

OVERVIEW

We are a leading provider of one-stop total plastics solutions in the PRC primarily engaged in the design and fabrication of plastic injection molds and the mechanical design and manufacturing of plastic components. According to Ipsos, an independent market research company, we ranked second in the PRC in terms of revenue generated from fabricating plastic injection molds in 2012.

We primarily engage in the business of:

- fabricating plastic injection molds; and
- manufacturing plastic components by utilising the plastic injection molding process.

We fabricate plastic injection molds, which are complex structures composed of metal components and are necessary in the manufacturing of plastic components utilising the plastic injection molding process. Such molds must be specifically engineered and fabricated with cavities to shape the plastic components in accordance with the desired design, features and specifications. We have the technical capabilities to fabricate molds that meet the MT1 precision level as defined by the “National Standard of the People’s Republic of China GB/T14486-2008—Dimensional Tolerances for Moulded Plastic Parts” (《中華人民共和國國家標準GB/T14486-2008—塑料模塑件尺寸公差》), which is the highest precision level in the aforementioned guidelines. Our experienced mold design team consisted of 197 employees as at 30 June 2013.

We also manufacture plastic components for various products by utilising the plastic injection molding process. We also manufacture plastic components by employing special decorative molding processes, including in-mold labelling, double-shot injection molding and rapid heat cycle molding, which are modifications to the typical plastic injection molding process designed to achieve certain desired visual and quality effects.

Our customers, as well as our own plastic components manufacturing division, uses plastic injection molds fabricated by us to manufacture plastic components for products in a wide range of industries, such as commercial telecommunication equipment, automotive, household electrical appliances, video game devices, digital devices, mobile phone, pachinko and medical devices. We have developed technical capabilities and expertise to serve customers in a diverse range of downstream industries. Hence, we have the flexibility to strategically target downstream industries that we believe enhances our growth potential as well as mitigates our industry concentration risk and reduces the impact of demand volatility in any single downstream industry.

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We organise our operations into two business divisions: a mold fabrication division and a plastic components manufacturing division. Our mold fabrication division fabricates molds for both external sales and internal use by our plastic components manufacturing division. Our mold fabrication customers include, amongst others, overseas manufacturers of household electrical appliances and automotive parts manufacturers. Our plastic components manufacturing division generally manufactures plastic components by employing the molds that our mold fabrication division have fabricated specifically for such use. In such cases, our two business divisions work together to provide one-stop total plastics solutions.

We operate four production bases, three of which are located in Shenzhen, Guangdong Province, the PRC, and one in Suzhou, Jiangsu Province, the PRC. The Shenzhen Tangjia Plants, where we conduct all of our mold fabrication operations, are located on the Shenzhen Tangjia Land in Shenzhen, Guangdong Province, the PRC. We also conduct some of our plastic components manufacturing operations in the Shenzhen Tangjia Plants. Our other plastic components manufacturing operations are conducted at the Shenzhen Yulu Plant A and the Shenzhen Yulu Plant B, both located in Yulu Village, Shenzhen, Guangdong Province, PRC. To accommodate certain of our customers' production facilities that are located in the vicinity, in 2010, we established a plastic components manufacturing plant in Suzhou, Jiangsu Province, the PRC.

The following table sets out a breakdown of our total revenue by business segments for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2010		2011		2012		2012		2013	
	(unaudited)									
	<i>HK\$'000</i>	<i>(% of revenue)</i>	<i>HK\$'000</i>	<i>(% of revenue)</i>	<i>HK\$'000</i>	<i>(% of revenue)</i>	<i>HK\$'000</i>	<i>(% of revenue)</i>	<i>HK\$'000</i>	<i>(% of revenue)</i>
Mold fabrication	261,264	48.7	378,286	48.4	356,245	32.5	149,277	31.9	174,947	37.2
Plastic components manufacturing	274,840	51.3	403,464	51.6	739,740	67.5	319,196	68.1	295,678	62.8
Total	536,104	100.0	781,750	100.0	1,095,985	100.0	468,473	100.0	470,625	100.0

We have achieved significant growth in recent years. For 2010, 2011 and 2012 and the six months ended 30 June 2013, we recorded revenue of HK\$536.1 million, HK\$781.8 million, HK\$1,096.0 million and HK\$470.6 million, respectively, and profit for the year/period attributable to owners of the Company of HK\$45.0 million, HK\$84.5 million, HK\$135.2 million and HK\$38.8 million, respectively.

OUR COMPETITIVE STRENGTHS

Our competitive strengths include:

Established and growing customer base consisting of leaders from diverse industries

“Keeping our customers successful” is our corporate mission. We have been able to establish our current market position by strategically building long-term relationships with a diverse range of internationally-recognised, industry-leading players such as ABB, Electrolux, Whirlpool, Promens, Polycom and one of the leading flash memory product companies. We believe our success has been driven by our efforts in identifying and targeting industries that we expect to be fast-growing, and our ability to establish business relationships with key players in such industries. In many cases, we have been an early market entrant during the early stages of these industries’ growth, and we have grown along with these industries and the key players. Through years of cooperation, we believe that we have become an important strategic partner to many of our customers, thereby solidifying our flow of business.

As at 31 December 2012, we had a range of two to 15 years of business relationships with our top five customers in terms of sales amount for 2012. The strength of our customer relationships is further evidenced by the fact that we have been awarded “Best Quality Award” or similar accolades by various customers, such as Whirlpool, during the Track Record Period. We believe our strong, mutually beneficial relationships with industry-leading players also lend us credibility and enhance our reputation, assisting us to attract new customers.

Advanced technical expertise in the design and fabrication of plastic injection molds, enabling us to rank second in the PRC in terms of revenue from fabricating plastic injection molds in 2012

Molds are the foundation of any industrial process that involves plastic injection molding, and our core competency is our technical capabilities and expertise in fabricating high-quality plastic injection molds. As demand for plastic components continues to grow according to projections from industry analysis, we expect demand for plastic injection molds to expand as well. In particular, we believe that the continuing trend of product personalisation has caused an increase in the variety of product designs, thereby increasing the demand for plastic injection molds. We believe that we possess a competitive advantage over many of our domestic competitors due to our technical capabilities and expertise. As international customers have stringent requirements regarding the precision, reliability, tooling-life and quality of the molds we supply, we have been driven to improve our technical capabilities, craftsmanship and production process in mold design and fabrication to meet such stringent requirements. We have received a “Tool Design Award – Gold Award” from the Hong Kong Mold & Die Council of Federation of Hong Kong Industry in 2010 and one of our Old Group Companies had been recognised as a “New and High Technology Enterprise” by the PRC government at the national level in 2011. As at the Latest Practicable Date, we owned 17 patents, of which one is an invention patent and 16 are utility models. As at the Latest Practicable Date, we had two pending patent applications for invention patents. As at 30 June 2013, 204 of our mold fabrication employees had at least five years of industry experience and 94 of our mold fabrication employees had earned a bachelor’s degree or above.

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Driven by our customers' stringent demands for product quality, we have also developed a rigorous quality assurance system. We focus on product quality to minimise defect rates and satisfy our customers' requirements for precision and reliability. We believe our high product quality results from our technical expertise and systematic production processes comprised of detailed and specific protocols.

A vertically integrated one-stop total plastics solutions platform

As a vertically integrated provider of one-stop total plastics solutions, we provide, among others, mold design and fabrication services as well as plastic components mechanical design and manufacturing services. We believe that this platform enables us to provide customised, cost-effective and streamlined manufacturing services to our customers, facilitates cross-selling of our products and services, and enhances our technical expertise.

Significant synergies exist between our mold fabrication operations and plastic injection molding operations, reflected by the fact that generally, we manufacture plastic components by employing the molds fabricated by our mold fabrication division. Moreover, our two divisions can cross-sell our products and services to our respective customers. According to the Ipsos Report, a primary factor contributing to the quality of plastic components manufactured utilising the plastic injection molding process is the quality of the plastic injection molds. We believe that our reputation in mold fabrication has attracted customers to engage us to manufacture plastic components. The business units from our two divisions also work together to offer pre-sales advice and resolve issues that may arise during the production process. For example, our plastic components manufacturing division has the capability to test the plastic injection molds that we fabricate, which enhances our efficiency and accuracy in obtaining raw technical data needed to refine and modify the molds. We upload such raw technical data to our knowledge management system, which provides us with a reliable and useful technical information database to help us resolve production issues as well as further improve our production capabilities.

Strong management led by our founders and chief executive officer who each have 25 or more years of industry experience

We believe that the vision, leadership and execution capabilities of our management team have been instrumental to achieving our current market position and managing our rapid growth. Our founders and chief executive officer each have 25 or more years of industry experience. Through the course of our expansion, our chairman Mr. Li, our executive Director and chief executive director Mr. Yung, our executive Director Mr. Lee and our executive Director Mr. Cheung have demonstrated a track record of executing a deliberate, long-term growth strategy with an industry-focused approach. In particular, Mr. Li has been instrumental in the development and promotion of our corporate culture, which emphasises the value of individual contribution, integrity and harmony as well as respect for each employee. Mr. Li's achievements have been recognised by the local municipal government and various industry organisations. Please refer to the section headed "Directors and Senior Management—Executive Directors—Mr. Li Pui Leung" in this prospectus for further details.

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Our management's vision is to grow with all of our stakeholders, including our customers, suppliers, employees, shareholders and the society at large. We believe that our strong corporate culture has enabled us to attract and retain experienced senior and mid-level management as well as skilled technical personnel from both inside and outside of the PRC, which has enabled us to provide better service. As at 30 June 2013, we had 485 employees with at least five years of industry experience, and 52 of our 98 senior and mid-level management personnel had worked with us for at least five years.

OUR STRATEGIES

Our vision is to become a leading provider of one-stop total plastics solutions globally. We believe that we can achieve the aforesaid objective by pursuing the following strategies:

Continue to expand our customer base by focusing on strategically targeted downstream industries and leading companies in such industries

We intend to continue our industry-focused approach by continuing our growth in our existing targeted industries as well as making deliberate entries into new market segments as we identify profitable opportunities that match our competitive strengths. We have identified, among others, the medical devices, automotive, commercial telecommunication equipment and consumer electronics industries as growing industries, and intend to continue taking advantage of our early entry into these downstream industries and capturing the benefits of such industries' growth. We also plan to further expand our operations to match the growth of these targeted industries.

In addition, we aim to continue our strategy of deepening relationships with our customers by leveraging our technical expertise to offer product feasibility and optimisation advice in the early stages of our customers' product design process, often prior to the placement of orders. Through this approach, we believe that we will be able to maintain our competitive edge by understanding our customers' respective requirements, product features, production processes and plans for the future as well as the trends of various industries. We intend to leverage such understanding to provide products and services that are highly tailored to our customers' production processes. We also intend to utilise such understanding in our fee quotation process, which we believe will increase our chances of winning orders from our customers.

By focusing on strategically targeted industries and leaders in such industries, we also aim to maintain and grow our profitability. We intend to do so through a continued commitment in targeting projects and downstream industries with higher margins or that are consistent with our long-term strategic vision. Furthermore, we aim to decrease our reliance on any single customer or industry by leveraging our established and growing reputation to attract new high-quality customers in our core industries and continuing to diversify our presence in industries which we consider having high potential.

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Continue to make capital investments to enhance our capabilities as well as to expand our geographic coverage to support the further growth of our business

We plan to continue to invest in high-grade and advanced equipment to complement the growth of our operations. As labour costs increase in the PRC, we intend to increase our capital investments and efforts in further automating our production processes by purchasing equipment to replace certain manual processes. We believe that automation will enhance the quality of our products and the efficiency of our processes. We plan to invest in larger capacity equipment and to expand our capabilities to serve the automotive parts industry which requires the capability to fabricate larger molds than we currently able to fabricate, i.e., ultra-large standard mold. We also plan to purchase advanced mold fabrication and plastic injection molding equipment to enhance the overall technical capabilities.

As geographic proximity between our production facilities and our customers' production facilities would allow enhanced customer service and increase sales opportunities, we plan to establish production facilities and after-sales service offices in strategic geographic locations. Specifically, we have identified Eastern China as an important hub for our industry. As part of our expansion, we began our operations in our Suzhou Plant in 2010, and we intend to expand our operations in Jiangsu Province, PRC.

Please refer to the section headed "Futures Plans and Use of Proceeds—Use of Proceeds" in this prospectus for further details.

Expand our sales network globally

To expand our customer base as well as to better serve our existing customers, we will continue to expand our sales network globally in strategic locations. We intend to continue growing our current third-party contract sales representative model to cover customers located in the United States, Japan and Europe by selectively increasing the number of our third-party contract sales representatives. Please refer to the section headed "—Customers, Sales and Marketing—Sales and Marketing—Third-Party Contract Sales Representatives" for further details. By engaging more third-party sales representatives, we believe that we can broaden our reach to potential customers and enhance communications with our existing customers, thereby increasing our flow of business globally.

Engage in strategic acquisition of other mold fabricators to complement our business model

When suitable opportunities arise, we intend to acquire other mold fabricators to complement the expansion of our business and increase our market share globally, as well as to enhance our ability in servicing overseas market. We will be very selective in the process and expect to consider a range of factors, amongst others, the target company's (i) customer base; (ii) existing market and whether such market aligns with our expansion; (iii) historical financial performance; (iv) scale of operations; (v) market reputation; (vi) expertise and

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technical capacity; and (vii) compatibility for integration with our operations. We have not identified any specific geographical location for the potential target company. We intend to acquire mold fabricators with a scale of operation smaller than ours so as to lower the risk for integration as companies with smaller scales are generally less complicated in terms of organisational structure and thus have a smaller number of staff, customers and suppliers, so that such a company or companies, if acquired, can be integrated into our Group relatively easier when compared with integrating companies with larger scale. As at the Latest Practicable Date, we had neither identified a specific geographical location nor any suitable target for such potential acquisition.

Please also refer to the section headed “Futures Plans and Use of Proceeds—Use of Proceeds” in this prospectus.

Expand our research and development efforts and capabilities

We plan to further improve our research and development capabilities by continuing to focus on research and development efforts to develop process-related know-how to improve product quality, our production efficiency and save production cost. Furthermore, we intend to further research ways to enhance automation of our production processes to reduce labour cost and increase precision level of our products. We also intend to further research and develop plastic injection mold fabrication as well as plastic injection molding methodology to accommodate innovative product designs in our various downstream industries. In addition, we intend to expand our secondary development efforts of mold design software. We intend to expand our research and development efforts and capabilities by hiring more research and development personnel and purchasing equipment and materials necessary for our research and development efforts. Please refer to the section headed “Future Plans and Use of Proceeds—Use of Proceeds” in this prospectus for further details.

OUR BUSINESS MODEL

One-Stop Total Plastics Solutions

We primarily engage in the business of:

- fabricating plastic injection molds that are used in the production of plastic components (i) by our customers in their respective manufacturing operations and (ii) by our own plastic components manufacturing operations; and
- manufacturing plastic components by utilising the plastic injection molding process. In addition, and in accordance with product specifications and customer demands, we also perform secondary processing of plastic components such as spray-painting, printing, hot stamping, ultrasonic welding, CNC machining and assembly of plastic components.

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Our customers may engage us on a project basis to fabricate molds or to manufacture plastic components for our customers' products, or provide one-stop total plastics solutions, which include plastic components mechanical design, mold design, mold fabrication, plastic components manufacturing and secondary processing services. Our plastic components manufacturing division generally manufactures plastic components by employing the molds that our mold fabrication division has fabricated specifically for the production of the relevant plastic components. We have business relationships with a number of designers and producers of branded products, who do not place purchase orders directly with us for plastic components. Rather, such designers and producers of branded products instruct their contract manufacturers to engage us as a supplier of plastic components. Please refer to the section headed "Customer, Sales and Marketing—Customer Base—Plastic Components Manufacturing Customers—Our Relationship with Designers and Producers of Branded Products" for further details.

As part of our one-stop total plastics solutions, we offer pre-sale design, feasibility and optimisation advice with respect to both molds and plastic components during our customers' product design processes as a value-added service for which we do not charge a separate fee. We seek to differentiate ourselves by taking a proactive role at the early stages of our customers' product design and development cycles, in particular for new product lines of our customers.

We believe that this value-added service is essential to our business model and business strategy and that our proactive early involvement enables us not only to better understand our customers' needs but also to provide practical, innovative solutions to our customers with a view to helping them minimise costs and improve the functionality and quality of their products. We believe that our pre-sale design, feasibility and optimisation advice has led us to produce products of better quality as well as to secure more business from our customers. Please refer to the section headed "—Customers, Sales and Marketing—Sales and Marketing—Customer Solutions Teams" in this prospectus.

The following table sets out our total revenue by business segments during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2010		2011		2012		2012		2013	
	(unaudited)									
	<i>HK\$'000</i>	<i>(% of total revenue)</i>	<i>HK\$'000</i>	<i>(% of total revenue)</i>	<i>HK\$'000</i>	<i>(% of total revenue)</i>	<i>HK\$'000</i>	<i>(% of total revenue)</i>	<i>HK\$'000</i>	<i>(% of total revenue)</i>
Mold fabrication	261,264	48.7	378,286	48.4	356,245	32.5	149,277	31.9	174,947	37.2
Plastic components manufacturing	274,840	51.3	403,464	51.6	739,740	67.5	319,196	68.1	295,678	62.8
Total	536,104	100.0	781,750	100.0	1,095,985	100.0	468,473	100.0	470,625	100.0

Business Units Approach

We organise our production operations into various business units representing individual profit centres with a high degree of autonomy and responsibility for managing our day-to-day production operations. As at the Latest Practicable Date, we had a total of 16 business units across our two operating divisions. Each of our business units comprises approximately 80 to 250 staff. We strive to scale our business units in a manner that optimises productivity and efficiency, which we believe gives us the flexibility to promptly respond to changes in our customers' demands and evolving industry trends by selectively modifying our operations at the business unit level. As business units can be set up or reconfigured for other purposes quickly, we believe that our business structure allows us to timely adjust the scale of our business operations to maximise profits as necessary.

By employing business units, we strive to maintain a streamlined management structure consisting of only three levels, each with clearly defined responsibilities:

- our Board and senior management define our corporate culture, develop our strategic vision and set our sales targets;
- our general managers of each of the two divisions manage the overall operations of the respective divisions within the confines of our strategic vision; and
- our business units within each of the two business divisions, which are given a high degree of autonomy and operate as independent profit centres, are responsible for managing our day-to-day production operations.

