreement) (collectively, the "Expenses") and agrees to advance payment of such Expenses as they are incurred by an Indemnified Person in investigating, preparing, pursuing or defending any actions, whether or not any Indemnified Person is a party thereto, arising out of or based upon any untrue statement or alleged untrue statement of a material fact contained in (i) the Registration Statement, the Pricing Disclosure Package, the Preliminary Prospectus, or the Prospectus (as from time to time each may be amended and supplemented); or (ii) any materials or information provided to investors by, or with the approval of, the Company in connection with the marketing of the Offering, including any "road show" or investor presentations made to investors by the Company (whether in person or electronically); or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, unless such statement or omission was made in reliance upon, and in conformity with the Underwriters' Information, provided, however, that the Company shall not be required to indemnify and hold harmless any Indemnified Person with respect to any Liabilities or Expenses incurred by it that are judicially determined to have resulted from the fraud, gross negligence, willful misconduct or bad faith of such Indemnified Person or the breach of this Agreement or any obligations of confidentiality owed to the Company. With respect to any untrue statement or omission or alleged untrue statement or omission made in the Pricing Disclosure Package, the indemnity agreement contained in this Section 5(a) shall not inure to the benefit of any Indemnified Person to the extent that any loss, liability, claim, damage or expense of such Indemnified Person results from the fact that a copy of the Prospectus was not given or sent to the person asserting any such loss, liability, claim or damage at or prior to the written confirmation of sale of the Shares to such person as required by the Securities Act and the Securities Act

Regulations, and if the untrue statement or omission has been corrected in the Prospectus, unless such failure to deliver the Prospectus was a result of non-compliance by the Company with its obligations under Section 3(c) hereof.

(a) Procedure. Upon receipt by an Indemnified Person of actual notice of an action against such Indemnified Person with respect to which indemnity may reasonably be expected to be sought under this Agreement, such Indemnified Person shall promptly notify the Company in writing, provided that failure by any Indemnified Person so to notify the Company shall not relieve the Company from any obligation or liability which the Company may have on account of this Section 5 or otherwise to such Indemnified Person, except to the extent the Company is materially prejudiced as a proximate result of such failure. An Indemnified Person shall have the right to require that the Company assume the defense of any such action (including the employment of counsel designated by the Company and reasonably satisfactory to the Representative). Any Indemnified Person shall have the right to employ separate counsel in any such action and participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Indemnified Person unless: (i) the Company has failed promptly to assume the defense and employ counsel for the benefit of the Underwriters and the other Indemnified Persons or (ii) such Indemnified Person shall have been advised that in the opinion of counsel that there is an actual or potential conflict of interest that prevents (or makes it imprudent for) the counsel engaged by the Company for the purpose of representing the Indemnified Person, to represent both such Indemnified Person and any other person represented or proposed to be represented by such counsel. The Company shall not be liable any settlement of any action effected without its prior written consent (which shall not be unreasonably withheld). In addition, the Company shall not, without the prior written consent of the Underwriters (which shall not be unreasonably withheld, conditioned or delayed), settle, compromise or consent to the entry of any judgment in or otherwise seek to terminate any pending or threatened action in respect of which advancement, reimbursement, indemnification or contribution may be sought hereunder (whether or not such Indemnified Person is a party thereto) unless such settlement, compromise, consent or termination (i) includes an unconditional release of that Indemnified Person from all Liabilities arising out of such action for which indemnification or contribution may be sought hereunder and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act, by or on behalf of any Indemnified Person. The advancement, reimbursement, indemnification and contribution obligations of the Company required hereby shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as every Liability and Expense is incurred and is due and payable, and in such amounts as fully satisfy each and every Liability and Expense as it is incurred (and in no event later than 30 days following the date of any invoice therefore);

provided, however, that the Indemnified Persons shall repay such amounts to the extent it ultimately is determined that such persons are not entitled to indemnification hereunder.

(b) Indemnification of the Company. Each Underwriter, severally and not jointly, agrees to indemnify and hold harmless the Company, its directors, its officers, employees and persons who control the Company within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act against any and all Liabilities, but only with respect to untrue statements or omissions, or alleged untrue statements or omissions made in the Registration Statement, any Preliminary Prospectus, the Pricing Disclosure Package or Prospectus or any amendment or supplement thereto or in any application, in reliance upon, and in strict conformity with, the Underwriters' Information. In case any action shall be brought against the Company or any other person so indemnified based on any Preliminary Prospectus, the Registration Statement, the Pricing Disclosure Package or Prospectus or any amendment or supplement thereto or in any application, and in respect of which indemnity may be sought against any Underwriter, such Underwriter shall have the rights and duties given to the Company, and the Company and each other person so indemnified shall have the rights and duties given to the several Underwriters by the provisions of Section 5(a). The Company agrees promptly to notify the Representative of the commencement of any litigation or proceedings against the Company or any of its officers, directors or any person, if any, who controls the Company within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, in connection with the issuance and sale of the Shares or in connection with the Registration Statement, the Pricing Disclosure Package, or the Prospectus; provided that failure by the Company so to notify the Representative shall not relieve any Underwriter from any obligation or liability which such Underwriter may have on account of this Section 5 or otherwise to the Company, except to the extent such Underwriter is materially prejudiced as a proximate result of such failure.

(c) Contribution. If the indemnification provided for in this Section 5 shall for any reason be unavailable to or insufficient to hold harmless an indemnified party under Section 5(a) or 5(c) in respect of any Liabilities and Expenses referred to therein, then each indemnifying party shall, in lieu of indemnifying such indemnified party, contribute to the amount paid or payable by such indemnified party as a result of such Liabilities and Expenses, (i) in such proportion as shall be appropriate to reflect the relative benefits received by the Company, on the one hand, and each of the Underwriters, on the other hand, from the Offering, or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company, on the one hand, and the Underwriters, on the other hand, in connection with the matters as to which such Liabilities or Expenses relate, as well as any other relevant equitable considerations. The relative benefits received by the Company, on the one hand, and the Underwriters, on the other hand, with respect to such Offering shall be deemed to be in the same proportion as the total proceeds from the Offering purchased under this Agreement (after deducting all underwriting discounts, commissions and other fees but before deducting expenses) that are actually

received by the Company bear to the total underwriting discount, fees and commissions received or to be received by the Underwriters in connection with the Offering, in each case as set forth in the table on the cover page of the Prospectus. The relative fault of the Company, on the one hand, and the Underwriters, on the other hand, shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company, on the one hand, or the Underwriters, on the other hand, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such untrue statement, omission, act or failure to act; provided that the parties hereto agree that the written information furnished to the Company through the Representative by or on behalf of any Underwriter for use in any Preliminary Prospectus, any Registration Statement or the Prospectus, or in any amendment or supplement thereto, consists solely of the Underwriters' Information. The Company and the Underwriters agree that it would not be just and equitable if contributions pursuant to this subsection (d) were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take into account the equitable considerations referred to above in this subsection (d). Notwithstanding the above, no person guilty of fraudulent misrepresentation within the meaning of Section 11(f) of the Securities Act shall be entitled to contribution from a party who was not guilty of fraudulent misrepresentation.

(d) Survival. The advancement, reimbursement, indemnity and contribution obligations set forth in this Section 5 shall remain in full force and effect regardless of any termination of, or the completion of any Indemnified Person's services under or in connection with, this Agreement. Each Indemnified Person is an intended third-party beneficiary of this Section 5, and has the right to enforce the provisions of Section 5 as if he/she/it was a party to this Agreement.

6. Default by an Underwriter.

(a) Default Not Exceeding 10% of Firm Shares or Optional Shares. If any Underwriter or Underwriters shall default in its or their obligations to purchase the Firm Shares or Optional Shares, and if the number of the Firm Shares or Optional Shares with respect to which such default relates does not exceed in the aggregate 10% of the number of Firm Shares or Optional Shares that all Underwriters have agreed to purchase hereunder, then such Firm Shares or Optional Shares to which the default relates shall be purchased by the non-defaulting Underwriters in proportion to their respective commitments hereunder.

(b) Default Exceeding 10% of Firm Shares or Optional Shares. In the event that the default addressed in Section 6(a) relates to more than 10% of the Firm Shares or Optional Shares, the Representative may in its discretion arrange for itself or for another party or parties to purchase such Shares to which such default relates on the terms contained herein. If, within thirty six (36) hours after such default relating to more than 10% of the Firm Shares or Optional Shares, the Representative does not arrange for the purchase of such Firm Shares or Optional Shares, then the Company shall be entitled to a further period of thirty six (36) hours within which to procure another party or parties satisfactory to the Representative to purchase said Firm Shares or Optional Shares on such terms. In the event that neither the Representative nor the Company arrange for the purchase of the Firm Shares or Optional Shares to which a default relates as provided in this Section 6, this Agreement will automatically be terminated by the Representative or the Company without liability on the part of the Company (except as provided in Sections 3(f) and 5 hereof) or the several Underwriters (except as provided in Section 5 hereof); provided that if any such default occurs with respect to any Optional Shares, this Agreement will not terminate in respect of the Firm Shares; and provided, further, that nothing herein shall relieve a defaulting Underwriter of its liability, if any, to the other Underwriters and to the Company for damages occasioned by its default hereunder.