To the extent practicable, our business units' operations are often tailored to certain specifically targeted customers, which we believe facilitates production efficiency and tailored customer service. For example, we have business units that respectively focus on fabricating molds for automotive parts and manufacturing plastic components for teleconference terminals. Projects are allocated to a business unit in accordance with the business unit's prior experience with a particular customer or industry as well as available capacity in order to enhance proper attention to and accountability for each project. Our business units often work on recurring or similar projects for certain customers. Therefore, our employees have opportunities to accumulate industry experience and cultivate relationships with our customers' personnel. We believe that this arrangement enhances our understanding of our customers' production processes and plans for future products, and facilitates mutual trust among our personnel and our customers' personnel.

Our business units also allow for leadership and promotion opportunities that are conducive to employee loyalty. In particular, we have implemented a deliberately designed performance-based incentive scheme at the business unit level to encourage employees to perform diligently.

OUR PRODUCTS AND SERVICES

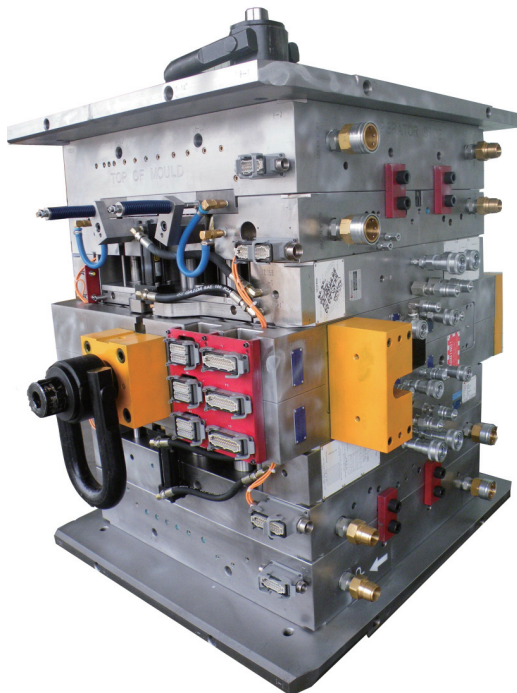
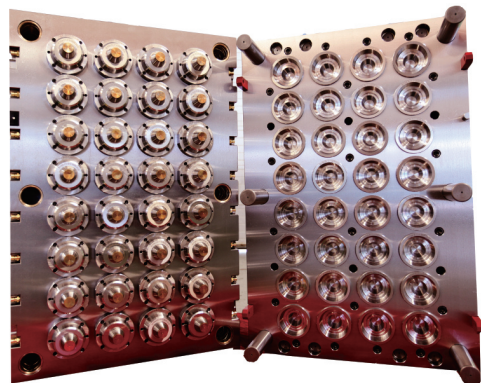
Plastic Injection Molds

A plastic injection mold is a complex metallic structure necessary in the plastic injection molding process, and is engineered and fabricated with cavities in order to shape plastic components to be manufactured in accordance with the desired design, features and specifications. In other words, to manufacture plastic components utilising the plastic injection molding process, a tailor-made mold must be fabricated first.

According to the Ipsos Report, molds with MT3 precision level or above as defined by the “National Standard of the People’s Republic of China GB/T14486-2008—Dimensional Tolerances for Moulded Plastic Parts” (《中華人民共和國國家標準GB/T14486-2008—塑料模塑件尺寸公差》) can be further classified into performance molds and standard molds.

Performance Molds

According to the Ipsos Report, performance molds are smaller in size, have a higher number of cavities, involve a less complex structural design and are used in shorter production cycles in the plastic components manufacturing process. Our performance molds are generally utilised in connection with the high-volume manufacturing of identical plastic components of various products, including consumer electronic products such as USB drives and smartphones accessories, and medical products such as disposable syringes.



Standard Molds

According to the Ipsos Report, standard molds are larger in size, have a lower number of cavities, involve a more complex structural design and consist of a higher number of components per mold. Our standard molds are utilised in connection with the manufacturing of plastic components of various products, including automotive parts such as door panels, glove boxes and grills, commercial telecommunication equipment such as teleconference phone terminals, and household electrical appliances such as washing machines and refrigerators.

Plastic Components

We utilise the plastic injection molding process to manufacture plastic components of products such as smartphones, portable video game devices, teleconference phone terminals, portable computer memory devices and pachinko machines. According to the Ipsos Report, plastic injection molding is the most commonly used process to mass produce plastic components.

We have the technical capabilities to fabricate molds that meet the MT1 precision level as defined by the “National Standard of the People’s Republic of China GB/T14486-2008—Dimensional Tolerances for Moulded Plastic Parts” (《中華人民共和國國家標準 GB/T14486-2008—塑料模塑件尺寸公差》), which is the highest precision level in the aforementioned guidelines. We broadly classify our plastic components manufacturing products into three subcategories in accordance with the characteristics of the molds utilised as well as the plastic injection molding process involved:

Plastic Components Manufactured by employing Performance Molds (“Performance Molding”)

Our performance molding business units specialise in manufacturing plastic components employing performance molds that we fabricate and occasionally, similar molds produced by third parties. We generally perform certain secondary processing on the plastic components subsequent to the plastic injection molding process in accordance with our customers’ requirements. Each of our performance molding projects generally entails the mass production of identical plastic components, such as USB drives and smartphones.



Plastic Components Manufactured by employing Standard Molds (“Standard Molding”)

Our standard molding business units specialise in manufacturing plastic components employing standard molds that we have fabricated. Compared to our performance molding products, our plastic components manufactured by employing standard molds generally have a higher degree of complexity, involve a more complex process and entail more secondary processing procedures. Our plastic components

manufactured by employing standard molds include plastic components of special gaming machines such as pachinko machines and commercial telecommunication equipment such as teleconference phone terminals.

Plastic Components Manufactured by Special Decorative Molding Processes

Special decorative molding entails various modifications to the typical plastic injection molding process to achieve certain desired visual and quality effects. We employ the following special decorative molding techniques to enhance the visual appeal of certain plastic components:

- *In-Mold Labelling (IML)*. IML techniques allow for the desired patterns and logos to be embedded as part of the plastic components. IML is achieved by placing a film printed with the desired pattern or logo into the plastic injection mold, thereby enabling the pattern or logo to be imprinted simultaneously in the plastic injection molding process.



Patterns and logos appearing in plastic components manufactured using IML techniques generally have greater wear resistance and are more colourful than patterns and logos that are spray-painted onto the surface of the plastic components.

- *Double-Shot Injection Molding*. Double-shot injection molding uses plastic resins of two different colours or two different types of plastic resins in the same plastic injection molding process, thereby enhancing the variety of visual effect options.
- *Rapid Heat Cycle Molding (RHCM)*. RHCM is a relatively new plastic injection molding technique that involves the rapid heating and cooling of the mold. This process may result in plastic components with better visual effects than traditional plastic injection molding, and is generally used to produce plastic components with glossy or silky surfaces.

Examples of products manufactured by our special decorative molding business units include plastic components of consumer electronic products such as the casing of video game devices, and mobile communication devices such as smartphones.

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CUSTOMERS, SALES AND MARKETING

Customer Base

We sell our products and provide our manufacturing services to a large and diverse customer base from various industries. Our major customers include designers and producers of branded products and contract manufacturers of such designers and producers of branded products. We have maintained business relationships with our top five customers for 2012 for a range of two to 15 years. We do not enter into any long-term purchase agreement with our customers, which we believe is consistent with market practice. Rather, our sales are made on the basis of individual purchase orders. We believe that we have established solid relationships with our customers by, among other things:

- becoming involved at an early stage in the product development process by offering our expertise and know-how in mold design and fabrication;
- developing a reputation as a high-quality manufacturer by consistently fabricating molds and manufacturing plastic components of reliable quality;
- taking advantage of the flexibility of our business units to tailor our manufacturing services to serve customer needs; and
- enhancing our ability to scale-up our production efforts and meet the changing needs of our customers.

For 2010, 2011 and 2012 and the six months ended 30 June 2013, our five largest customers represented 30.7%, 40.6%, 39.2% and 32.5%, respectively, of our total revenue, and our largest customer represented 11.3%, 15.1%, 14.0% and 8.2%, respectively, of our total revenue. Please refer to the section headed “Risk Factors—Risks Relating to Our Business—We derive a significant portion of our revenue from a limited number of customers, and any decrease or termination in our sales to any one of them may have a material adverse effect on our business, results of operation and financial condition” in this prospectus. A significant portion of our customers are designers and producers of branded products and contract manufacturers of designers and producers of branded products, including manufacturers of teleconference phone terminals, mobile phones, video game devices, pachinko machines and automobile parts. We believe that our strategy of serving a diverse portfolio of downstream industries mitigates both our customer and industry concentration risks. During the Track Record Period and as at the Latest Practicable Date, we had not experienced any material defaults by our customers.

During the Track Record Period, we consistently derived a significant portion of our revenue from customers in the commercial telecommunication equipment, automotive and household electrical appliances industries, and we had also experienced significant fluctuations in demand for our products from customers in certain industries significant to us, such as video game devices, digital devices, mobile phone and pachinko industries. For example, our largest

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customer for 2011 and 2012, respectively, which is a contract manufacturer of a prominent Japanese video game devices designer, was not one of our top ten customers for the six months ended 30 June 2013. However, our revenue for the six months ended 30 June 2013 in fact increased slightly from that for the six months ended 30 June 2012. On such basis, we believe that the effect of a significant decrease in demand from any single customer or industry could be mitigated by our business strategy of having a diverse customer base in various industries. For the six months ended 30 June 2013, customers from the household electrical appliances, commercial telecommunication equipment, automotive and mobile phone industries contributed significantly to our revenue. For details of the market outlook and risks of each of the commercial telecommunication equipment, automotive, household electrical appliances, video game devices, digital devices, mobile phone and medical devices industries, please refer to the section headed “Industry Overview—Overview of the Downstream Industries of the Plastic Injection Mold Fabrication and Plastic Components Manufactured by Employing Plastic Injection Molds” in this prospectus for details. During the Track Record Period, we primarily delivered our products to the PRC, South East Asia (including Hong Kong), Europe, USA and Japan. Please refer the section headed “Financial Information—Description of Selected Components of Consolidated Income Statements—Revenue” for further details.

To the knowledge of our Directors, none of our Directors, their respective associates or any of our Shareholders holding more than 5% of our issued share capital had any interest in our five largest customers during the Track Record Period.

The following tables set certain basic information regarding our top five customers for the periods indicated:

Six months ended 30 June 2013				
Customer	Nature of the main business	Length of relationship with our Group (years)	% of our revenue	Industry
Customer D	A contract manufacturer of Polycom; engages us for plastic components manufacturing	4	8.2	Commercial telecommunication equipment
Customer C	A manufacturer of pachinko machines; engages us for both plastic injection mold fabrication and plastic components manufacturing	2	7.0	Pachinko
Customer A	A contract manufacturer of Polycom; engages us for plastic components manufacturing	15	6.7	Commercial telecommunication equipment
Customer F	A contract manufacturer of a prominent mobile phone designer based in the United States	2	5.4	Mobile phone
Customer E	An automotive parts and components supplier; engages us for plastic injection mold fabrication	3	5.1	Automotive

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Year ended 31 December 2012

Customer	Nature of the main business	Length of relationship with our Group (years)	% of our revenue	Industry
Customer B	A contract manufacturer of a prominent Japanese video game devices designer; engages us for both plastic injection mold fabrication and plastic components manufacturing	3	14.0	Video game devices
Customer C	A manufacturer of pachinko machines; engages us for both plastic injection mold fabrication and plastic components manufacturing	2	10.0	Pachinko
Customer A	A contract manufacturer of Polycom; engages us for plastic components manufacturing	15	6.8	Commercial telecommunication equipment
Customer D	A contract manufacturer of Polycom; engages us for plastic components manufacturing	4	5.0	Commercial telecommunication equipment
Customer E	An automotive parts and components supplier; engages us for plastic injection mold fabrication	3	3.4	Automotive

Year ended 31 December 2011

Customer	Nature of the main business	Length of relationship with our Group (years)	% of our revenue	Industry
Customer B	A contract manufacturer of a prominent Japanese video game devices designer; engages us for both plastic injection mold fabrication and plastic components manufacturing	3	15.1	Video game devices
Promens	An automotive parts and components supplier; engages us for plastic injection mold fabrication	6	9.0	Automotive
Customer A	A contract manufacturer of Polycom; engages us for plastic components manufacturing	15	8.2	Commercial telecommunication equipment
Customer E	An automotive parts and components supplier; engages us for plastic injection mold fabrication	3	4.3	Automotive
Customer D	A contract manufacturer of Polycom; engages us for plastic components manufacturing	4	4.0	Commercial telecommunication equipment

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Year ended 31 December 2010

Customer	Nature of the main business	Length of relationship with our Group (years)	% of our revenue	Industry
Customer A	A contract manufacturer of Polycom; engages us for plastic components manufacturing	15	11.3	Commercial telecommunication equipment
Sunron	A sourcing company for Whirlpool; engages us for fabricating plastic injection molds for manufacturing plastic components of washing machines	6	5.0	Household electrical appliances
Electrolux	A global manufacturer of household electrical appliances; engages us for fabricating plastic injection molds for manufacturing plastic components of washing machines and refrigerators	6	5.0	Household electrical appliances
Promens	An automotive parts and components supplier; engages us for plastic injection mold fabrication	6	4.9	Automotive
Customer H	A designer and producer of branded electronic products; engages us for plastic injection mold fabrication and plastic components manufacturing	13	4.5	Digital devices

Mold Fabrication Customers

We fabricate molds for (i) manufacturers in our various downstream industries that only engage us for mold fabrication; and (ii) producers and designers of branded products and their contract manufacturers. A significant portion of the revenue of our mold fabrication segment represents sales to the mold fabrication only customers that do not engage us for plastic injection molding. These customers are typically overseas manufacturers such as household electrical appliances and automotive parts manufacturers that we believe engage us for our expertise in mold design and fabrication.

For 2010, 2011 and 2012 and the six months ended 30 June 2013, the top five customers of our mold fabrication segment contributed 39.0%, 47.8%, 34.4% and 42.4% of our mold fabrication revenue.

Plastic Components Manufacturing Customers

The customers of our plastic components manufacturing services include contract manufacturers of certain leading global brands such as Polycom, a Japanese video game devices designer, one of the largest smartphone designers in the world based in the United States and a leading flash memory product company. These contract manufacturers use the plastic components we supply in their respective downstream manufacturing operations.

For 2010, 2011 and 2012 and the six months ended 30 June 2013, the top five customers of our plastic components manufacturing segment contributed 51.2%, 62.2%, 57.6% and 47.4% of our plastic components manufacturing revenue.

Our Relationship with Designers and Producers of Branded Products

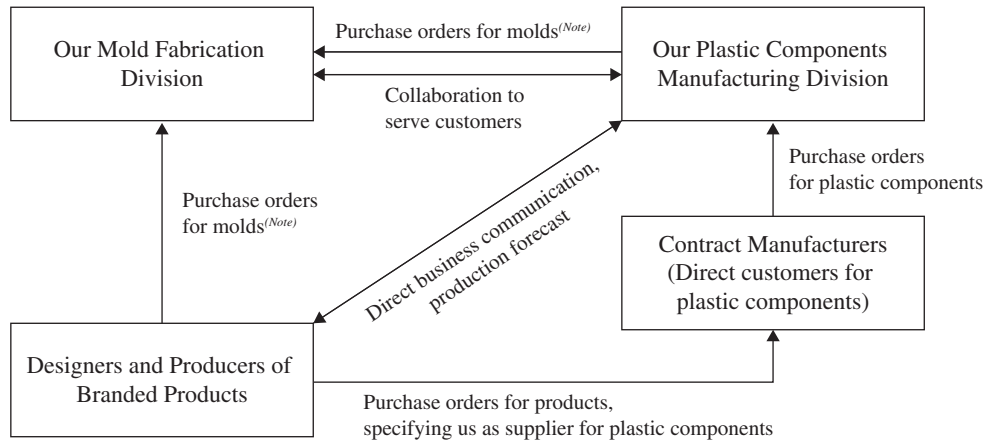
Our one-stop total plastics solutions include plastic components mechanical design, mold design, mold fabrication, plastic components manufacturing and related secondary processes. We have business relationships with various designers and producers of branded products, to whom we provide our one-stop total plastic solutions. Many of such designers and producers of branded products directly place orders for molds specifically fabricated for use in the manufacturing of the relevant plastic components that they require. However, we generally receive purchase orders for plastic components from the contract manufacturers of such designers and producers of branded products. We generally manufacture plastic components using the molds we have fabricated. We believe that designers and producers of branded products generally order plastic components through their contract manufacturers because they view us as an upstream supplier to these contract manufacturers, and we believe that such arrangements are consistent with industry norms.

Although many of such designers and producers of branded products do not place purchase orders for plastic components directly with us, we often have direct business relationships with them. In many cases, we receive purchase orders directly from such designers and producers of branded products to fabricate the molds used in the production of the relevant plastic components. In addition, we typically negotiate the price, quality and other material terms with such designers and producers of branded products with respect to the plastic components that their respective contract manufacturers order from us. Some of such designers and producers of branded products also provide us with periodic forecasts of their projected demand and conduct on-site inspections of our production facilities.

We believe that in general our business relationships with the designers and producers of branded products are not affected by their contract manufacturers. It has been our experience during the Track Record Period that the designers and producers of branded products exert sufficient influence over their contract manufacturers so that the terms we have agreed with the relevant designers and producers of branded products are followed by their contract manufacturers.

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The following diagram illustrates a typical business arrangement with our customers:



Note: Depending on the specific business arrangement, purchase orders for molds may be (i) placed with our plastic components manufacturing division, pursuant to which we would generate an internal sales order from our plastic components manufacturing division to our mold fabrication division; or (ii) placed directly with our mold fabrication division. In a few cases, molds have been provided by customers or other third parties engaged by such customers.

Sales and Marketing

We focus our marketing strategies on two fronts:

- With respect to each of our existing key customers, we strive to increase both the range of products provided and the volume of orders they placed with us. We endeavour to continue promoting our one-stop total plastics solutions to our existing customers who currently engage us only in either mold fabrication or manufacturing of plastic components by leveraging the synergies between our two business divisions.
- With respect to potential customers, we reach out to certain strategically targeted potential customers who are industry leaders in selected growing industries such as consumer electronics and medical equipment through third-party contract sales representatives, advertising in specialised trade magazines and participating in well-recognised industrial exhibitions in the PRC and the United States. We believe that our recent expansion has been partly attributable to our ability to research and identify growing industries in their early stages, build relationships with key industry leaders in such industries, and capitalise on such markets subsequently as they mature. In addition to maintaining our core customer base of industry leaders and reaching out to targeted potential customers in our core downstream industries, we also intend to explore potential opportunities in other downstream industries where we currently have only minor or no presence.

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Furthermore, to foster our business network, increase publicity and enhance brand awareness, we regularly participate in well-recognised industrial exhibitions in the PRC and the United States. We also place advertisements in specialised trade magazines related to the plastic injection mold and plastic injection molding industry as well as certain of our downstream industries.

As at 30 June 2013, we had 89 employees primarily engaged in sales and marketing activities. We also have a representative office in Spain for liaising with existing and potential customers and conducting marketing activities in the region, while purchase orders are placed directly by our Group companies. We generally market and sell our products and services directly to our customers. Our sales and marketing efforts are led by our project managers and customer solutions teams in the respective marketing departments of our two business divisions, supported by our third-party contract sales representatives.

Project Managers

Interactions between our customers and various business units in our mold fabrication and plastic components manufacturing divisions are led by project managers in the respective marketing departments of these two business divisions. Our project managers are responsible for the overall supervision of projects for the duration of each production cycle.

Our mold fabrication division's project managers perform tasks such as providing quotations, evaluating the feasibility of potential projects, taking sales orders, coordinating different production teams and business units, liaising with the customers' technical teams during the production processes, issuing invoices, settling payments and following-up with customers as necessary. Our plastic components manufacturing division's project managers perform similar responsibilities as their counterparts in our mold fabrication division, except that the plastic components manufacturing division's project managers delegate the responsibility of liaising with customers to account managers that work with them. We believe using project managers to oversee the respective projects of each of our customers allows for efficient communication and facilitates business relationships with our customers.

Customer Solutions Teams

Each of the marketing departments of our mold fabrication and plastic components manufacturing divisions also has a customer solutions team. Our customer solutions teams offer pre-sale design, feasibility and optimisation advice with respect to both molds and plastic components, and work closely with our customers' product design teams to ensure that a design can mature into a commercially viable product.

In some cases, a potential customer may only give us a general idea of their product concept, and our customer solutions teams would aid such customer's product design team in its product development process by suggesting alternative mechanical designs, optimal mechanical design specifications, measurements, elasticity, colouring and other manufacturing considerations for plastic components that fit the customer's vision for its end-product, with the aim of achieving higher precision, higher quality, lower cost, improved automation and increased maintainability.

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Generally, we do not charge a separate fee for the pre-sale advice provided by our customer solutions teams. However, we believe that our proactive early involvement enables us not only to better understand our customers' needs but also to provide practical and innovative solutions to our customers with a view to helping them minimise costs and improve the functionality and quality of their products. We believe that such understanding also enables us to provide more accurate quotations to our customers. Our proactive involvement also provides an opportunity for us to showcase our capabilities and expertise. We believe that our pre-sale design, feasibility and optimisation advice has led us to produce better products, which in turn secure more business from our customers. In many cases, our customers engage us for manufacturing services for products in which we participated in the product design process.

Third-Party Contract Sales Representatives

We consider engaging third-party contract sales representatives with local knowledge is a more efficient and cost effective way of quickly broadening our sales networks and reaching out to targeted international customers, as compared to incurring the fixed cost of employing and growing an international sales force to achieve the same result, and maintaining satellite offices in location where we have no significant presence. Therefore, during the Track Record Period, we engaged third-party contract sales representatives responsible for the United States, Germany, Great Britain and Japan markets or specific customers brought in by the relevant third-party contract sales representatives (i.e., Customer B and Customer C respectively, as described in the tables discussing our top five customers for the Track Record Period included in this section of this prospectus) in order to develop new customers as well as to facilitate on-the-ground communications with our existing customers referred by third-party contract sales representatives. We believe that if our relationship with any of our third-party contract sales representatives is terminated, there is a risk that customers brought in by such a representative may be enticed away from us. As confirmed by our Directors, during the Track Record Period, none of our third-party contract sales representatives were involved in our sales to any customers not bought in by the respective third-party contract sales representatives. To the best knowledge of our Directors after reasonable enquiry, none of our third-party contract sales representatives has any contractual relationship between themselves and the relevant customers of our Group, including but not limited to exclusive rights for the third-party contract sales representatives to source products for the relevant customers.

We select third-party contract sales representatives based on their respective local networks, customers list and track record, and our presence in the relevant region. The nature of these third-party contract sale representatives varies – some of them are individual representatives who we believe have extensive networks and experience in the plastics industry, while others are local industry players with an established customer base. We also engage certain mold servicing companies in selling our mold products.

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One of our third-party contract sales representatives for plastic components was a former employee of ours until 2009. In an effort to reduce fixed costs in the form of employee compensation and to provide a better performance-linked incentive scheme for this individual, the employment relationship was terminated in 2009 and subsequently we engaged him as a third-party contract sales representative in 2010. Furthermore, one of our third-party contract sales representatives for our mold products used to be our customer prior to the Track Record Period, and one of our third-party contract sales representatives for our mold products is our customer. To the best knowledge of our Directors after making reasonable enquiry, these customers had previously placed purchase orders with us and then sold our products to their respective clients. According to our understanding, some of their respective clients desired to directly place purchase orders with us after the business relationships had been established, and as a result, we engaged these customers to become our third-party contract sales representatives in October 2006 and April 2013, respectively. Save as disclosed above, our Directors confirm that, to their best knowledge after reasonable enquiry, other than serving as third-party contract sales representatives, our third-party contract sales representatives do not have any past or present business, employment, family, trust or shareholding relationship with (i) the Company, its subsidiaries, their respective directors and shareholders or any of their respective associates or (ii) our customers brought in by the respective third-party contract sales representatives. All of our third-party contract sales representatives are Independent Third Parties.

The following table sets forth a summary of the movement in the number of third-party contract sales representatives during the Track Record Period and the number of third-party contract sales representatives engaged as at the dates indicated:

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
As at 1 January	1	5	5	5
Addition during the year	4	–	–	4
Termination during the year	–	–	–	–
As at 31 December/(30 June for 2013)	5	5	5	9

Our number of third-party contract sales representatives increased from one as at 1 January 2010 to five as at 1 January 2011 as we engaged additional four additional third-party contract sales representatives in 2010 as part of our expansion strategy. We engaged four more third-party contract sales representatives in the first six months of 2013 as part of our expansion strategy.

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As at the Latest Practicable Date, we had engaged nine third-party contract sales representatives. While the specific terms vary from agreement to agreement, the following table summarises the key terms of our agreements with these contract sales representatives:

Term:	Generally range from one to three years and renewable by mutual agreement of the parties.
Territory:	Generally provide for the territories for which the agents are responsible as defined by geographical locations or a list of specific customers.
Commission and Fees:	Contract sale representatives are entitled to a commission equal to a certain percentage of sales, gross profit or net income of the relevant transaction as specified in the respective agreements. Furthermore, we have agreed to an additional fixed monthly fee with some of such sales representatives for a fixed period of time to assist them with start-up costs in certain territories.
Termination:	Some of the agreements provide that the relevant agreement may be terminated by either party by written notice, and some of the agreements also provide that the relevant agreement would be terminated if either party breaches the terms and conditions of the relevant agreement.

Pursuant to these agreements, we are generally responsible for product design and production, while the third-party contract sales representatives are generally responsible for maintaining customer relationships, providing certain project management coordination and after-sales services, and where appropriate, developing new customers in their respective territories. The products and services we provide through our third-party contract sales representatives are generally provided to customers under similar terms and conditions (such as settlement policy and product warranties.) as customers generated through our own sales and marketing team. In the transactions originated by our third-party contract sales representatives, our customers place purchase orders directly with us and have been aware that we, but not our third-party contract sales representatives, provide manufacturing services to them. Payments have been settled directly with us, and we would subsequently pay commission to the relevant third-party contract sales representatives in accordance with the terms of the respective agreements. During the Track Record Period, our engagement agreements with our third-party contract sales representatives did not contain any explicit prohibitions against our direct solicitation of sales from customers brought in by such third-party contract sales representatives. However, as confirmed by our Directors, during the Track Record Period, we did not directly solicit sales from customers that had been brought in by our third party contract sales representatives, because we believe that our respective third-party contract sales

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representatives serve an important function in facilitating our on-going business relationships with the respective customers that they have brought in, and that if we were to engage in such direct solicitation, it would likely ruin our relationships with the relevant third-party sales representatives so that they would not refer other potential customers to us. Furthermore, to incentivise our third-party sales representatives to increase our sales to the respective customers brought in by the relevant third-party sales representative, we had structured some of our engagement agreements with our third-party contract sales representatives to incorporate a sliding scale of commission so that the higher the sales amount to the customers brought in by the relevant third-party sales representatives, the higher the percentage of commission is payable to such relevant third-party sales representatives. During the Track Record Period, none of the engagement agreements we entered into with our third-party contract sales representatives require the relevant third-party contract sales representative to serve our Group exclusively.

For 2010, 2011 and 2012 and 30 June 2013, we had business relationships with six, 10, 15 and 18 customers, respectively, that were brought in by our third-party contract sales representatives. Revenue attributable to customers brought in by such third-party contract sales representatives represented approximately 5.3%, 18.8%, 37.5% and 25.1%, respectively, of our revenue for 2010, 2011 and 2012 and 30 June 2013. In 2010, 2011 and 2012 and the six months ended 30 June 2013, we paid total commissions of HK\$1.3 million, HK\$14.9 million, HK\$19.9 million and HK\$2.8 million, respectively, to our contract sales representatives.

As detailed section headed “—Customers, Sales and Marketing—Customer Base—Our Relationship with Designers and Producers of Branded Products” in this section, we have business relationship with both the designers and producers of branded products and their respective contracts manufacturers, many of which are located in the PRC. Accordingly, although our third-party sales representative involve in the negotiation, and facilitate “on-the-ground” communication with the designers of branded products outside of the PRC, certain of the relevant purchase orders were received from contracts manufacturers in the PRC of such designers of branded products, and such sales are accounted as sales to our customers in the PRC for the purpose of preparing our financial statements. During the Track Record Period, such sales amounted to HK\$16.8 million, HK\$119.7 million, HK\$191.8 million and HK\$54.2 million respectively.

We believe that our third-party contract sales representative model has been successful in expanding our overseas customer base. As our business grows, we plan to continue to increase the number of our contract sales representatives in an effort to secure new customers.

Pricing Policy

We price our products taking into account our cost of production and targeted margin percentage. We vary our target margin percentages by taking into account factors such as technical complexity, business risks, market competition, customer relationship, business potential with the customer and purchase volume of the particular purchase order. We maintain a standard cost database and regularly update the standard cost based on the latest market intelligence. We prepare our quotations to our customers based on the standard cost information in our standard cost database. Although our quotations specify a spot rate for currency translation which allows us to renegotiate the quotation with our customers should foreign exchange rates materially fluctuate, our quotations do not specify any provision for us to renegotiate if there is a significant fluctuation in raw materials price. The time gap between our quotation and the confirmation of purchase orders from our customers is generally within one week. After the confirmation of purchase orders from our customers, there is no specific provision for us to renegotiate the purchase orders even though there is any material change in raw material prices and/or foreign exchange rates. Our Directors confirm that time gap from customers' confirmation of purchase orders to the purchasing of raw materials is only generally within two weeks after the receipt of the confirmation of purchase orders from our mold fabrication customers and within one week after the receipt of confirmation of purchase orders from our plastic component manufacturing customers, respectively, so that our Directors consider that our exposure to the raw materials price and/or to foreign exchange fluctuation are not significant. During the Track Record Period, we have maintained our gross profit margin ranging from 29.2% to 35.8%, so that we consider our pricing policy of taking into account our cost of production and targeted margin percentage is successful in terms of maintaining a reasonable profit margin for us.

Our prices for molds do not include subsequent mold modification should a customer notify us to perform an engineering change. Depending on the complexity of the engineering change, we charge additional fees to our customers.

Credit Control

The credit terms offered to our customers vary depending on the location, credibility, industry practice, volume of purchases, the customer's bargaining power and our relationship with the customer as well as general market conditions. Our payments are generally settled by prepayment, cheques, notes receivables or bank transfers. Please also refer to the section headed "Financial Information—Analysis of Financial Position—Trade and Other Receivables" in this prospectus.

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For mold fabrication division, we generally require our customers to pay a 30% to 40% of the total fee as a deposit when the purchase order is placed. Another 30% of the total fee is generally required to be paid within 30 to 90 days when the molds have been fabricated and are ready for initial testing and inspection. The remaining balance is generally required to be paid before final delivery of the molds. However, in some cases, depending on the strength of our relationship with the customer, we may allow the customer to retain a portion of the remaining balance as a quality assurance deposit.

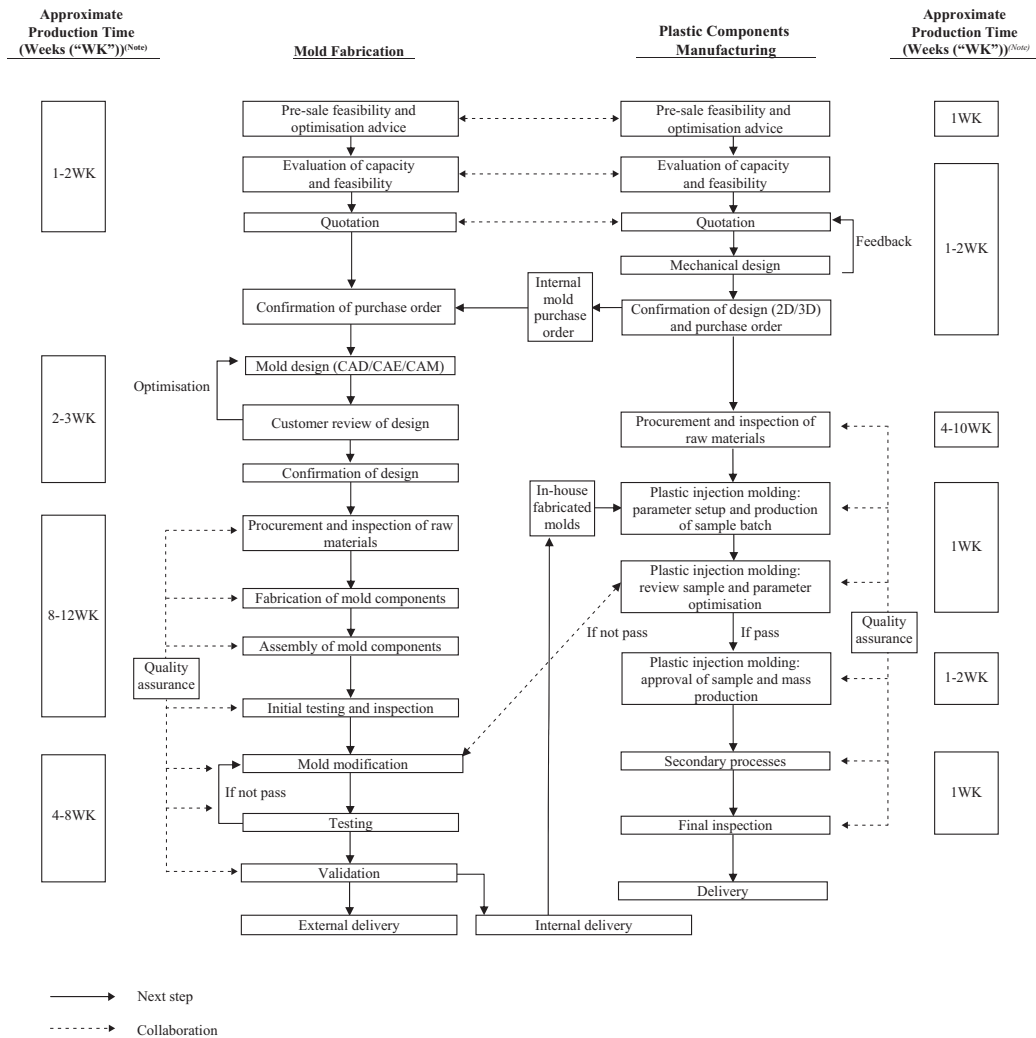
For plastic injection molding, we typically invoice our customers in full upon delivery of the ordered products. We generally offer a credit period of 30 to 90 days to our customers.

Seasonality

Our sales volume has historically been affected by seasonality. As our products are used by our customers in their respective manufacturing processes, the demand for our products fluctuates in accordance with fluctuations in the demand for our customers' products. A significant portion of our downstream industries, namely mobile phone, video games and digital devices, have generally been in higher demand during the second half of each calendar year due to the seasonal purchase patterns of consumers affected by factors such as Thanksgiving and Christmas holidays. As a result, we recorded higher revenue in the second half of the year than that of the first half of the year in each of the years during the Track Record Period. For 2010 and 2011, our revenue allocation between the first half and the second half of each of the year was broadly in line with our revenue allocation between first half and second half of 2012. Please refer to the sections headed "Risk Factors—Risks Relating to Our Business—Our sales may fluctuate and be affected by seasonality" and "Financial Information—Significant Factors Affecting Our Results of Operations and Financial Condition—Seasonality" in this prospectus.

PRODUCTION PROCESS

The following diagram depicts the workflow in our project life cycle:



Note: For illustrative purposes only. Production time varies significantly depending on the specific product.

Mold Fabrication

Pre-sale Feasibility and Optimisation Advice/Evaluation of Capacity and Feasibility

Our mold fabrication pre-sale work commences with frequent communications with our customers as to their needs and product development plans during their product development stage. We engage in extensive pre-sale consultations with our potential customers to understand the physical properties as well as functional and aesthetic requirements for their products, and offer tailored mold feasibility and optimisation advice.

Quotation/Confirmation of Mold Purchase Order

When we receive a request for quotation, a cross-functional team comprised of a project manager, members of our marketing team and engineers discuss the customer's request and evaluate project feasibility and our capacity. If the project is considered feasible, we formulate a project plan, including preliminary mold specifications, plans for design optimisation, budget, timetable, and resource allocation arrangements, and revert to the customer with a quotation.

If the customer accepts our quote and issues a purchase order, we would assign the project to a lead project manager to supervise the day-to-day operations of the project and serve as the liaison between our various internal teams and the customer throughout the production cycle.

Mold Design/Customer Review and Confirmation of Design

In accordance with the particular requirements of the customer's product, our design team engages in CAD, CAE and CAM design and formulation using computer software programmes. Once specifications of the mold have been confirmed by the customer, we enter such information into our CAD programmes to generate two-dimensional design blueprints and three-dimensional images. In accordance with the output from the CAD programmes, our fabrication technicians use CAE simulation to identify the optimal fabrication pattern. Then, our technicians generate CAM computer simulations. Once our design passes internal inspections, the customer reviews the mold design for confirmation with the request for quotation and design specifications. We also reflect any feedback received from the customer during the design process.