(c) Postponement of First Closing Date. In the event that the Firm Shares or Optional Shares to which the default relates are to be purchased by the non-defaulting Underwriters, or are to be purchased by another party or parties as aforesaid, the Representative or the Company shall have the right to postpone the First Closing Date for a reasonable period, but not in any event exceeding seven (7) Business Days, in order to effect whatever changes may thereby be made necessary in the Registration Statement, the Pricing Disclosure Package or the Prospectus or in any other documents and arrangements, and the Company agrees to file promptly any amendment to the Registration Statement, the Pricing Disclosure Package or the Prospectus that in the opinion of counsel for the Underwriter may thereby be made necessary. The term “Underwriter” as used in this Agreement shall include any party substituted under this Section 6 with like effect as if it had originally been a party to this Agreement with respect to such Shares.

## 7. Additional Covenants.

(a) Prohibition on Press Releases and Public Announcements. Except as required by law or rules of Nasdaq, the Company shall not issue press releases or engage in any other publicity, without the Representative’s prior written consent (such consent not to be unreasonably withheld), for a period ending at 5:00 p.m., Eastern time, on the first (1st) Business Day following the forty-fifth (45th) day after

the First Closing Date, other than normal and customary releases issued in the ordinary course of the Company's business.

(b) Right of First Refusal. Provided that the Firm Shares are sold in accordance with the terms of this Agreement, the Company agrees that the Representative shall have an irrevocable right of first refusal (the "Right of First Refusal"), for a period of six (6) months after the First Closing Date, to act as lead or joint-lead investment banker, lead or joint book-runner, and/or lead or joint placement agent, for each and every future public and private equity and debt offering, including all equity linked financings (each, a "Subject Transaction") of the Company or any successor to or Subsidiary of the Company during such six (6) month period, on terms and conditions customary to the Representative for such Subject Transactions. For the avoidance of any doubt, the Company shall not retain, engage or solicit any additional investment banker, book-runner and/or placement agent in a Subject Transaction during such six (6) month period referred to above without the express written consent of the Representative, except a joint-lead investment banker, joint book-runner or joint placement agent as contemplated in this Section 7(b). The Company shall notify the Representative of its intention to pursue a Subject Transaction, including the material terms thereof, by providing written notice thereof by registered mail or overnight courier service addressed to the Representative. If the Representative fails to exercise its Right of First Refusal with respect to any Subject Transaction within five (5) Business Days after the receipt of such written notice, then the Representative shall have no further claim or right with respect to the Subject Transaction. The Representative may elect, in its sole and absolute discretion, not to exercise its Right of First Refusal with respect to any Subject Transaction, provided that any such election by the Representative shall not adversely affect the Representative's Right of First Refusal with respect to any other Subject Transaction during the six (6) month period agreed to above.

#### 8. Effective Date of this Agreement and Termination Thereof.

(a) Effective Date. This Agreement shall become effective when both the Company and the Representative have executed the same and delivered counterparts of such signatures to the other party.

(b) Termination. The Representative shall have the right to terminate this Agreement at any time prior to any First Closing Date, (i) if any domestic or international event or act or occurrence has materially disrupted, or in the Representative's opinion will in the immediate future materially disrupt, general securities markets in the United States; or (ii) if trading on the New York Stock Exchange or The Nasdaq Stock Market LLC shall have been suspended or materially limited, or minimum or maximum prices for trading shall have been fixed, or maximum ranges for prices for securities shall have been required by FINRA or by order of the Commission or any other government authority having jurisdiction; or (iii) if the United States shall have become involved in a new war or a material increase in major hostilities; or (iv) if a banking moratorium has been declared by a New York State or federal authority;



or (v) if a moratorium on foreign exchange trading has been declared which materially adversely impacts the United States securities markets; or (vi) if the Company shall have sustained a material loss by fire, flood, accident, hurricane, earthquake, theft, sabotage or other calamity or malicious act which, whether or not such loss shall have been insured, will, in the Representative's reasonable opinion, make it inadvisable to proceed with the delivery of the Shares; or (vii) if the Company is in material breach of any of its representations, warranties or covenants hereunder; or (viii) if the Representative shall have knowledge after the date hereof of a Material Adverse Change, or an adverse material change in general market conditions, in each case, as in the Representative's reasonable judgment would make it impracticable to proceed with the offering, sale and/or delivery of the Shares or to enforce contracts made by the Underwriters for the sale of the Shares. Section 5 of this Agreement shall survive any termination of this Agreement.

(c) Expenses. Notwithstanding anything to the contrary in this Agreement, except in the case of a default by the Underwriters pursuant to Section 6(b) above, in the event that this Agreement shall not be carried out for any reason whatsoever, within the time specified herein or any extensions thereof pursuant to the terms herein, the Company shall be obligated to pay to the Representative its actual and accountable out-of-pocket expenses related to the transactions contemplated herein then due and payable (including the reasonable fees and disbursements of Representative's Counsel not to exceed \$100,000) up to a maximum of \$132,500 in the aggregate and upon demand the Company shall pay the full amount thereof (up to a maximum aggregate of \$132,500) to the Representative (less \$25,000 previously advanced to the Underwriters); and provided, however, that such expense cap in no way limits or impairs the indemnification and contribution provisions of this Agreement. Notwithstanding the foregoing, any advance received by the Representative will be reimbursed to the Company to the extent not actually incurred in compliance with FINRA Rule 5110(g)(4)(A).

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(d) Survival of Indemnification. Notwithstanding any contrary provision contained in this Agreement, any election hereunder or any termination of this Agreement, and whether or not this Agreement is otherwise carried out, the provisions of Section 5 shall remain in full force and effect and shall not be in any way affected by, such election or termination or failure to carry out the terms of this Agreement or any part hereof.

(e) Representations, Warranties, Agreements to Survive. All representations, warranties and agreements contained in this Agreement or in certificates of officers of the Company submitted pursuant hereto, shall remain operative and in full force and effect regardless of (i) any investigation made by or on behalf of any Underwriter or its affiliates or selling agents, any person controlling any Underwriter,

its officers or directors or any person controlling the Company or (ii) delivery of and payment for the Shares.

9. Miscellaneous.

(a) Notices. All communications hereunder, except as herein otherwise specifically provided, shall be in writing and addressed to the other party at its address set forth below (or to such other address that the receiving party may designate from time to time in accordance with this Section 9(a)), and shall be deemed to have been given (a) three (3) days after mailing if sent by certified mail return receipt requested, (b) two (2) days after mailing if sent by receipted overnight carrier (i.e. Federal Express), provided that proof of delivery or rejection is obtained, or (c) when delivered if by hand or sent by email to the physical address or email address set forth below.

If to the Representative:

The Benchmark Company, LLC  
150 E. 58th Street, 17th Floor  
New York, NY 10155  
Attention: Michael Jacobs  
Email: mjacobs@benchmarkcompany.com

With copies to (*which shall not constitute notice*):

Nelson Mullins Riley & Scarborough LLP  
101 Constitution Avenue NW, Suite 900  
Washington, DC 20001  
Attention: Michael K. Bradshaw, Jr.  
Email: mike.bradshaw@nelsonmullins.com

If to the Company:

SU Group Holdings Limited  
Unit 01 – 03, 3/F, Billion Trade Centre  
31 Hung To Road, Kwun Tong  
Kowloon, Hong Kong  
Attention: Kong Wing Fai  
Email: calvin.kong@shineunion.com.hk

With copies to (*which shall not constitute notice*):

Ellenoff Grossman & Schole LLP

1345 Avenue of the Americas

New York, New York 10105

Attention: Richard Anslow and Jonathan Deblinger

Email: ranslow@egsllp.com and jdeblinger@egsllp.com

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(b) Headings. The headings contained herein are for the sole purpose of convenience of reference, and shall not in any way limit or affect the meaning or interpretation of any of the terms or provisions of this Agreement.

(c) Amendment. This Agreement may only be amended by a written instrument executed by each of the parties hereto.

(d) Entire Agreement. This Agreement (together with the other agreements and documents being delivered pursuant to or in connection with this Agreement) constitutes the entire agreement of the parties hereto with respect to the subject matter hereof and thereof, and supersedes all prior agreements and understandings of the parties, oral and written, with respect to the subject matter hereof. Notwithstanding anything to the contrary set forth herein, it is understood and agreed by the parties hereto that all other terms and conditions of that certain engagement letter, dated May 23, 2023 (the "Engagement Letter"), by and between the Company and Representative, as such Engagement Letter may be amended from time to time, shall remain in full force and effect. In the event of a conflict between the terms of the Engagement Letter and this Agreement, the terms of this Agreement shall prevail.