Procurement of Raw Materials & Fabrication of Mold Components

Once the design of the mold has been confirmed, we procure the raw materials and mold base components required for the project. Please refer to the section headed "—Procurement" in this prospectus. A mold is generally fabricated in subparts, which are cut, machined, milled, and/or refined as well as quality tested individually, before being assembled. Depending on the design and complexity of the mold component, we may use CNC, EDM, wire cut and/or other processes to fabricate the mold component. CNC and EDM machines, which can download the fabrication pattern from the CAM programmes, are often utilised to facilitate the fabrication of molds.

Assembly of Mold Components, Initial Testing, Modification and Further Testing

Once the mold components are ready, our assembly teams begin assembling the molds. We typically conduct several rounds of quality testing and adjustments. Our quality assurance division, an external tester and/or the customer would also use the molds to manufacture sample plastic components. Based on feedback from the testing and sample plastic component production, further modifications and testing may be required until our customers and us are satisfied.

Validation and Delivery

Molds that are of satisfactory quality are then validated and delivered either to the customer for their further use or to our plastic injection molding facilities for use in the production of plastic components by us.

For some of our overseas mold customers, mold fabrication companies are occasionally engaged to modify and/or repair molds as necessary once the molds are delivered overseas.

Plastic Components Manufacturing Utilising Plastic Injection Molding***Pre-sale Feasibility and Optimisation Advice/Evaluation of Capacity and Feasibility***

Our plastic injection molding pre-sale work commences with frequent communications with our customers as to their needs and product development plans during their product development stage. We engage in extensive pre-sale consultations with our customers to understand the physical properties as well as functional and aesthetic requirements expected of their products, and offer tailored plastic components mechanical feasibility, and optimisation and mechanical design advice.

Quotation and Mechanical Design/Confirmation of Design and Purchase Order

When we receive a request for quotation, a cross-functional team comprised of a project manager, members of our marketing team, and engineers discuss the customer's request and evaluate project feasibility and our capacity. If the project is considered feasible, our engineers would generate two-dimensional and three-dimensional mechanical and structural design of the plastic components in accordance with the customer's specification. We then issue a quote in accordance with the design. The design diagrams are submitted to the customer for review, and we further optimise the design based on the customer's feedback as needed. The quotation may need to be adjusted in accordance with changes to the design. Once the customer is satisfied with the design, the customer confirms the design and issues a purchase order.

Mold Fabrication or Mold Procurement

Once we receive a purchase order for plastic components, we generally also place an internal purchase order to mold fabrication division for the mold required for the project. Our mold fabrication division then fabricates the mold required following the procedures outlined above. Please refer to the section headed “—Production Process—Mold Fabrication—Quotation/Confirmation of Mold Purchase Order”. In some instances, we may engage a third-party mold-maker to fabricate the mold and in other instances, the customer would provide the molds to be used for manufacturing plastic components.

Procurement of Raw Materials

Once we receive a purchase order, we would also procure the raw materials required for the project. Please refer to the section headed “—Procurement” in this prospectus.

Molding

We select the appropriate molding process depending on the specifications of the plastic components. Molds are then mounted onto plastic injection molding machines, plastic resins are loaded into the machines, production parameters are input into the machine, and we then produce a sample batch.

After reviewing the sample batch, we further optimise the production parameters and produce another sample batch. We may involve our mold fabrication division to modify the molds. This process is repeated until we produce a sample batch that meets our quality standard. Subsequently, we commence the mass production of the plastic components. During the mass production process, our quality assurance team conducts interval testing and random testing of the semi-finished and completed plastic components.

Secondary Processes

Subsequently, in accordance with the customer’s needs, we perform secondary processes such as spray-painting, printing, hot stamping, ultrasonic welding and assembly of plastic components.

Final Inspection and Delivery

Upon completion of final random quality check by our quality assurance team, we pack the finished products and deliver them to our customers.

Subcontracting

For 2010, 2011 and 2012 and the six months ended 30 June 2013, our subcontracting fees were HK\$41.3 million, HK\$49.5 million, HK\$82.7 million and HK\$38.3 million, respectively, represented approximately 11.0%, 9.9%, 11.4% and 11.5%, of our cost of goods sold. During the Track Record Period, such fees were incurred by:

- (i) engaging subcontractors to produce certain supplies we needed: we had occasionally engaged subcontractors in our proximity to process certain raw materials we had purchased in accordance with our production needs and instructions as it was cost-effective to outsource certain processing procedures. Such processes were supervised in substantially the same manner as our raw materials procurement, supplier selection and supply quality assurance procedures. Please refer to the section headed “—Procurement” in this prospectus.

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- (ii) outsourcing certain procedures of low-margin projects: we had from time to time outsourced certain procedures of low-margin projects. Such outsourcing was managed jointly by our production team and quality assurance team in accordance with our standard quality assurance standards. Please refer to the section headed “—Quality Assurance” in this prospectus.
- (iii) mold testing for certain plastic injection molds that cannot be tested in-house by our plastic components manufacturing division: we had fabricated molds that require testing by plastic injection molding by equipment that we do not own. Therefore, we paid a mold testing fees to third parties.

We did not enter into long term subcontracting arrangements during the Track Record Period, and we engaged subcontractors on the basis of individual purchase orders. During the Track Record Period, our subcontractors were generally not designated by our customers and we generally were not required to solicit consents from our customers to engage subcontractors as there were no restrictions on subcontracting as stated in the relevant purchase orders. However, where customers had required us not to engage in any subcontracting in producing their products, we had complied with such requirements.

For 2010, 2011 and 2012 and the six months ended 30 June 2013, we engaged 191, 178, 163 and 136 subcontractors, respectively. During the Track Record Period, we had not experienced any difficulties in procuring services of such subcontractors that had a material adverse impact on our operations. We do not anticipate any difficulties in procuring the services of such subcontractors in the foreseeable future.

PRODUCTION FACILITIES

Production Bases

We have four production bases, three of which are located in Shenzhen, Guangdong Province, the PRC, and one in Suzhou, Jiangsu Province, the PRC. The Shenzhen Tangjia Plants located on the Shenzhen Tangjia Land in Shenzhen, Guangdong Province, the PRC, where we conduct all of our mold fabrication operations. We also conduct plastic injection molding operations in the Shenzhen Tangjia Plants. The Shenzhen Tangjia Plant consists of a total gross floor area of 35,824.3 sq.m.

We also conduct plastic injection molding operations at the Shenzhen Yulu Plant A and Shenzhen Yulu Plant B, both located in Yulu Village, Shenzhen, Guangdong Province, the PRC. The Shenzhen Yulu Plant A consists of a total gross floor area of 16,300.0 sq.m., and the Shenzhen Yulu Plant B consists of a total gross floor area of 4,424.0 sq.m.

To accommodate certain of our customers’ production facilities located in the vicinity, we established a plastic injection molding plant in Suzhou, Jiangsu Province, PRC in 2010. Our Suzhou Plant occupies a gross floor area of approximately 5,832 sq.m. Our Suzhou Plant primarily engages in the production of plastic components by standard molding, but with certain necessary additional functions such as finance and human resources to enable it to be a geographically stand-alone operation.

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For further details of our production bases, please refer to the section headed “—Properties” in this prospectus.

The following table summarises the location, primary functions and gross floor area of our four production bases as at the Latest Practicable Date:

<u>Location</u>	<u>Primary Functions</u>	Approximate Gross Floor Area of the Property <i>(sq.m.)</i>
Tangjia Village – Shenzhen Tangjia Plants	Fabrication of molds; mold testing; quality assurance testing; performance molding; standard molding; warehouse; office	35,824.3
Yulu Village – Shenzhen Yulu Plant A	Standard molding; warehouse; office	16,300.0
Yulu Village – Shenzhen Yulu Plant B	Special decorative molding; warehouse; office	4,424.0
Suzhou Plant	Performance molding and standard molding; warehouse; office	5,832.0

Equipment

We invest in production equipment from Japanese and European manufacturers, such as OKK, Makino, JSW and Fanuc, and we believe that the equipment we have purchased from these manufacturers has resulted in better quality products, higher efficiency and lower defect rates. The following table sets out the number of units of our key equipment as at 30 June 2013:

<u>Production Equipment</u>	<u>Function</u>	<u>Number of Units</u>
CNC milling machines	Mold fabrication	50
EDM machines	Mold fabrication	45
Wire cut machines	Mold fabrication	17
Plastic injection molding machines	Plastic injection molding	191
Robotic arms	Plastic injection molding	185

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Based on our experience, the expected useful lives of our mold fabrication machines are approximately five to ten years, and the expected useful lives of our plastic injection molding machines are approximately ten years. As at 30 June 2013, the current average age of our key equipment for mold fabrication was approximately seven years, and the current average age of our key equipment for plastic injection molding was approximately four years.

Set out below is our expected replacement schedule and costs for our key production equipments:

<u>Production Equipment</u>	<u>Estimated Average Unit Price</u>	<u>2014</u>	<u>2015</u>
	<i>(HK\$'000)</i>	<i>(sets)</i>	<i>(sets)</i>
CNC milling machines	2,000	2	5
EDM machines	1,500	3	6
Wire cut machines	1,200	1	3
Plastic injection molding machines	740	9	8
Robotic arms	140	3	2

As at the Latest Practicable Date, a majority of our mold fabrication equipment and plastic injection molding equipment was Japanese branded products.

Production Capacity and Utilisation Rate

Due to the diversity of our downstream industries, and the diversity as well as the customer-specific nature of our products, our Directors consider that the most meaningful way to measure our production capacity and utilisation rate is by production time of key equipment used in our production processes rather than by units or volume of production output.

BUSINESS

Mold Fabrication

The following table sets out the total number of our key mold fabrication machines, estimated annual production capacity, actual annual machine production time and estimated average utilisation rate of our mold fabrication division for the periods indicated:

	Year ended 31 December			Six months ended 30 June		1 July to 30 September
	2010	2011	2012	2012	2013	2013
Number of key mold fabrication machines ⁽¹⁾	94	105	110	107	112	113
Estimated annual production capacity (hours) ⁽²⁾	631,680	705,600	739,200	359,520	376,320	189,840
Actual annual machine production time (hours) ⁽³⁾	585,535	563,690	652,837	304,345	315,471	181,855
Estimated average annual utilisation rate ⁽⁴⁾	92.7%	79.9%	88.3%	84.7%	83.8%	95.8%

- (1) Based on a simple average of the number of CNC milling, EDM and wire cut machines for the periods indicated. These machines are used to cut, drill and mill steel into the desired shape and design. Generally, the fabrication procedures of most but not all mold products require us to utilise all three types of machines. However, utilisation of each type of machine for each project varies widely depending on the specific product design and there is no common bottleneck in the usage of these three machines.
- (2) Estimated by multiplying the theoretical maximum operating time of each key mold fabrication machine by the number of key mold fabrication machines. Theoretical maximum operating time of each key mold fabrication machine is calculated on the basis of 20 hours a day, 28 days a month. A total of 20 hours per day is assumed to account for mold production workers' meal and break time. An average of 28 days per month is assumed to account for two days of scheduled monthly maintenance time for the key mold fabrication machines.
- (3) Equals total actual time spent in production by the machines.
- (4) Equals approximately the total actual time spent in production by the machines divided by the estimated annual production capacity.

The estimated average annual utilisation rate of the mold fabrication division decreased from 92.7% in 2010 to 79.9% in 2011 due to our purchase of several new machines in 2011 as a result of increasing purchase orders during 2010 and in anticipation of increased order volumes. Our actual machine production time of the mold fabrication division remained relatively stable in 2011 as compared to 2010 despite a significant increase in segment revenue in 2011 because we recognise revenue from sales of products upon delivery, and we began production in 2010 for a significant purchase order we received, but did not deliver the relevant products and recognise the relevant revenue until 2011. Our estimated average annual utilisation rate of the mold fabrication division subsequently increased to 88.3% in 2012 primarily due to an increase in production volume as a result of an increase in orders on hand. Our estimated average annual utilisation rate of the mold fabrication division for the first six months of 2013 was 83.8%, which is consistent with our utilisation rate for the first six months of 2012.

During the Track Record Period, all of our mold fabrication operations were in the Shenzhen Tangjia Plants. As such, the utilisation rate of our mold fabrication division is equivalent to Shenzhen Tangjia Plants' utilisation rate.

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Plastic Components Manufacturing

The following table sets out our total number of plastic injection molding machines, estimated annual production capacity, actual annual machine production time and the estimated average annual utilisation rate of our plastic injection molding division for the years/periods indicated:

	Year ended 31 December			Six months ended 30 June		1 July to 30 September
	2010	2011	2012	2012	2013	2013
Number of plastic injection molding machines ⁽¹⁾	108	133	164	138	190	191
Estimated annual production capacity (hours) ⁽²⁾	741,312	912,912	1,125,696	473,616	652,080	327,756
Actual annual machine production time (hours) ⁽³⁾	511,686	594,775	972,753	358,874	379,632	227,629
Estimated average annual utilisation rate ⁽⁴⁾	69.0%	65.2%	86.4%	75.8%	58.2%	69.5%

(1) Based on a simple average of the number of machines for the periods indicated.

(2) Estimated by multiplying the theoretical maximum operating time of each plastic injection molding machine by the number of plastic injection molding machines. Theoretical maximum operating time of each plastic injection molding machine is calculated on the basis of 22 hours a day, 26 days a month. A total of 22 hours per day is assumed to account for plastic injection molding production workers' meal and break time as well as set-up time. An average of 26 days per month is assumed to account for four days of scheduled monthly maintenance time for the plastic injection molding machines.

(3) Equals total actual time spent in production by the machines.

(4) Equals approximately the total actual time spent in production by the machines.

Our estimated average annual utilisation rate of the plastic injection division remained relatively stable in 2010 and 2011. Our estimated average annual utilisation rate of the plastic injection molding division increased to 86.4% in 2012 primarily due to an increase in production volume as a result of an increase in orders on hand. Our estimated average annual utilisation rate of the plastic injection molding division for the first six months of 2013 was 58.2%, which is lower than that for the first six months of 2012, primarily due to the increase in the number of plastic injection molding machines in the period. Our estimated average annual utilisation rate of the plastic injection molding division for the three months from 1 July 2013 to 30 September 2013 was 69.5%, representing approximately a 10% improvement against our estimated average annual utilisation rate for the six months ended 30 June 2013, which is consistent with the increase in production of our Group in the second half of the year as a result of seasonality. The estimated average annual utilisation rate of the plastic injection molding division is expected to further increase in the last quarter of 2013, in fact, the estimated average annual utilisation rate for September 2013 has further increased to 72.3%.

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Production capacity and utilisation rate by production bases

The following table sets out the total number of our plastic injection molding machines, estimated annual production capacity, actual annual machine production time and estimated average utilisation rate of our plastic injection molding division by each of our production bases for the periods indicated:

	Shenzhen Tangjia Plants	Yulu Plant A	Yulu Plant B	Suzhou Plant
2010:				
Number of plastic injection molding machines ⁽¹⁾	24	57	21	6
Estimated annual production capacity (hours) ⁽²⁾	164,736	391,248	144,144	41,184
Actual annual machine production time ⁽³⁾	151,939	309,408	47,155	3,183
Estimated average annual utilisation rate ⁽⁴⁾	92.2%	79.1%	32.7%	7.7%
2011:				
Number of plastic injection molding machines ⁽¹⁾	36	52	29	16
Estimated annual production capacity (hours) ⁽²⁾	247,104	356,928	199,056	109,824
Actual annual machine production time ⁽³⁾	211,566	245,775	84,747	52,687
Estimated average annual utilisation rate ⁽⁴⁾	85.6%	68.9%	42.6%	48.0%
2012:				
Number of plastic injection molding machines ⁽¹⁾	71	50	22	21
Estimated annual production capacity (hours) ⁽²⁾	487,344	343,200	151,008	144,144
Actual annual machine production time ⁽³⁾	488,035	304,470	81,156	99,092
Estimated average annual utilisation rate ⁽⁴⁾	100.1% ⁽⁵⁾	88.7%	53.7%	68.7%
Six months ended 30 June 2013:				
Number of plastic injection molding machines ⁽¹⁾	115	32	21	22
Estimated annual production capacity (hours) ⁽²⁾	394,680	109,824	72,072	75,504
Actual annual machine production time ⁽³⁾	243,503	55,277	32,481	48,371
Estimated average annual utilisation rate ⁽⁴⁾	61.7%	50.3%	45.1%	64.1%

(1) Based on a simple average of the number of machines for the periods indicated.

(2) Estimated by multiplying the theoretical maximum operating time of each plastic injection molding machine by the number of plastic injection molding machines. Theoretical maximum operating time of each plastic injection molding machine is calculated on the basis of 22 hours a day, 26 days a month. A total of 22 hours per day is assumed to account for plastic injection molding production workers' meal and break time as well as set-up time. An average of 26 days per month is assumed to account for four days of scheduled monthly maintenance time for the plastic injection molding machines.

(3) Equals total actual time spent in production by the machines.

(4) Equals approximately the total actual time spent in production by the machines.

(5) For certain projects in 2012, we increased number of hours and/or days of our operations in certain months during the year to meet customer demands so that our actual annual machine production time was greater than our estimated annual production capacity.

Production Capacity Expansion

With a view to better serving our customers with very different requirements and in anticipation of our continued growth, we intend to continue to expand our production capacity. In terms of mold fabrication, we intend to invest in purchasing equipment and incur other capital expenditure for establishing a new business unit specialising in ultra-large standard molds. Based on the forecast of the production volume and production value of automotive industry in the PRC by Ipsos, as stated in the section headed “Industry overview” in this prospectus, our Directors consider that there would be sufficient market demand for ultra-large standard molds to support our establishment of a new business unit specialising in ultra-large standard molds. Furthermore, we intend to invest in purchasing advanced mold fabrication equipment, which will increase our capabilities. For the three months from 1 July 2013 to 30 September 2013, our utilisation rate of our mold fabrication division reached 95.8% and we believe that it is necessary to increase our mold fabrication capacity to meet our customers’ demands.

With respect to plastic components manufacturing, we intend to purchase equipment and make related capital investments to expand our production capacity and capabilities in phases in 2014 and 2015, in Shenzhen. Aside from generally increasing our plastic components manufacturing production capacity, some of such new equipment will also advance our overall technical capabilities, which we believe will enable us to lower production costs, offer products with better quality as well as further diversifying the range of plastic components manufacturing services that we can offer, thus enhancing our competitiveness. The increase in production capacity shall also be implemented in phases in 2014 and 2015 to cater for the future growth of our Group. Furthermore, it is important for our Group to have sufficient buffer in terms of production capacity for plastic components manufacturing segment as the sales to customers in this segment do not involve long term sales contracts so that we need to spare sufficient production capacity for short term bulk orders from our customers. We also intend to purchase equipment and make capital investments in relation to expanding our operations in phases in 2014 and 2015, in Suzhou to serve our customers in the region. We believe that increasing our production capacity in Suzhou will further enhance our flexibility in serving our customers and potential customers in Suzhou, which is critical to our competitiveness and the execution of our expansion plans in the Eastern China region.

Please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus for further details of further capacity expansion and other capital expenditure plans we are currently contemplating.

QUALITY ASSURANCE

We believe that our track record in delivering high quality products is one of the major reasons that our customers choose us over our competitors. We understand that any defects in the molds we fabricate or the plastic components we manufacture could result in significant delays or even disruptions in our customers' production processes. Therefore, we have implemented quality assurance policies and procedures designed to consistently produce products with high quality. We conduct incoming, scheduled, random, and outgoing quality assurance testing at various stages throughout our production process.

The quality assurance procedures include:

- *Raw materials and parts procurement.* All raw materials and parts sourced from suppliers are examined and tested before they are purchased for a project. In addition, the quality of our source materials is safeguarded by the pre-procurement evaluation of our suppliers. Please refer to the section headed “—Procurement” in this prospectus.
- *Pre-production.* Our quality assurance team strives to ensure that our customers' quality requirements are clearly defined, documented and reflected during the product design and development stage. For molds, the final three-dimensional design diagram must be approved by the customers before fabrication commences. For plastic components, a small batch of sample products is produced in most cases, tested, and made available for approval by our customer before mass production commences.
- *During the production cycle – molds.* Each mold we fabricate is inspected and tested in accordance with our quality assurance protocols. Our technicians inspect the mold subparts as the subparts are machined and/or milled, and also inspect the mold subparts prior to assembly of the final mold. Once a mold has been fabricated, we test it for performance using plastic injection molding machines. We often place the mold in a more vigorous environment with higher temperature, higher humidity and faster production speed for a longer duration than the conditions the mold normally face when used in actual production of plastic components.
- *During the producing cycle – plastic components.* Our quality assurance team carries out frequent periodic inspections on a random sampling basis throughout the mass production process to check that our products comply with customer requirements and specifications. Our inspection metrics include consistency, appearance, size and compatibility with other plastic components.
- *End of the production cycle.* In addition to the stringent quality assurance protocols we have implemented throughout the various stages of the production process, we further inspect our products before the products are stored in our warehouse and again when the products are delivered to customers.

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As at 30 June 2013, we had a total of 188 employees primarily responsible for quality assurance. Our quality assurance personnel have an average of approximately two years of industry experience. We provide our quality assurance employees with regular training regarding our quality assurance standards, and procedures and requirements. Our marketing team, design engineers and management update the quality assurance protocols from time to time to reflect any updates in our customers' requirements.

We have received a number of certificates in recognition of our quality assurance efforts:

Accreditation & Certificates	Time of Awarding (validity period)	Accredited/ Certified By	Entity
ISO9001:2008 (Quality management systems)	14/10/2013 (until 14/10/2016)	SGS United Kingdom Ltd Systems & Services Certification	TK Plastics Products (Suzhou)
ISO9001:2008 (Quality management systems)	03/09/2013 (until 24/02/2014)	SGS United Kingdom Ltd Systems & Services Certification	TK Mold (Shenzhen)
ISO9001:2008 (Quality management systems)	03/09/2013 (until 24/02/2014)	SGS United Kingdom Ltd Systems & Services Certification	TK Precision Plastics
ISO 13485:2003/EN ISO 13485:2012 (Manufacture of plastic injection parts used for medical devices)	20/06/2013 (until 16/02/2016)	SGS United Kingdom Ltd System & Service Certification	TK Precision Plastics

The ISO certifications listed above are crucial to our reputation and thus our sales. During the Track Record Period, we renewed our ISO 9001 certifications once and transferred two certifications from our old Group Company to two entities in our Group. During the Track Record Period, we renewed our ISO 13485 certification twice and transferred one certification from an Old Group Company to an entity in our Group. The relevant fees were immaterial. During the Track Record Period, we had not failed to renew any of our ISO 9001 or ISO 13485 certifications. Our Directors consider that we will not encounter any major obstacles to renew the certifications listed above in the future.

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Products Returns and Warranties

We had not experienced any material litigation, claims, returns on sales, recalls, reworks, or repairs from our customers during the Track Record Period and up to the Latest Practicable Date. During the Track Record Period, our returns on sales were 0.9%, 0.2%, 0.2% and 0.3%, respectively, of our total sales for 2010, 2011 and 2012 and the six months ended 30 June 2013. As our molds and plastic components are used in our customers' manufacturing processes, we strive to assist our customers should any after-sale problems arise.

We test and inspect our products extensively prior to delivery to customers to minimise after-sale quality issues. The terms of our warranties vary from project to project, depending on the requirements of particular customer and volume of orders. During the Track Record Period, circumstances giving rise to return on sales generally related to minor defects. For molds, we either send a team to modify or repair the defective molds or the customers may have specified a local mold service agent for such modification and repair services, and we would bear the cost in both cases. For plastic components, we would produce new batches for our customers at our cost. During the Track Record Period, the costs of such modification and reproduction of products had not had a material adverse effect on our business, results of operations and financial condition.

Export

During the Track Record Period, our export sales were primarily to South East Asia (including Hong Kong), the United States, Europe and Japan. Please also refer to the section headed "—Logistical Arrangements" in this prospectus.

PROCUREMENT

Since our production process is sales driven and we only procure raw materials and components upon customers' confirmation of their purchase orders, we generally only procure the required raw materials for a project after having confirmed the design of the mold or plastic components with our customers. Therefore, our raw materials inventory is maintained at a minimal level. In addition, some of our major customers with which we have developed working relationships provide us with periodic forecasts of their needs on a regular basis, which enables us to better anticipate our raw material needs.

We generally do not enter into any long-term contracts with our suppliers. We believe that the principal raw materials and components we use can be sourced from a number of other suppliers at prices comparable to those being offered by our existing suppliers. We do not believe that there are any concentration risks with respect to our suppliers. During the Track Record Period, we had not experienced any difficulties in sourcing raw materials and components or any major defaults or delay by our suppliers that had a material adverse impact on our operations. We do not anticipate any sourcing difficulties in the foreseeable future.

We regularly and periodically review and adjust the standard cost used in preparing quotations to customers to reflect material fluctuations in the cost of raw materials and components.

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For 2010, 2011 and 2012 and the six months ended 30 June 2013, purchases from our five largest suppliers represented 12.1%, 11.5%, 15.0% and 17.1%, respectively, and purchases from our largest supplier represented 2.9%, 2.7%, 5.1% and 4.6%, respectively, of our total purchases. We had business relationships with our top five suppliers for 2012 for a range of two to nine years. Our top suppliers during the Track Record Period included plastics resins supplier located in the PRC, an electro-acoustic components supplier headquartered in the United States, mold parts suppliers located in the PRC and a metal supplier located in the PRC.

Raw Materials for Mold Fabrication

The principal raw materials for our mold fabrication operations include mold base, steel, copper, hot runners and certain less complicated or standardised mold subparts. During the Track Record Period, we primarily sourced our key raw materials and components for the fabrication of molds from domestic PRC suppliers.

Raw Materials for Plastic Injection Molding

The principal raw materials for our plastic injection molding operations include plastic resins, metal parts and spray-paint. During the Track Record Period, we primarily sourced our key raw materials and components for plastic components manufacturing from Hong Kong and the PRC.

Selection of Suppliers

We have implemented the following procedures for procuring raw materials:

- If our customers do not specify any requirements as to raw materials and components in their purchase orders, we would source raw materials and components from our approved suppliers, which are selected based on price, quality and ability to accommodate our production cycles. Prior to being approved, our quality assurance team conducts inspections of a potential supplier's products and on-site inspections of the supplier's production process.
- In some cases, our customers would in their purchase orders designate a specific supplier or provide a list of preferred suppliers for us to select from for certain raw materials and components, such as certain mold subparts that are compatible with our customers' production process. In such cases, the prices of such raw material and component may have also been set by our customers.

We believe that our suppliers are vital to our success and we strive to maintain healthy, mutually beneficial relationships with our suppliers through efforts such as annual supplier conferences.

None of our Directors, their respective associates, or any of our Shareholders to the knowledge of our Directors holding more than 5% of our issued share capital had any interest in our five largest suppliers during the Track Record Period.

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Settlement

We are generally given a credit period of 30-90 days by our suppliers, and we generally settle our payments with our suppliers by bank remittances or cheques.

Inventory Management

Our inventories primarily consist of raw materials, work-in-progress and finished products. For our mold fabrication division, we maintain a very limited number of finished products in our warehouse as most finished products are delivered directly to our customers, or to our plastic injection molding division after the completion of a project. For our plastic injection molding division, we keep our finished products in our warehouses and occasionally use third-party warehouses before delivery to our customers.

During the Track Record Period, our inventory turnover days were approximately 94 days, 77 days, 61 days and 96 days, respectively. Please refer to the section headed “Financial Information—Certain Items of Consolidated Balance Sheets—Inventories” of this prospectus.

LOGISTICAL ARRANGEMENTS

We generally outsource the delivery of our products to third-party logistics providers based in Hong Kong and the PRC. These outsourcing arrangements allow us to reduce our exposure to potential liability due to transportation accidents, delivery delays and losses, as our logistics providers will bear these risks.

MARKET AND COMPETITION

Key Business Drivers

As an upstream supplier to designers, producers and manufacturers of end-products in various industries, our key business drivers include (i) the market demand for our products in our key markets globally, (ii) growth of our downstream industries and our abilities to attract as well as serve customers in these industries, (iii) the trend of switching from the use of metal to plastic, which would increase the demand for our products, (iv) increased application of plastic products in various industries which would increase the demand for our products and (v) our ability to leverage our reputation, technical expertise and product quality to attract and retain customers.

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Our Directors consider that the products produced by our customers are used globally, and the delivery location of our products may not be the same as the countries in which the relevant final products are sold. For example, we sell our mold products to customers located in Europe for the production of automobiles, but the automobiles so produced may be sold in countries outside of Europe. On such basis, our Directors consider that our Group's business and results of operations are primarily driven by the condition of our downstream industries. During the Track Record period, we had a wide range of downstream industries including household electrical appliances, automotive and others. The following are examples of the demands of some of our downstream industries that drive our business:

- Household electrical appliances – according to the Ipsos Report, the demand for plastics in the household electrical appliances sector is over one million ton each year. The use of plastic is expected to continue expanding in the field of household electrical appliances as plastic components are able to substitute metal components in the production of household electrical appliances due to the improvement of materials and production technologies. The household electrical appliances industry is, however, subject to general economic condition, which may have an impact on disposable income and thus demand for the replacement of household electrical appliances.
- Automotive – according to the Ipsos Report, in the automotive industry, a large range of functional parts used on automobiles rely on injection molding for production. For example, the production of a car requires more than 200 units of interior moldings. As the trend of automotive development is moving towards lightweight, energy-saving and environmentally friendly vehicles, plastic materials are expected to be more widely used for the manufacturing of auto parts. According to the China Die & Mould Industry Association (中國模具工業協會), 2 kg to 3 kg of metal materials can be substituted by 1 kg of plastic, making vehicles lighter and more economical to run; fuel consumption can be reduced by about 6.0% to 8.0% when the weight of automotive is decreased by about 10.0%.

Please refer to the section headed “Industry Overview” in this prospectus for further details regarding the drivers for the demand of the Company's products in each of the downstream industries on which we focus. We intend to continue to maintain our business strategy of having a wide range of downstream industries in the coming periods.

Competitive Landscape

The mold fabrication and plastic injection molding industry in which we operate is highly fragmented. Players in the industry are located in various industries around the world. As such, we compete with industry players both domestically and globally. Mold fabrication and plastic injection molding industry players may possess capabilities in one or several of the following: plastic components mechanical design, mold design, mold fabrication, plastic components manufacturing and secondary processing services.

Our main competitors in the mold fabrication segment are companies located in the PRC that provide one-stop total plastics solutions as well as companies located in the PRC that engage in plastic injection mold fabrication.

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Our main competitors in the plastic injection molding segment are companies located in the PRC that provide one-stop total plastics solutions as well as companies located in the PRC that engage in the manufacturing of plastic components utilising the plastic injection molding process.

We believe that the principal barriers to entry of our industry include specialised technical know-how in precision mold fabrication, the necessary business relationships with customers and high cost of equipment.

In addition, we believe that we compete with other mold fabricators, plastic components manufacturers and plastics solutions providers on the following principal competitive factors, and the attainment of sufficient competency in such competitive factors also present certain barriers to entry into our industry:

- technical expertise – Our customers in our downstream industries require technical expertise and support, particularly as products and their production processes become increasingly complex. Companies with superior know how enjoy a competitive advantage in attracting customers.
- product quality – It is vital to minimise defects and returns of defective products, as any defects in the molds or plastic components could potentially be very detrimental and costly to the projects and production processes of our customers. Consistent product quality enhances a company’s reputation over time and thus has an edge to compete against its competitors.
- service efficiency and speed – As product life-cycles are becoming increasingly shorter in our downstream industries, speed in ramping up production volume is particularly important to enable our customers to timely respond to market demand, generate sales revenues as quickly as possible and derive maximum value from developing and selling the products.
- scale – Our customers require certain scale of operations of their suppliers in order to accommodate their volume requirements. Companies with larger scale enjoy a competitive advantage in attracting larger purchase orders and/or sizable customers.
- flexibility – Our customers have changing demands, which may require us, for example, to ramp up production on short notice, deliver products to different locations, or modify or refine products in a prompt and efficient manner. Companies which have a flexible business model and are responsive to the customer’s changing needs have an edge against their competitors.
- cost – In addition to the above factors, competitive cost is also important to our customers in their selection of plastics solutions provider.

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We believe that our technical expertise and know-how, production capacity and production efficiency as well as our track record and the size of our customer base have enabled us to be competitive against many of our competitors. Particularly, we believe that our technical expertise in mold fabrication enables us to provide products and services with a competitive edge in quality. We also believe that we are cost competitive against our international competitors located in Japan, the United States and Europe. We ranked second in the PRC in terms of revenue generated from fabricating plastic injection mold in 2012.

Please also refer to the section headed “Industry Overview—Competitive Landscape in the PRC” in this prospectus for information regarding the competitive landscape in our industry.

RESEARCH AND DEVELOPMENT

We engage in the following research and development activities: (i) development and standardisation of new mold fabrication and plastic injection molding techniques and procedures; (ii) concurrent development of new product designs with our customers; (iii) in-project calibration and optimisation of processes; and (iv) secondary development and customisation of our own CAD/CAE/CAM tools to enhance our product design and development capabilities. For 2010, 2011 and 2012 and the six months ended 30 June 2013, we spent approximately HK\$12.6 million, HK\$16.5 million, HK\$27.5 million and HK\$10.8 million, respectively, in our research and development activities and we recognise such costs as expenses. Such costs include employee benefit expenses, and raw materials and consumables used for research and development.

Our research and development personnel have an average of seven years of industry experience. When we recruit research and development personnel, we generally require at least a bachelor’s degree and a minimum of three years of relevant experience. As at 30 June 2013, we had 20 research and development personnel. In addition, our research and development efforts are supported by the technical experts of our customer solutions teams and the technicians of our design teams.

Mold Research and Development

We have a team of highly experienced mold specialists in our mold fabrication division who focus on developing our mold design and fabrication processes and standardising our procedures and protocols. These mold specialists also engage in the secondary development of computer software purchased from third parties, enhancing the functionality and performance of such software as well as tailoring such software to our production processes. These mold specialists are supported by mold design technicians in our various mold fabrication business units. We also have a customer solutions team consisting of several technical experts and engineers in the mold fabrication marketing team, whose primary responsibility is to engage in pre-sale, concurrent development of mold products with our key customers’ design teams. Please refer to the section headed “—Customers, Sales and Marketing—Sales and Marketing—Customer Solutions Teams” in this prospectus.

Plastic Injection Molding Research and Development

We have a team of plastic injection molding specialists in the technical department of our plastic injection molding division who engage in plastic injection molding research and development activities. They are supported by plastic injection molding specialists technicians in our various plastic injection molding business units. We also have a customer solutions team consisting of several technical experts and engineers in our plastic injection molding marketing team, whose primary responsibility is to engage in pre-sale, concurrent development of plastic components manufactured by plastic injection molding with our customer's design teams. Please refer to the section headed “—Customers, Sales and Marketing—Sales and Marketing—Customer Solutions Teams” in this prospectus.

We plan to further invest in the automation of our production processes. We believe that automation enhances stability of our product quality and lowers defects caused by manual errors. We also believe that as labour cost rises in the PRC, using low-skilled labour instead of machinery is no longer a significant cost advantage, and that the trend towards automation is inevitable.

Cooperation with the National Laboratory for Material Formation and Molds of Huazhong University of Science and Technology in Shenzhen

During the Track Record Period, we had entered into two research cooperation agreements with the National Laboratory for Material Formation and Molds of Huazhong University of Science and Technology in Shenzhen (華中科技大學深圳華中科技大學材料成型與模具國家重點實驗室) (“**the Huazhong Laboratory**”). The Huazhong Laboratory has the capability to perform secondary development of computer software programmes that we utilise in the process of mold design and mold fabrication. Pursuant to the terms of the relevant agreements, we have agreed to provide funding support and certain technical data on a confidential basis to the Huazhong Laboratory to engage in the secondary development of mold design software that better suit our product design process. For the software developed under one of the relevant agreements, we and the Huazhong Laboratory jointly own the intellectual property rights of the software developed. For the other agreement, the Huazhong Laboratory owns the intellectual property rights of the software developed but we are entitled to jointly share the profits if the developed software were to be commercialised. During the Track Record Period, we paid accumulatively RMB216,000 (equivalent to approximately HK\$272,635) to the Huazhong Laboratory for both research projects. We currently utilise the software developed in our operations.

We intend to continue our cooperative relationship with the Huazhong Laboratory. The long-term goal of the cooperation is to increase our efficiency and level of automation in our mold design and mold fabrication processes through the development of better computer software programmes.

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Information Management System and Standardisation

We have invested in building an information management system that includes an ERP system, finance software, office automation and human resources management software. Our information management is managed by our information technology department, and facilitates the daily operations of our various departments.

We strive to standardise our procedures and protocols. As we accumulate experience in different projects, we seek to create systems and processes that we are able to replicate and apply to new projects. By standardising our procedures, we strive to enhance operational efficiency and achieve stability in product quality. Leveraging on our expertise acquired from servicing customers in a variety of industry sectors, we have accumulated an extensive design and production knowledge pool, which enable us to apply our design and production expertise and know-how across different industry sectors and customers.