(e) Binding Effect. This Agreement shall inure solely to the benefit of and shall be binding upon the Representative, the Underwriters, each Indemnified Person referred to in Section 5, the Company and the controlling persons, directors and officers referred to in Section 5 hereof, and their respective successors, legal representatives, heirs and assigns, and no other person shall have or be construed to have any legal or equitable right, remedy or claim under or in respect of or by virtue of this Agreement or any provisions herein contained. The term "successors and assigns" shall not include a purchaser, in its capacity as such, of securities from any of the Underwriters.

(f) Governing Law; Consent to Jurisdiction; Trial by Jury.

(i) This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of New York, without giving effect to conflict of laws principles thereof. The Company hereby agrees that any action, proceeding or claim against it arising out of, or relating in any way to this Agreement shall be brought and enforced in the New York Supreme Court, County of New York, or in the United States District Court for the Southern District of New York, and irrevocably submits to such jurisdiction, which jurisdiction shall be exclusive. The Company hereby waives any objection to such exclusive jurisdiction and that such courts represent an inconvenient forum. Any such process or summons to be served upon the Company may be served by transmitting a copy thereof by registered or certified mail, return receipt requested, postage prepaid, addressed to it at the address set forth in Section 9(a) hereof. Such mailing shall be deemed personal service and shall be legal and binding upon the Company in any action, proceeding or claim. THE COMPANY (ON ITS BEHALF AND, TO THE EXTENT PERMITTED BY APPLICABLE LAW, ON BEHALF OF ITS SHAREHOLDERS AND AFFILIATES) AND EACH OF THE UNDERWRITERS HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

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(ii) By the execution and delivery of this Agreement, the Company hereby irrevocably designates and appoints Puglisi & Associates, located at 850 Library Avenue, Suite 204, Newark, Delaware 19711 as its authorized agent upon whom process may be served in any suit, proceeding or other action against it instituted by any Underwriter or by any person controlling an Underwriter as to which such Underwriter or any such controlling person is a party and based upon this Agreement, or in any other action against the Company in the New York Supreme Court, County of New York or the United States District Court for the Southern District of New York ("New York Courts"), arising out of the offering made by the Prospectus, the Registration Statement or any purchase or sale of the Shares in connection therewith. The Company expressly accepts jurisdiction of any such court in respect of any such suit, proceeding or other action and, without limiting other methods of obtaining jurisdiction, expressly submits to nonexclusive personal jurisdiction of any such court in respect of any such suit, proceeding or other action. Such designation and appointment shall be irrevocable, unless and until a successor authorized agent in the County and State of New York reasonably acceptable to the Representative shall have been appointed by the Company, such successor shall have accepted such appointment and written notice thereof shall have been given to the Underwriters. The Company further agrees that service of process upon its authorized agent or successor shall be deemed in every respect personal service of process upon the Company in any such suit, proceeding or other action. In the event that service of any process or notice of motion or other application to any such court in connection with

any such motion in connection with any such action or proceeding cannot be made in the manner described above, such service may be made in the manner set forth in conformance with the Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents on Civil and Commercial Matters or any successor convention or treaty. The Company hereby irrevocably waives any objection that it may have or hereafter have to the laying of venue of any such action or proceeding arising out of or based on the Shares or this Agreement or otherwise relating to the offering, issuance and sale of the Shares in any Federal or state court sitting in the County of New York and hereby further irrevocably waives any claim that any such action or proceeding in any such court has been brought in an inconvenient forum. The Company agrees that any final judgment after exhaustion of all appeals or the expiration of time to appeal in any such action or proceeding arising out of the sale of the Shares or this Agreement rendered by any such Federal court or state court shall be conclusive and may be enforced in any other jurisdiction by suit on the judgment or in any other manner provided by law. Nothing contained in this Agreement shall affect or limit the right of the Underwriters or any person controlling an Underwriter to serve any process or notice of motion or other application in any other manner permitted by law or limit or affect the right of the Underwriters or any person controlling an Underwriter to bring any action or proceeding against the Company or any of its properties in the courts of any other jurisdiction. The Company further agrees to take any and all action, including the execution and filing of all such instruments and documents, as may be necessary to continue such designations and appointments or such substitute designations and appointments in full force and effect. The Company hereby agrees with the Underwriters to the exclusive jurisdiction of the New York Supreme Court, County of New York or the United States District Court for the Southern District of New York in connection with any action or proceeding arising from the sale of the Shares or this Agreement brought by the Company, the Underwriters or any person controlling an Underwriter. The Company (on its behalf and, to the extent permitted by applicable law, on behalf of its stockholders and affiliates) and each of the Underwriters hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

(g) Execution in Counterparts. This Agreement may be executed in one or more counterparts, and by the different parties hereto in separate counterparts, each of which shall be deemed to be an original, but all of which taken together shall constitute one and the same agreement, and shall become effective when one or more counterparts has been signed by each of the parties hereto and delivered to each of the other parties hereto. Delivery of a signed counterpart of this Agreement by email/pdf transmission shall constitute valid and sufficient delivery thereof.

(h) Waiver, etc. The failure of any of the parties hereto to at any time enforce any of the provisions of this Agreement shall not be deemed or construed to be a waiver of any such provision, nor to in any way effect the validity of this Agreement or any provision hereof or the right of any of the parties hereto to thereafter enforce each and every provision of this Agreement. No waiver of any breach, non-compliance or non-fulfillment of any of the provisions of this Agreement shall be effective unless set forth in a written instrument executed by the party or parties against whom or which enforcement of such waiver is sought; and no waiver of any such breach, non-compliance or non-fulfillment shall be construed or deemed to be a waiver of any other or subsequent breach, non-compliance or non-fulfillment.

(i) Partial Unenforceability. The invalidity or unenforceability of any section, paragraph, clause or provision of this Agreement shall not affect the validity or enforceability of any other section, paragraph, clause or provision.

(j) Absence of Fiduciary Relationship. The Company acknowledges and agrees that: (a) each Underwriter has been retained solely to act as underwriter in connection with the sale of the Shares and that no fiduciary, advisory or agency relationship between the Company and any Underwriter has been created in respect of any of the transactions contemplated by this Agreement, irrespective of whether any Underwriter has advised or is advising the Company on other matters; (b) the price and other terms of the Shares set forth in this Agreement were established by the Company following discussions and arms-length negotiations with the Underwriters and the Company is capable of evaluating and understanding and understands and accepts the terms, risks and conditions of the transactions contemplated by this Agreement; (c) it has been advised that each Underwriter and its affiliates constitute full service securities firms, engaging in a wide range of activities for their own accounts and the accounts of customers, including corporate finance, mergers and acquisitions, merchant banking, equity and fixed income sales, trading and research, derivatives, foreign exchange, futures, asset management, custody, clearance and securities lending, that may involve interests that differ from those of the Company and that no Underwriter has any obligation to disclose such interest and transactions to the Company by virtue of any fiduciary, advisory or agency relationship; (d) in the course of their businesses, the Underwriters and their affiliates may, directly or indirectly, hold long or short positions, trade and otherwise conduct such activities in or with respect to debt or equity securities and/or bank debt of, and/or derivative products relating to, the Company, any prospective investor and other participants in the Offering; (e) at any given time each Underwriter and/or any of its affiliates may have been and/or be engaged by one or more entities that may be competitors with, or otherwise adverse to, the Company in matters unrelated to the Offering; (f) consistent with applicable legal and regulatory requirements, each Underwriter has adopted policies and procedures to establish and maintain the independence of such Underwriter's research departments and personnel and, as a result, each Underwriter's research analysts may hold views, make statements or investment recommendations and/or publish research reports with respect to the Company, prospective investors, the Offering and other participants in the Offering that differ from the views of

such Underwriter's investment banking personnel; and (g) it has been advised that each Underwriter is acting, in respect of the transactions contemplated by this Agreement, solely for the benefit of such Underwriter, and not on behalf of the Company. In addition, nothing in this Agreement shall be construed to limit, subject to applicable law, the ability of the Underwriters or their affiliates to (a) trade in the Company's or any other company's securities or publish research on the Company or any other company, subject to applicable law, or (b) pursue or engage in investment banking, financial advisory or other business relationships with entities that may be engaged in or contemplate engaging in, or acquiring or disposing of, businesses that are similar to or competitive with the business of the Company.

*[Signature Page Follows]*

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If the foregoing correctly sets forth the understanding between the Underwriters and the Company, please so indicate in the space provided below for that purpose, whereupon this letter shall constitute a binding agreement between us.

Confirmed as of the date first written above  
mentioned, on behalf of itself and as  
Representative of the several Underwriters  
named on Schedule 1 hereto:

**THE BENCHMARK COMPANY, LLC**

By: \_\_\_\_\_

Name:

Title:

[Signature Page to Underwriting Agreement]

**SCHEDULE 1**

**Underwriter**

---

The Benchmark Company, LLC

**Total:**

**SCHEDULE 2-A**

**Pricing Information**

Number of Firm Shares: [●]

Number of Optional Shares: [●]

Public Offering Price per Share: \$[●]

Underwriting Discount per Share: (i) \$[●] per share with respect to investors introduced to the Company by the Underwriters and (ii) \$[●] per share with respect to investors introduced by the Company

Non-accountable expense allowance per Share: \$[●]

**SCHEDULE 2-B**

**Issuer General Use Free Writing Prospectuses**

[None.]