In conjunction with our efforts in standardisation, we have invested in a knowledge management software system and implemented knowledge sharing procedures. Data and records from all our projects are stored in a centralised information network that is accessible by all our employees, thereby facilitating transparency as well as internal learning and improvement.

INTELLECTUAL PROPERTY

As the design of molds or plastic components is generally the proprietary property of our customers, we do not typically register patents for the molds that we design or the plastic components that we manufacture. However, our research and development efforts have yielded advanced mold and plastic components structures as well as innovative production processes and techniques. Therefore, we have applied for and successfully registered patents in the PRC to protect these intellectual properties. As at the Latest Practicable Date, we owned 17 patents, of which one is an invention patent and 16 are utility models. As at the Latest Practicable Date, we had two pending patent applications for invention patents.

Our Directors confirm that we had not experienced any infringement to our intellectual property during the Track Record Period which has had a material adverse effect on our business, results of operations, financial condition and prospects. During the Track Record Period, our Directors confirmed that we had not received any infringement claims nor had we filed any infringement claims against any third parties. Please refer to the section headed “Risk Factors—We may not be able to Adequately Protect our Intellectual Property Rights” in this prospectus.

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We have devised and supervised the implementation of stringent measures to ensure the proper usage of our customers' intellectual property rights and confidential information. For instance, our employees have signed confidentiality agreements with us, which requires that no confidential information, including but not limited to all information from our customers, designs and manufacturing information, may be divulged to any third parties without our written consent. The confidentiality agreements also stipulate that all such information should be properly kept and the employees should not, without proper authorisation, carry such information out of our Group's premises. Access to areas of production is restricted with gate systems installed at our production premises and the business units could only be accessed by authorised persons upon presentation of security cards. We have also implemented policies which stipulate the standards required of our employees to keep the new product information confidential, which include restricted access to computers on sensitive information, installation of closed-circuit televisions, detailed procedures on handling samples. Specific personnel has been assigned to supervise the implementation of such policy.

EMPLOYEES AND STAFF

As at 31 December 2012, we had 3,222 direct, full-time employees and had 141 dispatched workers dispatched to us from third-party staffing companies. As at 30 June 2013, we had a total of 2,650 direct, full-time employees, of which 2,597 are at our Shenzhen production bases and 53 are at our Suzhou Plant. As at 30 June 2013, we also had 244 dispatch workers dispatched to us from third-party staffing companies. The decrease is consistent with our seasonality of our sales that majority of our sales orders are delivered in the second half of the year so that we hire less production staff in the first half of the year. There had been no complaints or claims from employees that materially and adversely affected our operations during the Track Record Period and up to the Latest Practicable Date. During the Track Record Period, we engaged three separate third-party staffing companies in Suzhou to dispatch manufacturing workers to us for our Suzhou Plant, as engaging third-party staffing companies is a common practice in Suzhou and is a more efficient and cost-effective approach of identifying and recruiting qualified workers. As at the Latest Practicable Date, we had also engaged one third-party staffing company in Shenzhen to dispatch manufacturing workers to us in order to accommodate our short-term staffing needs in case of sudden influx of order from our customers, particularly with respect to work that requires relatively less sophisticated skills. For further details, please refer to the section headed “—Employees and Staff—Summary of Labour Dispatch Agreements” in this prospectus.

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The following table sets forth a breakdown of our employees and workers dispatched to us by function as at 30 June 2013:

	As at 30 June 2013		
Function	Total Number of Direct Employees	Percentage of Total Direct Employees	Staff Dispatched from Third-Party Staffing Companies
Finance & Accounting	38	1.4%	–
Sales and Marketing	89	3.4%	–
Design	273	10.3%	–
Research and Development	20	0.8%	–
Production	1,671	63.1%	231
Quality assurance	188	7.1%	13
Administrative	359	13.5%	–
Others	12	0.4%	–
Total	2,650	100%	244

We have implemented training programmes for our employees to meet different job requirements. We believe that these initiatives have contributed to increased employee productivity.

As required by PRC regulations, we make contributions to mandatory social security funds for the benefit of our PRC employees that provide for pension insurance, medical insurance, unemployment insurance and housing funds.

As confirmed by relevant government authorities and our Directors, except for as disclosed in the section headed “—Legal Proceedings and Regulatory Compliance”, we are not aware of any historical and material non-compliance of our Group under the relevant national and local labour and social welfare laws and regulations in the PRC during the Track Record Period and up to the Latest Practicable Date.

Summary of Labour Dispatch Agreements

We have entered into labour dispatch agreements with three human resources companies in Suzhou in August 2011, January 2012 and September 2012, respectively. We let our agreement with one of them expire in August 2013, which we do not expect to materially affect our operations. Each of these labour dispatch agreements has a term of two years. A summary of the general terms and conditions of these labour dispatch agreements is as follows:

Our major obligations include:

- paying a monthly lump sum calculated on a per-worker basis for the dispatched workers and the staffing company's management fees;
- purchasing commercial insurance and/or injury insurance, as specified in the relevant agreement for the dispatched workers; and
- in the event of work-related injury, being jointly responsible with the staffing companies for compensation in accordance with the specific terms of the respective labour dispatch agreements if the amount exceeds the relevant insurance coverage.

The staffing companies' major obligations include:

- entering labour contracts with the dispatched workers and processing wages to the dispatched workers on our behalf;
- making social insurance contributions for the dispatched workers; and
- dispatching suitable workers.

As at the Latest Practicable Date, we had also entered into a labour dispatch agreement with a human resources company in Shenzhen in March 2013 for a term of one year for the dispatch of manufacturing workers to our plants in Shenzhen. The terms and conditions of this agreement are similar to the terms of the labour dispatch agreements summarised above. As at the Latest Practicable Date, we had not utilised dispatched workers pursuant to this agreement but we entered into the relevant arrangement in order to accommodate our short-term staffing needs in case of sudden influx of orders from our customers.

As advised by our PRC legal advisers, the above labour dispatch arrangements are legal, valid and binding under the relevant rules and regulations in the PRC.

According to our PRC legal advisers, the staffing companies are duly licensed to provide staffing services to us. Each of the three staffing companies in Suzhou confirmed that: (i) it has entered into labour contracts with all of the contract workers dispatched to us; and (ii) it has complied with the relevant PRC laws, has paid amounts in accordance with the relevant PRC laws for the dispatched workers' social security and has not infringed upon these workers' lawful rights and interests.

BUSINESS

INSURANCE

We maintain insurance policies in respect of our production equipment and inventories. These policies cover losses arising from fire and earthquake and other natural calamities in respect of production equipment and inventories. We believe that we are adequately insured against unforeseen accidental losses in line with industry practice. We have not made any material claims under our insurance policies and have not experienced any material business interruptions since we commenced operations.

We do not maintain product liability insurance because it is not required by PRC law and we believe it to be consistent with industry practice.

During the Track Record Period and up to the Latest Practicable Date, we had not received any material product or product liability claims.

FINANCIAL RISK MANAGEMENT

We have financial risk management practices aimed at reducing foreign exchange rate, credit, interest rate risk and other risks. For further details, please refer to the section headed “Financial Information—Qualitative and Quantitative Disclosure about Financial Risk” in this prospectus.

Foreign Exchange and Currency Exposure

Our Group’s revenue are principally denominated in the U.S. dollar, the Euro and the Hong Kong dollar and the Renminbi. Our costs of sales are principally denominated in Renminbi, Hong Kong dollars and U.S. dollars. Please refer to the section headed “Financial Information—Qualitative and Quantitative Disclosure about Financial Risk—Foreign exchange risk” in this prospectus.

Hedging

During the Track Record Period, as our revenue and costs are often denominated in different currencies, some of our Old Group Companies entered into foreign-exchange hedging transactions to reduce the risk associated with volatility in foreign-exchange markets.

Our foreign-currency hedging has been managed by our chief finance officer, and overseen by our chief executive officer. During the Track Record Period, in accordance with our hedging needs and the then foreign exchange situation, our chief financial officer would collect and analyse information regarding various hedging instruments and determine stop-loss thresholds. Then our chief financial officer would collect quotations from various banks as to the financial instrument and present such quotations to our chief executive officer, who would then evaluate and make a decision as to whether to enter into the relevant hedging agreement. We believe that our chief executive officer and chief financial officer are experienced with foreign exchange transactions. We do not intend to enter into any hedging arrangements in the foreseeable future.

BUSINESS

For further details, please refer to the section headed “Financial Information—Qualitative and Quantitative Disclosure About Financial Risk—Foreign Exchange Risk—Derivative Financial Instruments” in this prospectus.

TAXATION

The effective tax rates of our Group for 2010, 2011 and 2012 and the six months end 30 June 2013 was 26.5%, 29.8%, 27.4% and 28.1%, respectively, despite the aforesaid tax benefits primarily because of withholding income tax and expenses not deductible for tax purposes.

As a result of the Reorganisation, the subsidiary enjoying tax benefits for being a “New and High Technology Enterprise” will not continue to be a part of our Group. Therefore, we expect that we will not be able to continue to enjoy such preferential enterprise income tax rate in future periods, which may cause our effective tax rate to increase. While we will be applying for the “New and High Technology Enterprise” qualification for certain of our new operating subsidiaries, the relevant application must be submitted with the relevant entities’ year-end audited accounts. As such, we expect a higher effective tax rate for 2013.

PROPERTIES

As at the Latest Practicable Date, we did not own any properties. We currently lease our four production bases in the PRC.

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Production Bases in the PRC

Set out below is a summary of our leased properties in the PRC as at the Latest Practicable Date:

Production base	Lessor	Lease period	Gross floor area (in sq.m.)	Location	Title defects and other compliance issues
The Shenzhen Tangjia Plants	TK Technology (Shenzhen)	1 June 2013 to 31 May 2016	35,824.3	The Shenzhen Tangjia Land	There are certain restrictions with respect to the leasing of the Shenzhen Tangjia Plants by TK Technology (Shenzhen). As such, we may be forced to relocate from the Shenzhen Tangjia Plants. Please refer to the section headed “—Plans to Resolve Risks Related to Certain of our Leased Properties” for details. Please also refer to the section headed “Risk Factors—Risks Relating to Our Business—Risks relating to legal issues with respect to certain leases for our production facilities, which may force us to relocate from certain of our production facilities”.
The Shenzhen Yulu Plant A	Mr. Zeng Wei Kun (曾偉坤), an Independent Third Party	1 June 2013 to 15 June 2014	16,300.0	Yulu Village, Shenzhen, Guangdong Province, the PRC	The landlord does not have the property ownership certificate. As such, we may be forced to relocate from the Shenzhen Yulu Plant A. Please refer to the section headed “—Plans to Resolve Risks Related to Certain of our Leased Properties” for details. Please also refer to the section headed “Risk Factors—Risks Relating to Our Business—Risks relating to legal issues with respect to certain leases for our production facilities, which may force us to relocate from certain of our production facilities”.
The Shenzhen Yulu Plant B	TK Plastics (Shenzhen)	1 June 2013 to 31 May 2014	4,424.0	Shenzhen Yulu Land	Our PRC legal advisers confirmed that our landlord owns proper title to the Shenzhen Yulu Plant B and to the piece of land on which it is erected.
Suzhou Plant	Suzhou Hi-tech Export Zone Investment Ltd. (蘇州高新區出口加工區投資開發有限公司), an Independent Third Party	1 March 2013 to 31 May 2014	5,832.0	Suzhou, Jiangsu Province, the PRC	Our PRC legal advisers confirmed that our landlord owns proper legal title to the Suzhou Plant and proper title to the piece of land on which it is erected.
Total			<u>62,380.3</u>		

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For further details regarding leases executed with our connected persons with respect to the Shenzhen Tangjia Plants and the Shenzhen Yulu Plant B, please refer to the section headed “Connected Transactions—Continuing Connected Transactions” in this prospectus.

Except for as disclosed above and in the sections headed “—Legal Proceedings and Regulatory Compliance” in this prospectus, our respective landlords have provided us with evidence of the necessary title documents, and our PRC legal advisers have advised us that such leases in the PRC we have entered into are legal, valid and binding.

As production costs rise in the PRC, including Shenzhen where a substantial portion of our operations are located, we have been exploring the possibility of relocating part of our Shenzhen operations to other more cost-effective locations so that our Shenzhen operations can focus on more technically demanding and higher value-added business streams. As at the Latest Practicable Date, we had not identified a suitable location outside of Shenzhen.

Plans to Resolve Risks Related to Certain of our Leased Properties

Defects with respect to the Shenzhen Tangjia Plants

TK Technology (Shenzhen), the landlord of our Shenzhen Tangjia Plants, has not fully complied with the relevant regulations for leasing of properties with respect to the Shenzhen Tangjia Plants. According to our PRC legal advisers, Hills & Co., the property ownership certificates issued by the authorities in Shenzhen can be categorised into two types: the red-type property ownership certificate and green-type property ownership certificate. Owner of a property with a red-type property ownership certificate is entitled to, among other things, leasing the relevant property; whereas owner of a property with a green-type property ownership certificate is restricted from, among other things, leasing the relevant property unless approved by the Land Bureau (as defined below) and the relevant land premium has been paid.

TK Technology (Shenzhen) acquired the Shenzhen Tangjia Land with a green-type property ownership certificate at a 75.0% discount of the then prevailing market price, on the condition that the land must be used for high-technology project purposes. According to the relevant laws and regulations of Shenzhen, leasing of the Shenzhen Tangjia Land must be approved by the Land Bureau (as defined below) and a land premium shall be paid, as TK Technology (Shenzhen) currently holds a green-type property ownership certificate. However, the relevant laws and regulations do not specify any penalty for leasing of such land for high-technology project purposes without obtaining prior approval and paying the land premium, such as confiscation of the land or the eviction of the tenant.

Our Intention with respect to the Shenzhen Tangjia Plants

On the basis of the above, and having also considered that (i) the lease agreements with TK Technology (Shenzhen) for leasing the Shenzhen Tangjia Plants have been registered with the relevant authorities (and as such, the fact that Shenzhen Tangjia Plants had been leased by TK Technology (Shenzhen) had been reported to government authorities); (ii) TK Technology (Shenzhen) has been leasing certain properties on the Shenzhen Tangjia Land to Independent Third Parties since 2009 and the relevant lease agreements have also been registered with the relevant authorities (and as such, the fact that parts of Shenzhen Tangjia Plants had been leased to third parties by TK Technology (Shenzhen) had also been reported to government since 2009); (iii) the Land Bureau had not issued eviction order to TK Technology (Shenzhen) or our Group as at and up to the Latest Practicable Date; and (iv) as consulted with the case manager of the Land Bureau (as defined below) by our Directors and our PRC legal advisers, past eviction orders mainly pertained to delays in completion of construction, and that if TK Technology (Shenzhen) has already registered the relevant leases in accordance with the relevant laws and regulations, the possibility of the Land Bureau issuing a penalty, an order to terminate the lease and/or to demand the tenant to relocate from the relevant land is remote; our Directors believe that the possibility that we would be forced to relocate from the Shenzhen Tangjia Plants is remote. On such basis, we intend to continue to lease the Shenzhen Tangjia Plants until the relevant lease expires on 31 May 2016. The total gross floor area of the Shenzhen Tangjia Plants amounted to 35,824.3 sq.m., representing approximately 57.4% of the total gross floor area of all of our production bases. Our Directors consider that the Shenzhen Tangjia Plants are crucial to our mold fabrication division.

Conversion of Property Ownership Certificate***Undertakings to rectify the land title defect of the Shenzhen Tangjia Plants***

To further mitigate any risk of us being forced to relocate, TK Technology (Shenzhen) has undertaken to us that it shall convert the green-type property ownership certificate of the Shenzhen Tangjia Land into a red-type property ownership certificate so as to rectify the land title defect of the Shenzhen Tangjia Plants. Furthermore, our Ultimate Shareholders have undertaken to us that each of them shall procure TK Technology (Shenzhen) to observe its obligation under the aforesaid undertaking, failing which, each of the Ultimate Shareholders shall indemnify our Company for all losses, costs and damages in relation thereto.

Procedures to convert the property ownership certificate

Our PRC legal advisers confirmed that the local laws and regulations of Shenzhen do not restrict the leasing of the Shenzhen Tangjia Land after the applicable land premium has been paid and a red-type property ownership certificate has been obtained. Our PRC legal advisers further advised us that there are no written procedures under the relevant laws and regulations regarding the conversion of a green-type property ownership certificate for high-technology project purposes into a red-type property ownership certificate. After due enquiries with a case manager (用地科專管員) of the Guangming Administration Bureau of the Urban Planning Land and Resources Commission of Shenzhen Municipality (深圳市規劃和國土資源委員會光明管理局) (the “**Land Bureau**”) and the chief (科長) as well as another officer of Guangming Registration Division of Shenzhen Real Estate Ownership Registration Centre (深圳市產權登記中心光明登記科) (the “**Registration Centre**”) (“collectively, the “**Relevant Authorities**”), which our PRC legal advisers have confirmed to us are the competent local authorities on the matter regarding the conversion of a green-type property ownership certificate into a red-type property ownership certificate, our PRC legal advisers advised us that TK Technology (Shenzhen) needs to go through the following steps in order to convert its existing green-type property ownership certificate into a red-type property ownership certificate. TK Technology (Shenzhen) is in the process of going through the below procedures, which are expected to be completed by April 2014. Our PRC legal advisers have confirmed to us that after having made due enquiries with the Relevant Authorities, there is no material legal impediment for TK Technology (Shenzhen) to convert the green-type property ownership certificate of Shenzhen Tangjia Plants into a red-type property ownership certificate by completing the following procedures, and once the green-type property ownership certificate of Shenzhen Tangjia Land has been converted into a red-type property ownership certificate, TK (Technology) Shenzhen shall be free to transfer, lease, create encumbrance over and otherwise deal with the land and property, and in particular, lease the Shenzhen Tangjia Plants to us under the relevant PRC laws and regulations.