**SCHEDULE 2-C**

**Written Testing-the-Waters Communications**

[None.]

**SCHEDULE 3**

**List of Lock-Up Parties**

[•]

**EXHIBIT A**

**Form of Representative's Warrant**

THE REGISTERED HOLDER OF THIS PURCHASE WARRANT BY ITS ACCEPTANCE HEREOF, AGREES THAT IT WILL NOT SELL, TRANSFER OR ASSIGN THIS PURCHASE WARRANT EXCEPT AS HEREIN PROVIDED AND THE REGISTERED HOLDER OF THIS PURCHASE WARRANT AGREES THAT IT WILL NOT SELL, TRANSFER, ASSIGN, PLEDGE OR HYPOTHECATE THIS PURCHASE WARRANT OR CAUSE IT TO BE THE SUBJECT OF ANY HEDGING, SHORT SALE, DERIVATIVE, PUT OR CALL TRANSACTION FOR A PERIOD OF ONE HUNDRED EIGHTY DAYS FOLLOWING [•], 2023 (THE “**EFFECTIVE DATE**”) TO ANYONE OTHER THAN THE BENCHMARK COMPANY, LLC OR A SELECTED DEALER IN CONNECTION WITH THE OFFERING FOR WHICH THIS PURCHASE WARRANT WAS ISSUED TO THE UNDERWRITER AS CONSIDERATION (THE “**OFFERING**”), OR AN OFFICER OR PARTNER, AFFILIATE OR REGISTERED PERSON OF THE BENCHMARK COMPANY, LLC.

THIS PURCHASE WARRANT IS NOT EXERCISABLE PRIOR TO [•], 2024. VOID AFTER 5:00 P.M., EASTERN TIME, [•], 2028.

## ORDINARY SHARE PURCHASE WARRANT

For the Purchase of [●] Ordinary Shares  
of  
SU Group Holdings Limited

1. Purchase Warrant. THIS CERTIFIES THAT, in consideration of funds duly paid by or on behalf of [●] (“**Holder**”), as registered owner of this Purchase Warrant, to SU Group Holdings Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands (the “**Company**”), Holder is entitled, at any time or from time to time beginning [●], 2024 (the “**Commencement Date**”), and ending at or before 5:00 p.m., Eastern time, [●], 2028, which will be the fifth anniversary of the effective date of the Company’s Registration Statement on Form F-1 (File No. 333-275705) (such date, the “**Expiration Date**”), but not thereafter, to subscribe for, purchase and receive, in whole or in part, up to [●] (the “**Shares**”) of the Company’s ordinary shares, par value HK\$0.01 per share (the “**Ordinary Shares**”), subject to adjustment as provided in Section 6 hereof. If the Expiration Date is a day on which banking institutions are authorized by law to close, then this Purchase Warrant may be exercised on the next succeeding day which is not such a day in accordance with the terms herein. During the period ending on the Expiration Date, the Company agrees not to take any action that would terminate this Purchase Warrant. This Purchase Warrant is initially exercisable at \$[●] per Share; provided, however, that upon the occurrence of any of the events specified in Section 6 hereof, the rights granted by this Purchase Warrant, including the exercise price per Share and the number of Shares to be received upon such exercise, shall be adjusted as therein specified. The adjustment to the exercise price will be made either according to the specified criteria or to the nominal value of the Share at the time of issuance, whichever is higher. The term “**Exercise Price**” shall mean the initial exercise price or the adjusted exercise price, depending on the context.

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### 2. Exercise.

2.1 Exercise Form. In order to exercise this Purchase Warrant, the exercise form attached hereto must be duly executed and completed and delivered to the Company, together with this Purchase Warrant and payment of the Exercise Price for the Shares being purchased and all taxes required to be paid by the Holder, if any, payable in cash by wire transfer of immediately available funds to an account designated by the Company or by certified check or official bank check. If the subscription rights represented hereby shall not be exercised at or before 5:00 p.m., Eastern time, on the Expiration Date, this Purchase Warrant

shall become and be void without further force or effect, and all rights represented hereby shall cease and expire. Each exercise hereof shall be irrevocable.

2.2 Cashless Exercise. In lieu of exercising this Purchase Warrant by payment of cash or check payable to the order of the Company pursuant to Section 2.1 above, Holder may elect to receive the number of Shares equal to the value of this Purchase Warrant (or the portion thereof being exercised), by surrender of this Purchase Warrant to the Company, together with the exercise form attached hereto, and all taxes required to be paid by the Holder, if any, in which event the Company will issue to Holder the Shares in accordance with the following formula:

$$X = \frac{Y(A-B)}{A}$$

Where,

X = The number of Shares to be issued to Holder;

Y = The number of Shares for which the Purchase Warrant is being exercised if such exercise were by m

A = as applicable: (i) the VWAP on the Trading Day immediately preceding the date of the applicable e hereof on a day that is not a Trading Day or (2) both executed and delivered pursuant to Section 2.2 hereof on a day that is not a Trading Day or (2) both executed and delivered pursuant to Section 2.2 600(b)(68) of Regulation NMS promulgated under the federal securities laws) on such Trading Day, ( the date of the applicable Exercise Form or (z) the Bid Price of the Ordinary Shares on the principal applicable Exercise Form if such Exercise Form is executed during “regular trading hours” on a Tra the close of “regular trading hours” on a Trading Day) pursuant to Section 2.2 hereof, which Bid Pr two Trading Days of delivery of the exercise form, or (iii) the VWAP on the date of the applicable e executed and delivered pursuant to Section 2.2 hereof after the close of “regular trading hours” on su

B = The Exercise Price.

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“Bid Price” means, for any date, the price determined by the first of the following clauses that applies: (a) if the Ordinary Shares are then listed or quoted on a Trading Market, the bid price of the Ordinary Shares for the time in question (or the nearest preceding date) on the Trading Market on which the Ordinary Shares are then listed or quoted as reported by Bloomberg L.P. (based on a Trading Day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)), (b) if OTCQB or OTCQX is

not a Trading Market, the volume weighted average price of the Ordinary Shares for such date (or the nearest preceding date) on OTCQB or OTCQX as applicable, (c) if the Ordinary Shares are not then listed or quoted for trading on OTCQB or OTCQX and if prices for the Ordinary Shares are then reported in the “Pink Sheets” published by OTC Markets Group, Inc. (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per share of the Ordinary Shares so reported, or (d) in all other cases, the fair market value of one Ordinary Share as determined by an independent appraiser selected in good faith by the Holder and reasonably acceptable to the Company, the fees and expenses of which shall be paid by the Company.

“Trading Day” means a day on which the New York Stock Exchange is open for trading.

“Trading Market” means any of the following markets or exchanges on which the Ordinary Shares are listed or quoted for trading on the date in question: the NYSE American, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market, or the New York Stock Exchange (or any successors to any of the foregoing).

“VWAP” means, for any date, the price determined by the first of the following clauses that applies: (a) if the Ordinary Shares are then listed or quoted on a Trading Market, the daily volume weighted average price of the Ordinary Shares for such date (or the nearest preceding date) on the Trading Market on which the Ordinary Shares are then listed or quoted as reported by Bloomberg L.P. (based on a Trading Day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)), (b) if OTCQB or OTCQX is not a Trading Market, the volume weighted average price of the Ordinary Shares for such date (or the nearest preceding date) on OTCQB or OTCQX as applicable, (c) if the Ordinary Shares are not then listed or quoted for trading on OTCQB or OTCQX and if prices for the Ordinary Shares are then reported in the “Pink Sheets” published by OTC Markets Group, Inc. (or a similar organization or agency succeeding to its functions of reporting prices), the daily volume weighted average price of the Ordinary Shares for such date (or the nearest preceding date), or (d) in all other cases, the fair market value of an Ordinary Share as determined by an independent appraiser selected in good faith by the Holder and reasonably acceptable to the Company, the fees and expenses of which shall be paid by the Company.

### 3. Transfer.

3.1 General Restrictions. The registered Holder of this Purchase Warrant agrees by his, her or its acceptance hereof, that such Holder will not: (a) sell, transfer, assign, pledge or hypothecate this Purchase Warrant for a period of one hundred eighty (180) days following the Effective Date to anyone other than: (i) The Benchmark Company, LLC (“**Benchmark**”) or an underwriter or a selected dealer participating in the Offering, or (ii) an officer, partner, or registered person of Benchmark or of any such underwriter or selected dealer, in each case in accordance with FINRA Conduct Rule 5110(e), or (b)

cause this Purchase Warrant or the securities issuable hereunder to be the subject of any hedging, short sale, derivative, put or call transaction that would result in the effective economic disposition of this Purchase Warrant or the securities hereunder, except as provided for in FINRA Rule 5110(e)(2). After 180 days after the Effective Date, transfers to others may be made subject to compliance with or exemptions from applicable securities laws. In order to make any permitted assignment, the Holder must deliver to the Company the assignment form attached hereto duly executed and completed, together with the Purchase Warrant and payment of all transfer taxes, if any, payable in connection therewith. The Company shall within five (5) business days transfer this Purchase Warrant on the books of the Company and shall execute and deliver a new Purchase Warrant or Purchase Warrants of like tenor to the appropriate assignee(s) expressly evidencing the right to purchase the aggregate number of Shares purchasable hereunder or such portion of such number as shall be contemplated by any such assignment.

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3.2 Restrictions Imposed by the Act. The securities evidenced by this Purchase Warrant shall not be transferred unless and until: (i) the Company has received the opinion of counsel for the Company/Holder that the securities may be transferred pursuant to an exemption from registration under the Act and applicable state securities laws (the Company hereby agreeing that the opinion of counsel for the Company/Holder shall be deemed satisfactory evidence of the availability of an exemption under the Act and applicable U.S. state securities laws), or (ii) a registration statement or a post-effective amendment to the Registration Statement relating to the offer and sale of such securities has been filed by the Company and declared effective by the U.S. Securities and Exchange Commission (the “**Commission**”) and compliance with applicable state securities law has been established.

4. Reserved.

5. New Purchase Warrants to be Issued.

5.1 Partial Exercise or Transfer. Subject to the restrictions in Section 3 hereof, this Purchase Warrant may be exercised or assigned in whole or in part. In the event of the exercise or assignment hereof in part only, upon surrender of this Purchase Warrant for cancellation, together with the duly executed exercise or assignment form and funds sufficient to pay any Exercise Price and/or transfer tax if exercised pursuant to Section 2.1 hereof, the Company shall cause to be delivered to the Holder, without charge, a new Purchase Warrant of like tenor to this Purchase Warrant in the name of the Holder evidencing the right of the Holder to purchase the number of Shares purchasable hereunder as to which this Purchase Warrant has not been exercised or assigned.

5.2 Lost Certificate. Upon receipt by the Company of evidence satisfactory to it of the loss, theft, destruction or mutilation of this Purchase Warrant and of reasonably satisfactory indemnification or the posting of a bond, determined in the sole discretion of the Company, the Company shall execute and deliver a new Purchase Warrant of like tenor and date. Any such new Purchase Warrant executed and delivered as a result of such loss, theft, mutilation or destruction shall constitute a substitute contractual obligation on the part of the Company.

6. Adjustments.

6.1 Adjustments to Exercise Price and Number of Securities. The Exercise Price and the number of Shares underlying the Purchase Warrant shall be subject to adjustment from time to time as hereinafter set forth:

6.1.1 Share Dividends; Split Ups. If, after the date hereof, and subject to the provisions of Section 6.3 below, the number of outstanding Shares is increased by a stock dividend payable in Shares or by a split up of Shares or other similar event, then, on the effective day thereof, the number of Shares purchasable hereunder shall be increased in proportion to such increase in outstanding Shares, and the Exercise Price shall be proportionately decreased.

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6.1.2 Aggregation of Shares. If, after the date hereof, and subject to the provisions of Section 6.3 below, the number of outstanding Shares is decreased by a consolidation, combination or reclassification of Shares or other similar event, then, on the effective date thereof, the number of Shares purchasable hereunder shall be decreased in proportion to such decrease in outstanding Shares, and the Exercise Price shall be proportionately increased.

6.1.3 Replacement of Securities upon Reorganization, etc. In case of any reclassification or reorganization of the outstanding Shares other than a change covered by Section 6.1.1 or 6.1.2 hereof or that solely affects the par value of such Shares, or in the case of any share reconstruction or amalgamation or consolidation or merger of the Company with or into another corporation (other than a consolidation or share reconstruction or amalgamation or merger in which the Company is the continuing corporation and that does not result in any reclassification or reorganization of the outstanding Shares), or in the case of any sale or conveyance to another corporation or entity of the property of the Company as an entirety or substantially as an entirety in connection with which the Company is dissolved, the Holder of this Purchase Warrant shall have the right thereafter (until the expiration of the right of exercise of this Purchase Warrant) to receive upon the exercise hereof, for the same aggregate Exercise

Price payable hereunder immediately prior to such event, the kind and amount of shares of stock or other securities or property (including cash) receivable upon such reclassification, reorganization, share reconstruction or amalgamation, or consolidation, or upon a dissolution following any such sale or transfer, by a Holder of the number of Shares of the Company obtainable upon exercise of this Purchase Warrant immediately prior to such event; and if any reclassification also results in a change in Shares covered by Section 6.1.1 or 6.1.2, then such adjustment shall be made pursuant to Sections 6.1.1, 6.1.2 and this Section 6.1.3. The provisions of this Section 6.1.3 shall similarly apply to successive reclassifications, reorganizations, share reconstructions or amalgamations, or consolidations, sales or other transfers.

6.1.4 Changes in Form of Purchase Warrant. This form of Purchase Warrant need not be changed because of any change pursuant to this Section 6.1, and Purchase Warrants issued after such change may state the same Exercise Price and the same number of Shares as are stated in the Purchase Warrants initially issued pursuant to this Agreement. The acceptance by any Holder of the issuance of new Purchase Warrants reflecting a required or permissive change shall not be deemed to waive any rights to an adjustment occurring after the Commencement Date or the computation thereof.

6.2 Substitute Purchase Warrant. In case of any consolidation of the Company with, or share reconstruction or amalgamation or merger of the Company with or into, another corporation (other than a consolidation or share reconstruction or amalgamation or merger which does not result in any reclassification or change of the outstanding Shares), the corporation formed by such consolidation or share reconstruction or amalgamation shall execute and deliver to the Holder a supplemental Purchase Warrant providing that the holder of each Purchase Warrant then outstanding or to be outstanding shall have the right thereafter (until the stated expiration of such Purchase Warrant) to receive, upon exercise of such Purchase Warrant, the kind and amount of shares of stock and other securities and property receivable upon such consolidation or share reconstruction or amalgamation, by a holder of the number of Shares of the Company for which such Purchase Warrant might have been exercised immediately prior to such consolidation, share reconstruction or amalgamation or merger, sale or transfer. Such supplemental Purchase Warrant shall provide for adjustments which shall be identical to the adjustments provided for in this Section 6. The above provision of this Section shall similarly apply to successive consolidations or share reconstructions or amalgamations or mergers.

6.3 Elimination of Fractional Interests. The Company shall not be required to issue certificates representing fractions of Shares upon the exercise of the Purchase Warrant, nor shall it be required to issue scrip or pay cash in lieu of any fractional interests, it being the intent of the parties that all fractional

interests shall be eliminated by rounding any fraction up or down, as the case may be, to the nearest whole number of Shares or other securities, properties or rights.

7. Reservation. The Company shall at all times reserve and keep available out of its authorized Shares, solely for the purpose of issuance upon exercise of the Purchase Warrants, such number of Shares or other securities, properties or rights as shall be issuable upon the exercise thereof. The Company covenants and agrees that, upon exercise of the Purchase Warrants and payment of the Exercise Price therefor, in accordance with the terms hereby, all Shares and other securities issuable upon such exercise shall be duly and validly issued, fully paid and non-assessable and not subject to preemptive rights of any shareholder.

8. Certain Notice Requirements.

8.1 Holder's Right to Receive Notice. Nothing herein shall be construed as conferring upon the Holder the right to vote or consent or to receive notice as a shareholder for the election of directors or any other matter, or as having any rights whatsoever as a shareholder of the Company. If, however, at any time prior to the expiration of the Purchase Warrants and their exercise, any of the events described in Section 8.2 shall occur, then, in one or more of said events, the Company shall deliver to each Holder a copy of each notice relating to such events given to the other shareholders of the Company at the same time and in the same manner that such notice is given to the shareholders.

8.2 Events Requiring Notice. The Company shall be required to give the notice described in this Section 8 upon one or more of the following events: (i) if the Company shall take a record of the holders of its Shares for the purpose of entitling them to receive a dividend or distribution payable otherwise than in cash, or a cash dividend or distribution payable otherwise than out of retained earnings, as indicated by the accounting treatment of such dividend or distribution on the books of the Company, or (ii) the Company shall offer to all the holders of its Shares any additional shares of capital stock of the Company or securities convertible into or exchangeable for shares of capital stock of the Company, or any option, right or warrant to subscribe therefor.

8.3 Notice of Change in Exercise Price. The Company shall, promptly after an event requiring a change in the Exercise Price pursuant to Section 6 hereof, send notice to the Holder of such event and change ("**Price Notice**"). The Price Notice shall describe the event causing the change and the method of calculating same.