BUSINESS

Procedure	Details	Expected time frame
<p data-bbox="225 310 624 455">1. Update of the existing green-type property ownership certificate to reflect the completion of the construction of certain phases of Shenzhen Tangjia Plants</p> <p data-bbox="288 487 632 634">Publish a notice in an authorised newspaper in Shenzhen for the update of the green-type property ownership certificate and be subject to a notice period of 30 days.</p>	<p data-bbox="659 310 1145 1278">TK Technology (Shenzhen) has published the notice in an authorised newspaper on 4 December 2013 in respect of updating the green-type property ownership certificate. During the notice period, if there are any objections, the Registration Centre will review the basis of objection and if the Registration Centre considers the basis of objection to be reasonable, the Registration Centre would line up the objecting party(ies) and TK Technology (Shenzhen) to resolve the matter as stated in the relevant objection. The Registration Centre confirms that in the past, objections were mainly due to fee settlement issues with construction contractors. On the basis that (i) TK Technology (Shenzhen) has updated its green-type property ownership certificate of the Shenzhen Tangjia Land in the past; (ii) as discussed with the Registration Centre, other than the disputes with construction contractors, generally, there has not been other matters that had a material adverse effect on past applicants to update their green-type property ownership certificates; (iii) TK Technology (Shenzhen) has already entered into the relevant construction settlement agreements (工程決算協議書) with the construction contractors, pursuant to which the parties confirmed that the construction fees have been agreed and settled; and (iv) Shenzhen Tangjia Plants have been in operation for years and TK Technology (Shenzhen) has not received any material complaints with respect to land ownership by any third party; TK Technology (Shenzhen) considers that there shall be no material obstacles for it to update the green-type property ownership certificate.</p> <p data-bbox="659 1310 1145 1572">If there is no objection within 30 days of the notice period, or the objection(s) is/are not considered to be reasonable by the Registration Centre, or the objection(s) have been settled between TK Technology (Shenzhen) and the relevant party, then the Registration Centre shall issue an updated green-type property ownership certificate to reflect the completion of the construction of certain phases of the Shenzhen Tangjia Plants.</p>	By early January 2014

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Procedure	Details	Expected time frame
<p>2. Submit a written request and relevant supporting materials to the Land Bureau, the relevant authority in charge of reviewing the written request for conversion of the green-type property ownership certificate of Shenzhen Tangjia Plants into a red-type property ownership certificate.</p> <p>The relevant supporting materials include an application letter, together with a copy of business registration licences and the legal representatives' identification cards, property ownership certificate and other relevant certificates, the existing land purchase agreement and evidence of previous land premium paid.</p> <p>The Land Bureau shall provide a response to the applicant within 20 business days from the date of the acceptance of the written request to state whether the application is accepted or not, and if accepted, the amount of land premium to be paid.</p>	<p>TK Technology (Shenzhen) confirmed that, within ten business days to the existing green-type property ownership certificate having been updated, it shall submit a written request and the relevant supporting materials to the Land Bureau for the conversion of the green-type property ownership certificate of Shenzhen Tangjia Plants into a red-type property ownership certificate.</p> <p>As confirmed with the case manager of the Land Bureau, the criteria to assess application include (a) the construction of the relevant properties has been completed; (b) the applicant should have obtained the updated green-type property ownership certificate; (c) absence of unauthorised construction on the relevant plot of land; and (d) there was no transfer restriction stated in the original land purchase contract. On the basis that (a) construction of Shenzhen Tangjia Plants has been completed; (b) we would have obtained an updated green-type property ownership certificate (as described above in this table) before we commence this procedure; (c) as advised by our PRC Legal Advisers, as all buildings of the Shenzhen Tangjia Plants have been issued a receipt for completion and acceptance filing (竣工驗收備案收文回執), properties constructed on the Shenzhen Tangjia Land would not be deemed unauthorised; and (d) the land purchase agreement and the current supplemental agreements of Shenzhen Tangjia Land do not contain transfer restriction clauses, TK Technology (Shenzhen) considers that there shall be no material obstacles for it to apply for the conversion of the green-type property ownership certificate of Shenzhen Tangjia Land to a red-type property ownership certificate. Although the green-type property ownership certificate of the Shenzhen Tangjia Land states that the ownership of the relevant land cannot be transferred, as confirmed to TK Technology (Shenzhen) by the case manager, since such clause is included in the property ownership certificate but not the land purchase contract, such clause shall not affect the application for the conversion from green-type property ownership certificate to red-type property ownership certificate for Shenzhen Tangjia Land.</p>	<p>By February 2014 (by taking into account, amongst others, the Chinese New Year holidays in late January and early February 2014)</p>

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Procedure	Details	Expected time frame
3. Payment of land premium and entering into supplemental agreement	<p>As confirmed by the case manager of the Land Bureau, the applicable land premium shall be calculated pursuant to “Shenzhen Land Parcel Valuation Rules (Trial)” (“深圳市宗地地價測算規則(試行)”) (the “Valuation Rule”), which was promulgated by Urban Planning Land and Resources Commission of Shenzhen Municipality (“深圳市規劃和國土資源委員會”) on 8 January 2013. The Valuation Rule states the land premium in Shenzhen should be calculated based on the “Shenzhen benchmark value” (“深圳基準地價”) announced by the Land Bureau and adjusted for certain factors, such as plot ratio, type of properties and remaining years of land ownership certificate.</p> <p>TK Technology (Shenzhen) has engaged an independent valuer to assess the applicable land premium for the Shenzhen Tangjia Land (the “Land Premium”). Base on the valuation prepared according to the Valuation Rule, the independent valuer has assessed that the Land Premium would range from RMB111.5 million (equivalent to approximately HK\$140.7 million) to RMB115.2 million (equivalent to approximately HK\$145.4 million).</p> <p>To ensure sufficient financial resources for the payment of Land Premium, TK Technology (Shenzhen) has entered into two escrow arrangements with a bank in the PRC so that such bank shall in aggregate keep in escrow approximately RMB120.0 million on behalf of TK Technology (Shenzhen) and such bank shall only release such escrowed fund to the relevant bank account of the Land Bureau for the purpose of paying the Land Premium. TK Technology (Shenzhen) confirmed that it shall instruct the relevant bank to release the escrowed fund to pay for the Land Premium within five business days upon receiving the notice of payment of the Land Premium from the Land Bureau.</p> <p>As confirmed by the case manager of the Land Bureau, applicants for the conversion of green-type property ownership certificate to red-type property ownership certificate shall also sign the supplemental land purchase contract prepared by the Land Bureau and the Land Bureau shall, after receiving the bank deposit slip as evidence of the payment of land premium and the supplemental land purchase contract signed by the applicant, countersign the supplemental land purchase contract for the applicant’s further handling.</p>	By March 2014

BUSINESS

Procedure	Details	Expected time frame
4. TK Technology (Shenzhen) shall register the conversion of the green-type property ownership certificate into a red-type property ownership certificate in the Registration Centre, the relevant authority responsible for issuing property ownership certificate.	<p>As confirmed with the officer from the Registration Centre, the process is only a registration process but not an approval process. The Registration Centre shall commence the registration process upon receipt of the application materials, including the application letter, evidence for payment of land premium, signed supplemental agreement with the Land Bureau and the original green-type property ownership certificate, and other application materials, for their process. The process requires 30 days to complete (without public notification requirement).</p> <p>On the basis that this procedure is merely administrative, TK Technology considers that there is no material obstacle for it to complete this procedure.</p>	By April 2014

Defects with respect to the Shenzhen Yulu Plant A

The landlord of the Shenzhen Yulu Plant A does not have the property ownership certificate of the Shenzhen Yulu Plant A. As a result, as advised by our PRC legal advisers, the relevant lease is invalid under PRC laws and regulations, in which event we may be forced to relocate from the Shenzhen Yulu Plant A. The total gross floor area of the Shenzhen Yulu Plant A amounted to 16,300.0 sq.m., representing approximately 26.1% of the total gross floor area of all of our production bases.

Our intention with respect to the Shenzhen Yulu Plant A

Our Directors consider that the possibility of being forced to relocate is remote given that (i) the lease agreements for the Shenzhen Yulu Plant A have been registered with the relevant authorities (and as such the fact that we have leased Shenzhen Yulu Plant A had been reported to government authorities); (ii) we have been leasing the Shenzhen Yulu Plant A since 2005; (iii) the Land Bureau had not issued eviction order to the landlord of Shenzhen Yulu Plant A or our Group as at and up to the Latest Practicable Date; and (iv) as consulted with the case manager of the Land Bureau by our Directors and our PRC legal advisers, if the landlord of the Shenzhen Yulu Plant A has already registered the relevant leases in accordance with the relevant laws and regulations, the possibility of the Land Bureau issuing a penalty, an order to terminate the lease and/or to demand the tenant to relocate from the relevant land is remote. On such basis, we intend to continue to lease the Shenzhen Yulu Plant A until the relevant lease expires on 15 June 2014, when we will relocate our operations in Shenzhen Yulu Plant A to plants owned by TK Technology (Shenzhen) in the Shenzhen Tangjia Land. Our Directors consider that the Shenzhen Yulu Plant A, on a standalone basis, is not crucial to our operations as all our four production bases have facilities to manufacture plastic components.

Contingency Arrangements for Our Production Operations at the Shenzhen Tangjia Plants (the “Tangjia Operations”) and Our Production Operations at the Shenzhen Yulu Plant A (the “Yulu A Operations”)

Although we consider that the possibility of being forced to relocate from the Shenzhen Tangjia Plants and Shenzhen Yulu Plant A is remote, we have formulated a contingency plan as below:

1. Outsourcing

We have been outsourcing certain of our mold fabrication procedures to our subcontractors during the Track Record Period. Please refer to the section headed “—Production Process—Subcontracting”. In the event that we are forced to relocate from the Shenzhen Tangjia Plants, where our mold fabrication division is located, we would immediately seek to outsource our mold fabrication procedures to our subcontractors to mitigate the impact to our mold fabrication businesses. Our Directors consider that our core competency in our mold fabrication segment is primarily in the pre-production stage, i.e., pre-sale feasibility and optimisation advice, and mold design. In addition, as in our previous arrangement, we would conduct quality control to ensure that the products produced by our subcontractors can meet the quality standard of our customers. For 2010, 2011 and 2012 and the six months ended 30 June 2013, we engaged 191, 178, 163 and 136 subcontractors, respectively. Our Directors confirmed that each of the subcontractors we engaged during the Track Record Period is an Independent Third Party. Based on the understanding of our Directors on our subcontractors, we may be able to outsource up to approximately 369,600 production hours per annum, or 50.0% of our production capacity for 2012 of our mold fabrication business, to our subcontractors. In the event that we temporarily increase our outsourcing to 50.0% during a forced relocation from the Shenzhen Tangjia Plants, we will need to shift our operational focus from in-house production and in-process quality control to monitoring our subcontractors’ work on-site and product-oriented quality control. Although the outsourcing of our mold fabrication process would lead to additional subcontracting fees, we would also save on certain production overhead, such as rental expenses, water and electricity, and maintenance expenses. In addition, during the Track Record Period, we had projects in which we outsourced substantially all of production process to subcontractors, and such projects had achieved operating margin within the range of that achieved by projects in which the production process was (either substantially or entirely) performed in-house. On such basis, our Directors consider that the overall operation and financial position of our Group would not be materially and adversely affected by such outsourcing.

2. *Increasing production in our unaffected production bases*

Currently, all our four production bases are engaged in manufacturing plastic components, of which Shenzhen Yulu Plant B and the Suzhou Plant do not have title defects. In the event that we are forced to relocate from the Shenzhen Tangjia Plants and/or the Shenzhen Yulu Plant A, we would increase the number of shifts of production workers in Shenzhen Yulu Plant B and Suzhou Plant, and where appropriate, Shenzhen Tangjia Plants or Shenzhen Yulu Plant A. As at 30 June 2013, 43 out of 191 sets of our plastic injection molding machines, representing approximately 22.5% of our production capacity of our plastic components manufacturing division, were located in Shenzhen Yulu Plant B and Suzhou Plant. In 2012, the utilisation rate of the Shenzhen Yulu Plant B and the Suzhou Plant was 53.7% and 68.7%, respectively. Although our assumed maximum number of operating days is 26 working days a month for our plastic components manufacturing division, in the event that we are forced to relocate from the Shenzhen Tangjia Plants and/or the Shenzhen Yulu Plant A immediately, we would operate our unaffected production bases everyday by increasing the number of working shifts and rearrange maintenance schedules so as to increase the production capacity of the unaffected production bases. While we plan to increase utilisation of the Shenzhen Yulu Plant B as well as the Suzhou Plant should we be forced to relocate from one or both of these plants, there would not be sufficient capacity in our other plants to absorb all of the production capacity of the affected plant(s), and therefore we have identified the Backup Plants (as defined below).

3. *Relocation*

We have also entered into three legally binding agreements (each a “**Pre-lease Agreement**” and collectively the “**Pre-lease Agreements**”) with Shenzhen Hongfa Investment Limited (深圳市宏發投資集團有限公司) (the “**Backup Plants Landlord**”), an independent third party, as our backup plan. Pursuant to the Pre-lease Agreements, on or prior to 30 June 2014, we have the right, but not the obligation, to request the Backup Plants Landlord to enter into formal lease agreement with us within 15 days from our notice, to lease certain plants located at Hong’ao Industry Garden at the intersection of Genyu Road and Nanming Road, Gongming Sub-district, Bao’an District, Shenzhen City with an aggregate total gross floor area of approximately 53,715 sq.m. (each a “**Backup Plant**” and collectively the “**Backup Plants**”). In the event that we are being forced to relocate from the Shenzhen Tangjia Plants and/or the Shenzhen Yulu Plant A, we can exercise our right under the Pre-lease Agreements so that we can relocate our Tangjia Operations and/or Yulu A Operations as necessary to the Backup Plants.

We estimate the costs to relocate the Tangjia Operations and the Yulu A Operations to the Backup Plants to be approximately RMB33.3 million (equivalent to approximately HK\$42.0 million) and RMB12.5 million (equivalent to approximately HK\$15.8 million), respectively, including, amongst others, the logistic expenses and capital expenditure for refurbishing the Backup Plants.

BUSINESS

Overview of the Backup Plants

The Backup Plants are located at Hong'ao Industry Garden at the intersection of Genyu Road and Nanming Road, Gongming Sub-district, Bao'an District, Shenzhen City and are located at 5.9 km away from the Shenzhen Tangjia Plants and 4.4 km away from the Shenzhen Yulu Plant A. The Backup Plants have an aggregate gross floor area of approximately 53,715 sq.m. for industrial use. As at the Latest Practicable Date, the Backup Plants were occupied, but the Backup Plants Landlord confirmed that it will provide vacant possession to us, by liaising with existing leasees, within three months from the date of notice by us. Towards the expiry of the Pre-lease Agreements, in the event that TK Technology Shenzhen has yet to convert the green-type property ownership certificate into red-type property ownership certificate, we shall seek to either renew the Pre-lease Agreements or engage another party for a similar arrangement. We shall disclose the status of such Pre-lease Agreements (including whether another party is engaged and relevant details of such party and plant) in our Company's interim and annual reports until the earlier of (i) TK Technology Shenzhen having converted the green-type property ownership certificate into red-type property ownership certificate, and the Yulu A Operations having moved into plants owned by TK Technology (Shenzhen) in the Shenzhen Tangjia Land; or (ii) the exercise of the rights we have pursuant to our Pre-lease Agreements to enter into the necessary number of formal lease agreements.

As advised by our PRC legal advisers, the Backup Plants Landlord owns the legal title of the Backup Plants and is entitled to lease the Backup Plants to a third party, and the Pre-lease Agreements are legal, valid and binding. On the basis that (i) the aggregate total gross floor area of the Backup Plants is approximately 53,715 sq.m.; and (ii) the aggregate total gross floor area of the Shenzhen Tangjia Plants and the Shenzhen Yulu Plant A is approximately 52,124 sq.m., our Directors consider that the Backup Plants have sufficient space to accommodate the Tangjia Operations and the Yulu A Operations. As confirmed by our Directors after having discussed with the landlord of the Backup Plants, the landlord of the Backup Plants shall have sufficient and appropriate premises to lease to us on the basis that (i) the Backup Plants are located in the HONFA High-Tech Industrial Park, which has a total gross floor area of approximately 242,000 sq.m., so that the premises pre-leased to our Group only amounted to approximately 22% of the total gross floor area of the relevant site; (ii) there are currently certain premises vacant and after taking into account the lease agreements of certain currently occupied premises shall be expired by the end of the year and is likely not to be renewed, there shall be sufficient premises inside of HONFA High-Tech Industrial Park available for our Group to use pursuant to the Pre-lease Agreements; (iii) our Group shall have a priority to rent the Backup Plants over other existing/potential leasees as we have entered into the Pre-lease Agreements with the landlord of the Backup Plants; and (iv) the landlord of the Backup Plants have two other similar sites in Shenzhen available to lease out with similar rental rate and total gross floor area of approximately 248,000 sq.m. To the best knowledge of our Directors, after due enquiries with property agencies, there are other alternative production facilities (other than the Backup Plants) for long term lease of comparable size and rent for similar usage within close vicinity of the Shenzhen Tangjia Plants.

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Relocation arrangement of the Shenzhen Tangjia Plants and Shenzhen Yulu Plant A

In the event that we are forced to relocate from the Shenzhen Tangjia Plants and/or the Shenzhen Yulu Plant A, before TK Technology completes the conversion of the green-type property ownership certificate of the Shenzhen Tangjia Land to red-type property ownership certificate, we will request the Backup Plants Landlord to immediately enter into formal lease agreements with us, for one or more of the Backup Plants, as necessary, pursuant to the relevant Pre-lease Agreements. Before the Backup Plants Landlord provides vacant possession at the Backup Plants, we will arrange the production equipment and fixture as well as raw materials and work-in progress in a manner that can be relocated efficiently, and we shall also liaise with logistic companies to provide necessary support for our relocation. Based on our experience in our previous expansion exercise and relocation of certain business units from the Shenzhen Yulu Plant A to the Shenzhen Tangjia Plants, the relocation from the Shenzhen Tangjia Plants and/or the Shenzhen Yulu Plant A (which can take place simultaneously) is expected to take one week, respectively, and it shall take an additional one week for installation and testing for our production lines and site refurbishment, and we expect our production operations will be fully resumed in two weeks from the date we commence the actual physical relocation. For illustrative purposes, in case we are forced to cease our Tangjia Operations and/or the Shenzhen Yulu Plant A and assuming the Shenzhen Tangjia Plants and/or the Shenzhen Yulu Plant A are fully utilised at the time of such occurrence, the maximum loss of production time is 16 weeks, respectively, for each of the production facilities, which is the aggregate of (i) a 15-day notice period to the Backup Plants Landlord for entering into a formal lease agreements; (ii) a three-month notice period for the existing leasees to surrender the Backup Plants; and (iii) two weeks for relocating, installation and setup of the production lines, and site refurbishment. Based on the revenue of the relevant business units having operations in the Shenzhen Tangjia Plants for the year ended 31 December 2012, the loss of the production time of 16 weeks would mean a loss of revenue of approximately HK\$160.0 million on a *pro rata* basis, without taking into consideration of revenue from possible outsourcing and the possible increased number of working shifts of unaffected production bases. Please refer to the section headed “—Production Facilities—Production Capacity and Utilisation Rate—Mold Fabrication” in this prospectus for the estimated annual production capacity and estimated average annual utilisation rate of the Shenzhen Tangjia Plants for 2012. Based on the revenue of the relevant business units having operations in the Shenzhen Yulu Plant A for the year ended 31 December 2012, the loss of the production time of 16 weeks would mean a loss of revenue of approximately HK\$117.0 million on a *pro rata* basis, without taking into consideration of revenue from possible increased number of working shifts of unaffected production bases. Please refer to the section headed “—Production Facilities—Production Capacity and Utilisation Rate—Plastic Components Manufacturing” in this prospectus for the estimated annual production capacity and estimated average annual utilisation rate of our plastic components production bases for 2012. In addition, we may incur losses due to possible claims from customers as a result of delays or failures in delivering our products. In addition, we may incur losses due to possible claims from customers as a result of delays or failures in delivering our products.