8.4 Transmittal of Notices. All notices, requests, consents and other communications under this Purchase Warrant shall be in writing and shall be deemed to have been duly made when hand delivered, or mailed by express mail or private courier service: (i) if to the registered Holder of the Purchase Warrant, to the address of such Holder as shown on the books of the Company, or (ii) if to the Company, to following address or to such other address as the Company may designate by notice to the Holder:

If to the Holder:

The Benchmark Company, LLC  
150 East 58th St., 17th Floor  
New York, NY 10155  
Attention: Michael S. Jacobs, Managing Director, Head of Equity Capital Markets  
Email: mjacobs@benchmarkcompany.com

with a copy (which shall not constitute notice) to:

Nelson Mullins Riley & Scarborough LLP  
101 Constitution Avenue NW, Suite 900  
Washington, DC 20001  
Attention: Michael K. Bradshaw, Jr.  
Email: mike.bradshaw@nelsonmullins.com

If to the Company:

SU Group Holdings Limited  
Unit 01 – 03, 3/F, Billion Trade Centre  
31 Hung To Road, Kwun Tong  
Kowloon, Hong Kong  
Attention: Kong Wing Fai  
Email: calvin.kong@shineunion.com.hk

With copies to (which shall not constitute notice):

Ellenoff Grossman & Schole LLP  
1345 Avenue of the Americas  
New York, New York 10105  
Attention: Richard I. Anslow and Jonathan Deblinger  
Email: ranslow@egslp.com and jdeblinger@egslp.com

9. Miscellaneous.

9.1 Amendments. The Company and Benchmark may from time to time supplement or amend this Purchase Warrant without the approval of the Holder in order to cure any ambiguity, to correct or supplement any provision contained herein that may be defective or inconsistent with any other provisions herein, or to make any other provisions in regard to matters or questions arising hereunder that the Company and Benchmark may deem necessary or desirable and that the Company and Benchmark deem shall not adversely affect the interest of the Holder. All other modifications or amendments shall require the written consent of and be signed by (i) the Company and (ii) the Holder(s) of Purchase Warrants then-exercisable for at least a majority of the Shares then-exercisable pursuant to all then-outstanding Purchase Warrants.

9.2 Headings. The headings contained herein are for the sole purpose of convenience of reference, and shall not in any way limit or affect the meaning or interpretation of any of the terms or provisions of this Purchase Warrant.

9.3. Entire Agreement. This Purchase Warrant (together with the other agreements and documents being delivered pursuant to or in connection with this Purchase Warrant) constitutes the entire agreement of the parties hereto with respect to the subject matter hereof, and supersedes all prior agreements and understandings of the parties, oral and written, with respect to the subject matter hereof.

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9.4 Binding Effect. This Purchase Warrant shall inure solely to the benefit of and shall be binding upon, the Holder and the Company and their permitted assignees, respective successors, legal representative and assigns, and no other person shall have or be construed to have any legal or equitable right, remedy or claim under or in respect of or by virtue of this Purchase Warrant or any provisions herein contained.

9.5 Governing Law; Submission to Jurisdiction; Trial by Jury. This Purchase Warrant shall be governed by and construed and enforced in accordance with the laws of the State of New York, without giving effect to conflict of laws principles thereof. The Company hereby agrees that any action, proceeding or claim against it arising out of, or relating in any way to this Purchase Warrant shall be brought and enforced in the courts located in New York, New York, or in the United States District Court located in New York, New York, and irrevocably submits to such jurisdiction, which jurisdiction shall be exclusive. The Company hereby waives any objection to such exclusive jurisdiction and that such

courts represent an inconvenient forum. Any process or summons to be served upon the Company may be served by transmitting a copy thereof by registered or certified mail, return receipt requested, postage prepaid, addressed to it at the address set forth in Section 8 hereof. Such mailing shall be deemed personal service and shall be legal and binding upon the Company in any action, proceeding or claim. The Company and the Holder agree that the prevailing party(ies) in any such action shall be entitled to recover from the other party(ies) all of its reasonable attorneys' fees and expenses relating to such action or proceeding and/or incurred in connection with the preparation therefor. The Company (on its behalf and, to the extent permitted by applicable law, on behalf of its shareholders and affiliates) and the Holder hereby irrevocably waive, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

9.6 Waiver, etc. The failure of the Company or the Holder to at any time enforce any of the provisions of this Purchase Warrant shall not be deemed or construed to be a waiver of any such provision, nor to in any way affect the validity of this Purchase Warrant or any provision hereof or the right of the Company or any Holder to thereafter enforce each and every provision of this Purchase Warrant. No waiver of any breach, non-compliance or non-fulfillment of any of the provisions of this Purchase Warrant shall be effective unless set forth in a written instrument executed by the party or parties against whom or which enforcement of such waiver is sought; and no waiver of any such breach, non-compliance or non-fulfillment shall be construed or deemed to be a waiver of any other or subsequent breach, non-compliance or non-fulfillment.

9.7 Exchange Agreement. As a condition of the Holder's receipt and acceptance of this Purchase Warrant, Holder agrees that, at any time prior to the complete exercise of this Purchase Warrant by Holder, if the Company and Benchmark enter into an agreement ("**Exchange Agreement**") pursuant to which they agree that all outstanding Purchase Warrants will be exchanged for securities or cash or a combination of both, then Holder shall agree to such exchange and become a party to the Exchange Agreement.

*[Signature Page Follows]*

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IN WITNESS WHEREOF, the Company has caused this Purchase Warrant to be signed by its duly authorized officer as of the [●] day of [●], 2023.

*[Form to be used to exercise Purchase Warrant]*

Date: \_\_\_\_\_, 20\_\_

The undersigned hereby elects irrevocably to exercise the Purchase Warrant for \_\_\_\_\_ ordinary shares, par value HK\$0.01 per share (the “**Shares**”), of SU Group Holdings Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands (the “**Company**”), and hereby makes payment of \$\_\_\_\_\_ (at the rate of \$\_\_\_\_\_ per Share) in payment of the Exercise Price pursuant thereto. Please issue the Shares as to which this Purchase Warrant is exercised in accordance with the instructions given below and, if applicable, a new Purchase Warrant representing the number of Shares for which this Purchase Warrant has not been exercised.

or

The undersigned hereby elects irrevocably to convert its right to purchase \_\_\_ Shares of the Company under the Purchase Warrant for \_\_\_\_\_ Shares, as determined in accordance with the following formula:

$$X = \frac{Y(A-B)}{A}$$

Where,

X = The number of Shares to be issued to Holder;

Y = The number of Shares for which the Purchase Warrant is being exercised;

A = The fair market value of one Share which is equal to \$\_\_\_\_\_; and

B = The Exercise Price which is equal to \$\_\_\_\_\_ per share

The undersigned agrees and acknowledges that the calculation set forth above is subject to confirmation by the Company and any disagreement with respect to the calculation shall be resolved by the Company in its sole discretion.

Please issue the Shares as to which this Purchase Warrant is exercised in accordance with the instructions given below and, if applicable, a new Purchase Warrant representing the number of Shares for which this Purchase Warrant has not been converted.

Signature \_\_\_\_\_

Signature Guaranteed \_\_\_\_\_

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#### INSTRUCTIONS FOR REGISTRATION OF SECURITIES

Name: \_\_\_\_\_

(Print in Block Letters)

Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

NOTICE: The signature to this form must correspond with the name as written upon the face of the Purchase Warrant without alteration or enlargement or any change whatsoever, and must be guaranteed by a bank, other than a savings bank, or by a trust company or by a firm having membership on a registered national securities exchange.

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[Form to be used to assign Purchase Warrant]

ASSIGNMENT

(To be executed by the registered Holder to effect a transfer of the within Purchase Warrant):

FOR VALUE RECEIVED, \_\_\_\_\_ does hereby sell, assign and transfer unto the right to purchase ordinary shares, par value HK\$0.01 per share, of SU Group Holdings Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands (the “**Company**”), evidenced by the Purchase Warrant and does hereby authorize the Company to transfer such right on the books of the Company.

Dated: \_\_\_\_\_, 20\_\_

Signature \_\_\_\_\_

Signature Guaranteed \_\_\_\_\_

NOTICE: The signature to this form must correspond with the name as written upon the face of the within Purchase Warrant without alteration or enlargement or any change whatsoever, and must be guaranteed by a bank, other than a savings bank, or by a trust company or by a firm having membership on a registered national securities exchange.

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**EXHIBIT B**

**Form of Lock-Up Agreement**

**Lock-Up Agreement**

[•], 2023

THE BENCHMARK COMPANY, LLC

as Representative of the Underwriters

150 East 58<sup>th</sup> Street, 17<sup>th</sup> Floor

New York, New York 10155

Ladies and Gentlemen:

The undersigned understands that The Benchmark Company, LLC (the “**Representative**”) proposes to enter into an Underwriting Agreement (the “**Underwriting Agreement**”) with SU Group Holdings Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands (the “**Company**”), providing for the registered public offering (the “**Public Offering**”) of ordinary shares, par value HK\$0.01 per share, of the Company (“**Ordinary Shares**”).

To induce the Representative to enter into the Underwriting Agreement and continue its efforts in connection with the Public Offering, and in light of the benefits that the Public Offering will confer upon the undersigned in its capacity as a security holder and/or an officer or director of the Company, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned hereby agrees that, without the prior written consent of the Representative, the undersigned will not, during the period commencing on the date hereof and ending six (6) months after the date of the final prospectus relating to the Public Offering (the “**Lock-Up Period**”): (1) offer, pledge, sell, contract to sell, grant, lend, or otherwise transfer or dispose of, directly or indirectly, any Ordinary Shares or capital stock of the Company (collectively, “**Capital Stock**”) or any securities convertible into or exercisable or exchangeable for Capital Stock, whether now owned or hereafter acquired (including any securities acquired pursuant to the Public Offering) by the undersigned or with respect to which the undersigned has or hereafter acquires the power of disposition (collectively, the “**Lock-Up Securities**”); (2) enter into any swap or other arrangement or transaction that transfers to another, in whole or in part, directly or indirectly, any of the economic consequences of ownership of the Lock-Up Securities or any securities convertible into or exercisable for any Capital Stock, whether any such transaction described in clause (1) above or this clause (2) is to be settled by delivery of Lock-Up Securities, in cash or otherwise; (3) make any demand for or exercise any right with respect to the registration of any Lock-Up Securities; or (4) publicly disclose the intention to make any offer, sale, pledge or disposition, or to enter into any transaction, swap or other arrangement relating to any Lock-Up Securities.

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Notwithstanding the foregoing, and subject to the conditions below, the undersigned may transfer Lock-Up Securities without the prior written consent of the Representative in connection with (a) transactions relating to Lock-Up Securities acquired in open market transactions after the completion

of the Public Offering; provided that no filing under Section 13 or Section 16(a) of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), or other public announcement shall be required or shall be voluntarily made during the Lock-Up Period in connection with subsequent sales of Lock-Up Securities acquired in such open market transactions; (b) transfers of Lock-Up Securities as a *bona fide* gift, by will or intestacy or to a family member (as defined below) or trust for the benefit of the undersigned or a family member; (c) transfers of Lock-Up Securities to a charity or educational institution; (d) transfers of Lock-Up Securities pursuant to a bona fide third-party tender offer for securities of the Company, merger, consolidation or other similar transaction made to all holders of the Company’s securities involving a Change of Control (as defined below), which transaction is approved by the Board of Directors of the Company, provided that it shall be a condition of the transfer that if the tender offer, merger, consolidation or other such transaction is not completed, the undersigned’s securities subject to this letter agreement shall remain subject to the restrictions herein; or (e) if the undersigned, directly or indirectly, controls a corporation, partnership, limited liability company or other business entity, any transfers of Lock-Up Securities to any shareholder, partner or member of, or owner of similar equity interests in, the undersigned, as the case may be; provided that in the case of any transfer pursuant to the foregoing clauses (b), (c), (d) or (e), it shall be a condition to any such transfer that (i) the transferee/donee agrees to be bound by the terms of this lock-up agreement (including, without limitation, the restrictions set forth in the preceding sentence) to the same extent as if the transferee/donee were a party hereto; (ii) each party (donor, donee, transferor or transferee) shall not be required by law (including without limitation the disclosure requirements of the Securities Act of 1933, as amended (the “**Securities Act**”), and the Exchange Act) to make, and shall agree to not voluntarily make, any filing or public announcement of the transfer or disposition prior to the expiration of the Lock-Up Period; and (iii) the undersigned notifies the Representative at least two (2) business days prior to the proposed transfer or disposition.

For purposes of this letter agreement, “**family member**” shall mean the spouse or domestic partner of the undersigned, an immediate family member of the undersigned or an immediate family member of the undersigned’s spouse or domestic partner, in each case living in the undersigned’s household or whose principal residence is the undersigned’s household (regardless of whether such spouse, domestic partner or family member may at the time be living elsewhere due to educational activities, health care treatment, military service, temporary internship or employment or otherwise). “**Immediate family member**” shall have the meaning set forth in Rule 16a-1(e) under the Exchange Act. For purposes of this letter agreement, “**Change of Control**” means the consummation of any bona fide third party tender offer, merger, consolidation or other similar transaction, in one transaction or a series of related transactions, the result of which is that any “person” (as defined in Section 13(d)(3) of the Exchange Act), or group of persons, other than the Company or its subsidiaries, becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 of the Exchange Act) of a majority of the total voting power of the voting stock of the Company (or the surviving entity).



In addition, the foregoing restrictions shall not apply to (i) the exercise of stock options granted pursuant to the Company's equity incentive plans; provided that it shall apply to any of the undersigned's Ordinary Shares issued upon such exercise, (ii) the exercise of warrants or conversion of convertible promissory notes or other convertible securities; provided that it shall apply to any of the undersigned's Capital Stock issued upon such exercise or conversion, (iii) a contract, instruction or plan (a "**Plan**") that satisfies all of the requirements of Rule 10b5-1(c)(1)(i)(B) under the Exchange Act, or (iv) the establishment of any new Plan; provided that, other than as provided herein, no sales of the undersigned's Ordinary Shares shall be made pursuant to such new Plan prior to the expiration of the Lock-Up Period, and such a Plan may only be established if no public announcement of the establishment or existence thereof and no filing with the Securities and Exchange Commission or other regulatory authority in respect thereof or transactions thereunder or contemplated thereby, by the undersigned, the Company or any other person, shall be required, and no such announcement or filing is made voluntarily, by the undersigned, the Company or any other person, prior to the expiration of the Lock-Up Period.

The undersigned also agrees and consents to the entry of stop transfer instructions with the Company's transfer agent and registrar against the transfer of the undersigned's securities subject to this lock-up agreement except in compliance with this lock-up agreement.

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The undersigned now has, and, for the duration of this letter agreement will have, good and marketable title to the undersigned's Lock-Up Securities, free and clear of all liens, encumbrances, and claims whatsoever, other than any charitable pledge of such securities that by its terms could not result in any transfer, disposition or distribution of such securities during the Lock-Up Period. If the undersigned is an officer or director of the Company, (i) the undersigned agrees that the foregoing restrictions shall be equally applicable to any securities that the undersigned may purchase in the Public Offering; (ii) the Representative agrees that, at least three (3) business days before the effective date of any release or waiver of the foregoing restrictions in connection with a transfer of Lock-Up Securities, the Representative will notify the Company of the impending release or waiver; and (iii) the Company has agreed in the Underwriting Agreement to announce the impending release or waiver by press release through a major news service at least two (2) business days before the effective date of the release or waiver. Any release or waiver granted by the Representative hereunder to any such officer or director shall only be effective two (2) business days after the publication date of such press release. The provisions of this paragraph will not apply if (a) the release or waiver is effected solely to permit a transfer of Lock-Up Securities not for consideration and (b) the transferee has agreed in writing to be

bound by the same terms described in this lock-up agreement to the extent and for the duration that such terms remain in effect at the time of such transfer.

During the Lock-Up Period, the undersigned hereby waives any and all notice requirements and rights with respect to the registration of securities pursuant to any agreement, understanding or anything otherwise setting forth the terms of any security of the Company held by the undersigned, including any registration rights agreement or investors' rights agreement to which the undersigned and the Company may be party.

The undersigned understands that the Company and the Representative are relying upon this lock-up agreement in proceeding toward consummation of the Public Offering. The undersigned further understands that this lock-up agreement is irrevocable and shall be binding upon the undersigned's heirs, legal representatives, successors and assigns.

This letter agreement shall automatically terminate and be of no further effect (i) on December 31, 2023, in the event the execution of the Underwriting Agreement shall not have occurred on or before such date (provided that the Company may by written notice to the undersigned prior to December 31, 2023, extend such date for a period of up to an additional three months, in the event that the Underwriting Agreement has not been executed by such date), (ii) prior to the execution of the Underwriting Agreement, upon such date the Company notifies the Representative in writing that it does not intend to proceed with the Public Offering, (iii) if the registration statement filed with the Securities and Exchange Commission in connection with the Public Offering is withdrawn, or (iv) upon the termination of the Underwriting Agreement prior to the First Closing Date (as defined in the Underwriting Agreement) in accordance with the terms thereof.

The undersigned consents to receipt of this letter agreement in electronic form and understands and agrees that this letter agreement may be signed electronically. In the event that any signature is delivered by electronic mail, or otherwise by electronic transmission evidencing an intent to sign this letter agreement, such electronic mail or other electronic transmission shall create a valid and binding obligation of the undersigned with the same force and effect as if such signature were an original. Execution and delivery of this letter agreement by electronic mail or other electronic transmission is legal, valid and binding for all purposes.

This lock-up agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

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**Exhibit 10.13**

Ref. No. [\*\*\*\*\*]

**Tenancy Agreement**

An Agreement made in 2023/12/14 between the Landlord and the Tenant as more particularly described in the Schedule I.

The Landlord lets and the Tenant takes the Premises for the Term of Tenancy and at the Rent as more particularly described in the Schedule I and both parties agree to observe and perform the terms and conditions as follows:

1. The Tenant shall pay the Rent in advance on the first day of each and every calendar month during the said term. If the Tenant shall fail to pay the Rent after 7 days from the due date, the Landlord shall have right to institute appropriate action to recover the rent and all costs, expenses and other outgoings so incurred by the Landlord in relation to such action shall be a debt owed by the Tenant to the Landlord and shall be recoverable in full by the Landlord.
2. The Tenant shall not make any alterations in and/or additions to the said premises without the prior written consent of the Landlord, which consent shall not be unreasonably withheld.
3. The Tenant shall not assign, transfer, underlet or otherwise part with the possession of the said premises or any part thereof to any other person.
4. The Tenant shall comply with all ordinances, regulations and rules of Hong Kong and shall observe and perform the covenants, terms and conditions of the Deed of Mutual Covenant and Sub-Deed of Mutual Covenant (if any) relating to the said premises. The Tenant shall not contravene any negative or restrictive covenants contained in the Government Lease(s) under which the Premises are held from the Government.
5. The Tenant shall pay and discharge punctually during the said term all charges for water, electricity, gas and telephone and other similar charges payable in respect of the said premises.
6. The Tenant shall during the said term keep the whole of the interior of the said premises in good and tenantable repair and condition (fair wear and tear and damage caused by inherent defects expected) and shall deliver up vacant possession of the Premises in the same repair and condition on the expiration or sooner determination of this tenancy.
7. The Tenant shall pay to the Landlord the Security Deposit set out in Schedule I for the due observance and performance of the terms and conditions therein contained and on his part to be observed and performed. Provided that there is no antecedent breach of any of the terms and conditions herein contained, the Landlord shall refund the Security Deposit to the Tenant without interest within 30 days from the date of delivery of vacant possession of the Premises to the Landlord and after full settlement of all outstanding payments owed by the Tenant to the Landlord. If the Tenant shall commit a breach of any of the terms and conditions herein contained, this Agreement shall absolutely determine and the Security Deposit paid under this clause shall be absolutely forfeited to the Landlord as and for liquidated damages (but not as penalty) and the rights and remedies given to the Landlord by this clause shall not prejudice any other right of action or any remedy of the Landlord in respect of such breach by the Tenant.

8. Provided that the Tenant paying the rent hereby reserved and all charges payable hereunder and performing and observing the covenants by the Tenant hereinbefore contained may peaceably hold and enjoy the said premises during the said term without any interruption by the Landlord or any person lawfully claiming through or under or in trust for him.
9. The Landlord shall keep and maintain the structural parts of the said premises in proper state of repair provided that the Landlord's liability shall not be incurred unless and until written notice of any defect or want of repair has been given by the Tenant to the Landlord and the Landlord shall have failed to take reasonable steps to repair and remedy the same after the lapse of a reasonable time from the date of service of such notice.
10. The Landlord shall pay the Property tax payable in respect of the Premises.
11. The Stamp Duty payable on this Agreement shall be borne by the Landlord and the Tenant in equal shares.
12. The Landlord and the Tenant agree to be bound by the additional terms and conditions contained in the Schedule II (if any).
13. If there is any conflict between the English version and the Chinese version in the agreement, \*the ~~English~~ / Chinese version shall prevail.

\* Delete where inapplicable

Acknowledged the receipt of the Security Deposit of HK\$ 126,000 by the Landlord

Acknowledged

---

Confirmed and Accepted all the terms and conditions contained herein by the Landlord

---

Confirmed and

[Signature and seal by landlord affixed here]

[Signature and seal by tenant affixed here]

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JKID / B.R. NO. [\*\*\*\*\*]

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HKID / B.R. NO. [\*\*\*\*\*]

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Ref. No. [\*\*\*\*\*]

Schedule I

The Premises:

18/F, Wing Wong Commercial Building, 557-559 Nathan Road  
Yau Ma Tei, Kowloon

The Landlord:

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whose \*address / registered office is situate at

[\*\*\*\*\*]

Tel: [\*\*\*\*\*]

The Tenant:

Fortune Jet Management & Training Co. Limited

whose \*address / registered office is situate at

18/F, Wing Wong Commercial Building, 557-559 Nathan Road

Yau Ma Tei, Kowloon

Tel: [\*\*\*\*\*]

Mr. Chu / [\*\*\*\*\*] Ms. Yuen

Term of Tenancy:

From 2023/12/16 to 2025/12/15 (both days inclusive)

Rent Detail:

Period:

From 2023/12/16 to 2025/12/15

Rent: HK\$42,000 (per month)

Security Deposit: HK\$126,000

Bank Account: [\*\*\*\*\*]

## Schedule II

### The Miscellaneous Payments

The following payments shall be paid in respect of the said premises during the Term of Tenancy:

- |     |                    |  |
|-----|--------------------|--|
| (1) | Management Fee     | To be borne by * <del>the Tenant</del> / the Landlord. |
| (2) | Government Rates   | To be borne by * <del>the Tenant</del> / the Landlord. |
| (3) | Government Rent    | To be borne by * <del>the Tenant</del> / the Landlord. |
| (4) | Electricity Charge | To be borne by *the Tenant / <del>the Landlord</del> . |
| (5) | Water Charge       | To be borne by *the Tenant / <del>the Landlord</del> . |

\* delete where inapplicable

### Usage

The property is for Commercial use, the tenant for other purposes, all costs / responsibilities (such as tolerance fees, government administration fees, land premium fees) all by the charterer.

### Break Clause

Notwithstanding anything to the contrary hereinbefore contained, the Landlord/Tenant either party shall be entitled to terminate this Agreement earlier than as herein provided by serving not less than 1 months' written notice or by paying 1 months' Rent in lieu to the Landlord/Tenant/other party provided that the said written notice shall not be served before the expiration of the 11 month of the Term of Tenancy.

## Others

The attorney's fee incurred as a result of the rent and other expenses owed by the tenant will be charged against the tenant.

If the tenant delay to pay the monthly rent for more than 15 days from the date of the lease, interest will be charged. The monthly interest rate is 3%.

If the tenant failed to pay the monthly rent within 30 days from the due date, the owner has the right to cancel the lease immediately and repossess the property immediately without any further notice. The tenant has to comply without any right of appeal.

The tenant is fully responsible for the routine maintenance of all fixtures, furniture, utensils, electrical appliances, etc., provided by the owner. Upon the end of the lease, it shall be returned to the owner under normal operational conditions, cost for repair of any damages or mal-function will be charged against the tenant.

The tenant is required to buy the wind, fire, water, theft, home accident insurance, and the owner will not be responsible for any loss.

Upon termination or expiration of the lease, the tenant has to return the unit in the same condition as at the time when the lease commenced. The owner has the right to ask the tenant to keep the decoration intact, or ask the tenant to dismantle all the renovations (whether or not they are built or rebuilt by the tenant) and return the BARE SHELL to the owner. In any case, the tenant must clean the building and leave nothing behind.

The owner does not guarantee the use, area and any unauthorized structures of the rented building. The tenant may not request termination of the lease or any compensation from the owner for any of the foregoing reasons.

Right to renew: Tenants have priority to renew the lease, the increment of the rental fee shall not exceed 15% or shall be negotiated at the market rate separately.



## POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints Chan Ming Dave and Kong Wing Fai as attorneys-in-fact with full power of substitution, for him or her in any and all capacities, to do any and all acts and all things and to execute any and all instruments which said attorney and agent may deem necessary or desirable to enable the registrant to comply with the Securities Act of 1933, as amended (the "Securities Act"), and any rules, regulations and requirements of the Securities and Exchange Commission thereunder, in connection with the registration under the Securities Act of Ordinary Shares of the registrant (the "Shares"), including, without limitation, the power and authority to sign the name of each of the undersigned in the capacities indicated below to the Registration Statement on Form F-1 (the "Registration Statement") to be filed with the Securities and Exchange Commission with respect to such Shares, to any and all amendments or supplements to such Registration Statement, whether such amendments or supplements are filed before or after the effective date of such Registration Statement, to any related Registration Statement filed pursuant to Rule 462(b) under the Securities Act, and to any and all instruments or documents filed as part of or in connection with such Registration Statement or any and all amendments thereto, whether such amendments are filed before or after the effective date of such Registration Statement; and each of the undersigned hereby ratifies and confirms all that such attorney and agent shall do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

**Signature**

**Title**

/s/ Chan Ming Dave

Chan Ming Dave

Chairman and Chief Executive Officer

(Principal Executive Officer)

/s/ Kong Wing Fai

Kong Wing Fai

Director and Chief Financial Officer

(Principal Financial and Accounting Officer)