BUSINESS

Salient terms of the Pre-lease Agreements entered into with the Backup Plants Landlord

The salient terms of the three Pre-lease Agreements are substantially the same as summarised below:

- Term:** From date of the Pre-lease Agreement up to and including 30 June 2014.
- Subject matter:** On or prior to 30 June 2014, we have the right, but not the obligation, to request the Backup Plants Landlord to enter into formal lease agreement(s) for the necessary number of Backup Plants and the Landlord is obliged to enter into formal lease agreements with us within 15 working days from the date of our notice. The Backup Plants Landlord is obliged to provide vacant possession of the relevant Backup Plants to us within three months from the date of the formal lease agreement(s), each with a term of five years.
- Rental amount** The total rent amount of the Backup Plants is RMB1,074,293 per month (equivalent to approximately HK\$1.4 million), if we rent all of the Backup Plants.
- Deposit:** The aggregate deposit amount is RMB150,000 (equivalent to approximately HK\$189,330).
- Remedy:** There is no specific amount of compensation to our Company if the Backup Plants Landlord fails to provide vacant possession of the Backup Plant(s) to us; however, in such case, the Backup Plants Landlord is obliged to search for appropriate plants for us and to bear all additional costs in relation to searching for other plants and shall return double of the deposit amount to us. Please refer to the section headed “Risk factors—Risk Relating to Our Business—Risks relating to legal issues with respect to certain leases for our production facilities which may force us to relocate from certain of our current production facilities” in this prospectus for details of the risks involved.

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Indemnity

Each of the Ultimate Shareholders has also jointly and severally undertaken to indemnify and keep each of our Group members fully indemnified against all claims, losses, liabilities, damages, costs, charges, fees, expenses, fines suffered or incurred by any of our Group members as a result of or in connection with, amongst others, (i) the use of the land owned by TK Technology (Shenzhen) by any members of our Group as tenants, as TK Technology (Shenzhen) has not obtained the approval from the Land Bureau in relation to the rental of the Shenzhen Tangjia Plants; and (ii) the use of the Shenzhen Yulu Plant A by any of our Group members as tenants, as the landlord of Shenzhen Yulu Plant A does not have the property title documents with respect to the Shenzhen Yulu Plant A.

Office in Hong Kong

As at the Latest Practicable Date, we had leased an office space in Hong Kong with a total gross floor area of approximately 78 sq.m. from TK Technology Holdings. The office space has been primarily used as our principal place of business in Hong Kong. For details of the terms of such agreement, please refer to the section headed “Connected Transactions—Continuing Connected Transactions—Continuing connected transactions exempt from the independent Shareholders’ approval requirement—Hong Kong Tenancy Agreement” in this prospectus.

Representative Office in Spain

As at the Latest Practicable Date, we had leased an office space in Spain with a total gross floor area of approximately 25 sq.m. from an Independent Third Party. The office space has been primarily used by us as our representative office in Spain.

Valuation

As at 30 June 2013, we did not have any property interests which require valuation pursuant to Rule 5.01 of the Listing Rules. Accordingly, we have not obtained a valuation report in respect of our property interests in reliance upon the exemption provided by section 6 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

Internal control measures to ensure that the Company will not acquire or lease properties with title defects going forward

With effect from November 2013, when renewing our tenancy or entering into new tenancies, we will lease or buy properties only if, among other factors and circumstances, the relevant landlord has all relevant title documents, with the rights to lease/sell the relevant properties and without any title defects. We shall also consult our legal advisers before entering into lease agreements or sale and purchase agreements for real estate properties.

BUSINESS

ENVIRONMENTAL AND SAFETY REGULATION COMPLIANCE

We are subject to certain national and local environmental and safety related laws and regulations. Please refer to the sections headed “Regulatory Overview—Overview of PRC Regulations—Production Safety” and “Regulatory Overview—Overview of PRC Regulations—Environmental Protection” in this prospectus.

While our manufacturing processes generate certain wastewater, solid wastes and chemical wastes, we believe that our manufacturing processes do not have a material adverse effect on the environment. In addition, we have adopted measures to reduce or treat the wastes generated in our manufacturing processes. Such measures include a wastewater treatment system and contracting third parties to collect and treat our solid wastes and chemical wastes.

Furthermore, we are committed to the continued compliance with applicable PRC environmental protection laws and regulations. We have established an environmental, health and safety committee consisting of one of our executive Directors and other management personnel, which inspects our facilities on a regular basis pursuant to a set of written procedures. Our environmental, health, and safety committee reports to Mr. Yung, one of our executive Directors, and any irregularities identified by this committee are required to be addressed in a prompt manner. We have also taken necessary measures to protect our employees’ health and safety at work, and we have been awarded the following certificates:

<u>Accreditation & Certificates</u>	<u>Year of Awarding (validity period)</u>	<u>Accredited/ Certified By</u>	<u>Awarded Entity</u>
ISO14001:2004 (Environmental management systems)	08/08/2013 (until 23/06/2015)	Shenzhen Southern Certification Co., Ltd.	TK Precision Plastics
ISO14001:2004 (Environmental management systems)	08/08/2013 (until 23/06/2015)	Shenzhen Southern Certification Co., Ltd.	TK Mold (Shenzhen)
ISO14001:2004 (Environmental management systems)	08/08/2013 (until 23/06/2015)	Shenzhen Southern Certification Co., Ltd.	YD Mold (Shenzhen) Ltd.

The certifications listed above are crucial to our reputation and thus our sales. During the Track Record Period, we renewed our ISO14001 certifications once and transferred two certifications from our old Group Company to two entities in our Group and incurred an immaterial re-certification fee. During the Track Record Period, we had not failed to renew any of our ISO14001 certifications. Our Directors consider that we will not encounter any major obstacles to renew the certifications listed above in the future.

BUSINESS

During the Track Record Period, we had not encountered any material non-compliance issues with respect to any applicable laws and regulations on environmental protection and safety or any material complaints from our customers or the public with respect to safety and health issues due to the use of, or any incidents arising from the use of our products. Except for as disclosed in the section headed “—Legal Proceedings and Regulatory Compliance” in this prospectus, as confirmed by our PRC legal advisers, we are not aware of any historical material non-compliance of our Group under the applicable environmental protection laws and regulations in the PRC, and we had not been subject to any material fine or claim arising from non-compliance with applicable environmental laws and regulations or any citation for our environmental measures during the Track Record Period and up to the Latest Practicable Date.

Our cost of compliance with applicable environmental protection laws and regulations for 2010, 2011 and 2012 and the six months ended 30 June 2013 amounted to approximately RMB349,000, RMB519,000, RMB499,000 and RMB361,000, respectively (equivalent to approximately HK\$441,000, HK\$665,000, HK\$630,000 and HK\$466,000, respectively). Furthermore, to the best of our knowledge, there have been no claims or investigations alleging any material impact on the environment from chemicals generated from our manufacturing operations during the Track Record Period and up to the Latest Practicable Date. Our cost of compliance with applicable environmental protection laws and regulations for 2013 is expected to be generally in line with our historical of compliance with applicable environmental protection laws and regulations.

As appropriate, we provide and require our employees to wear regularly tested protective devices to ensure their safety. We consider our workplace a safe environment and workplace injury is relatively rare in our operations. For 2010, 2011 and 2012 and the six months ended 30 June 2013, respectively, there were 48, 55, 24 and 10 reported cases of incidents, respectively. For the same periods, compensation paid to employees in connection with these incidents was immaterial. There were no accidents causing death or serious bodily injury in our business operations during the Track Record Period and up to the Latest Practicable Date.

AWARDS, CERTIFICATES AND QUALIFICATIONS

In accordance with a review of the “National Key Supported High-Technology Fields” (《國家重點支持的高新技術領域》) and confirmation provided by us, our PRC legal advisers confirmed that our business scope is in a high-technology field. Our Directors further confirm that our subsidiaries leasing the Shenzhen Tangjia Plants have been engaging in high-technology projects since their respective establishments.

BUSINESS

In recognition of the quality of products and services we provide and the excellence of our business operations, our customers and various industry associations have given us various awards including the following:

<u>Award/Certificates</u>	<u>Year of Grant</u>	<u>Awarded by</u>	<u>Awarded Entity</u>
Award for excellence in operations	2006	Hong Kong Mould & Die Council of Federation of Hong Kong Industry	TK Mold Ltd.
Certificate of Merit	2010	Hong Kong Mould & Die Council of Federation of Hong Kong Industry	TK Technology (Shenzhen)
Charitable Corporation Award	2010	Shenzhen Bao'an District Government	Our Group
Tool Design Award – Gold Award	2010	Hong Kong Mould & Die Council of Federation of Hong Kong Industry	TK Technology (Shenzhen)
Excellence FIE Award, 2011	2011	China Association of Enterprises with Foreign Investment and Shenzhen Association of Enterprises with Foreign Investment	TK Technology (Shenzhen)
SanDisk Supplier Best in Class Performance Award, 2011	2012	SanDisk	TK International BVI
Best Quality Award	2012	Whirlpool	TK International BVI

LEGAL PROCEEDINGS AND REGULATORY COMPLIANCE

As at the Latest Practicable Date, we had not been involved in any pending arbitration, litigation or administrative proceedings which had or could be expected to have a material adverse effect on our business, results of operations and financial condition.

As advised by our PRC legal advisers, save as disclosed in the following table, we have obtained all the necessary licences, permits or certificates for our business operations in the PRC and they are not aware of any material non-compliance incidents of our Group under the relevant PRC laws and the regulations during the Track Record Period.

Save for certain incidents of non-compliance as set forth below, our Directors are not aware of any historical and material non-compliance of our Group under PRC laws and regulations during the Track Record Period and as at the Latest Practicable Date. The Directors are of the view that these incidents of non-compliance, whether individually or collectively, have not caused and will not have a material adverse effect on our business, results of operations and financial condition.

The Group

Non-compliance	Reason(s) for non-compliance	Legal consequences and potential maximum penalties and other financial liabilities	(i) Identity and position of the person involved (ii) Rectification actions taken and status	Measures to prevent future breach and ensure ongoing compliance
<p>1. Some of our PRC subsidiaries had not fully paid social insurance for some of their employees.</p> <p>(i) Most of the employees of TK Technology (Shenzhen) and TK Plastics (Shenzhen) have been transferred to and employed by TK Mold (Shenzhen) and TK Precision Plastics, respectively, since 1 June 2013. However, TK Mold (Shenzhen) and TK Precision Plastics did not fully pay the social insurance contribution for some of these employees in June 2013 and July 2013.</p> <p>(ii) During the period from May 2010 to March 2012, TK Plastics Products (Suzhou) did not fully pay the social insurance contribution for all its employees based on their salaries in accordance with the relevant laws and regulations.</p> <p>The total contribution of social insurance which was underpaid by our PRC subsidiaries during the Track Record Period in relation to (i) and (ii) above amounted to approximately RMB554,000 (equivalent to HK\$699,000).</p>	<p>(i) Some of our employees came from rural areas and such rural workers have their residence registered with the villages from which they came. The relevant local government authorities have different practices in respect of social security insurance contribution schemes for rural workers, who migrate from place to place. Thus it is difficult for rural workers to transfer their social security registrations to other localities and continue their social security contributions, in which circumstances, such employees have not been willing to register and contribute to the social security insurance; and</p> <p>(ii) The human resources department was not familiarised with the relevant laws and regulations.</p>	<p>Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) and the relevant laws and regulations, for any incidents of non-compliance taken place within the statute of limitation, the social insurance bureau is entitled to order us to pay the underpaid social insurance contributions within a prescribed time and to pay a penalty for the daily late payment at a rate of 0.05% as from the due date. Our Directors confirmed that as at the Latest Practicable Date, the relevant PRC subsidiaries had not been ordered to pay the relevant social insurance.</p> <p>If the relevant authorities order our Group to pay, but our Group did not pay within the prescribed time limits required by the relevant authorities, a fine of one to three times of the outstanding amount will also be imposed.</p> <p>We have made full provisions in the amount of RMB554,000 (equivalent to HK\$699,000) for the Track Record Period, being the underpaid contribution of social insurance in relation to these PRC subsidiaries and the maximum exposure of our Group up to 30 June 2013.</p>	<p>(i) Human resources officer of the human resources department.</p> <p>(ii) Our Group had fully paid the social insurance for all of our employees according to the relevant laws and regulations since August 2013.</p>	<p>Our human resources department will check the total number of employees paying social insurance against the total number of employees according to their record before paying the social insurance.</p> <p>In order to ensure our compliance with the PRC laws on social insurance, we have established written policies and compliance manuals to ensure that the contribution for social insurance is made on a timely basis.</p> <p>We have engaged our PRC legal advisers to provide training to us on the relevant laws and regulations, including, amongst others, those on social insurance.</p>

BUSINESS

Non-compliance	Reason(s) for non-compliance	Legal consequences and potential maximum penalties and other financial liabilities	(i) Identity and position of the person involved (ii) Rectification actions taken and status	Measures to prevent future breach and ensure ongoing compliance
<p>2. Some of our PRC subsidiaries had not fully paid housing provident fund for some of their employees.</p> <p>(i) Most of the employees of TK Technology (Shenzhen) and TK Plastics (Shenzhen) have been transferred to and employed by TK Mold (Shenzhen) and TK Precision Plastics, respectively, since 1 June 2013. However, TK Mold (Shenzhen) and TK Precision Plastics did not pay the housing provident fund for some of these employees in June 2013 and July 2013.</p> <p>(ii) YD Mold did not make full contribution in respect of the housing provident fund for June 2013 and July 2013 for some of its employees.</p> <p>(iii) TK Plastic Products (Suzhou) did not make full contribution in respect of the housing provident fund for some of its employees based on their salaries in accordance with the relevant laws and regulations before July 2013.</p> <p>The total contribution of housing provident fund which was underpaid by our PRC subsidiaries during the Track Record Period in relation to (i), (ii) and (iii) above amounted to approximately RMB161,000 (equivalent to HK\$203,000).</p>	<p>(i) Some of the employees came from rural areas and such rural workers have their residence registered with the villages from which they came. The relevant local government authorities have different practices in respect of housing provident fund for rural workers, who migrate from place to place. Thus it is difficult for rural workers to transfer their housing provident fund to other localities, in which circumstances such employees have not been willing to register and contribute to the housing provident fund; and</p> <p>(ii) The human resources department was not familiarised with the relevant laws and regulations.</p>	<p>Pursuant to the Regulation on the Administration of Housing Provident Fund (《住房公积金管理条例》) and the relevant laws and regulations, for any incidents of non-compliance taken place with the statute of limitation, the department in charge of housing fund is entitled to order us to pay the underpaid housing provident fund within a prescribed time. Our Directors confirmed that as at the Latest Practicable Date, the relevant PRC subsidiaries had not been ordered to pay the relevant housing provident fund.</p> <p>If we are unable to pay within the prescribed time after the relevant department in charge of housing funds has ordered us to pay, such department may apply to the court for mandatory enforcement.</p> <p>We have made full provisions in the amount of RMB161,000 (equivalent to HK\$203,000) for the Track Record Period, being the underpaid contribution of housing provident fund in relation to these PRC subsidiaries and the maximum exposure of our Group up to 30 June 2013.</p>	<p>(i) Human resources officer of the human resources department.</p> <p>(ii) Our Group had fully paid the housing provident fund for all of our employees since August 2013.</p>	<p>In order to ensure our compliance with the PRC laws on housing provident fund, we have established written policies and compliance manuals to ensure that the contribution for housing provident fund is made on a timely basis.</p> <p>We have engaged our PRC legal advisers to provide training to us on the relevant laws and regulations, including, amongst others, those on housing provident fund.</p>

BUSINESS

Non-compliance	Reason(s) for non-compliance	Legal consequences and potential maximum penalties and other financial liabilities	(i) Identity and position of the person involved (ii) Rectification actions taken and status	Measures to prevent future breach and ensure ongoing compliance	
3.	Our PRC subsidiaries, namely YD Mold, TK Mold (Shenzhen), TK Precision Plastics and TK Plastics Products (Suzhou) did not attend to the procedures for the prevention and control of occupational diseases and hazards for all construction projects which may cause potential occupational diseases and hazards.	The administrative department has been inadvertent and did not pay sufficient attention to the relevant laws and regulations.	<p>According to the Prevention and Treatment of Occupational Diseases (《中華人民共和國職業病防治法》), the production safety supervision and management department is entitled to issue warning and order rectification within a prescribed time. If we are unable to rectify within the prescribed time, our Group may be fined from RMB100,000 to RMB500,000. We may also be ordered to stop our production which may cause occupational diseases and hazards, or terminate or stop our relevant construction project if the case is serious.</p> <p>In consultation with Shenzhen and Suzhou prevention and control of occupational diseases and hazards departments, which our PRC legal advisers have confirmed to us are the competent local authorities on the matter, if the enterprises conduct a reapplication of the approval procedure, there will be no punishment issued by the department in charge due to the delayed application.</p> <p>As at the Latest Practicable Date, we had not been investigated or questioned by or received administration punishment from the department in charge due to the flaws of our approval procedures regarding the prevention and control of occupational diseases.</p> <p>Based on the above factors, our PRC legal advisers are of the view that the risk of the department in charge imposing punishment on our Group is remote and no provision has been made by our Company in this regard.</p>	<p>(i) Administrative officer of administrative department.</p> <p>(ii) As at the Latest Practicable Date, our subsidiaries in Shenzhen had completed the post-registration of the acceptance filing procedures for the prevention and control of occupational diseases and TK Plastics Products (Suzhou) expects to complete such procedures by January 2014.</p> <p>The Company will disclose the progress of this rectification in its interim and annual reports after Listing.</p>	<p>We will consult the PRC legal advisers to understand the relevant laws and regulations before the commencement of any construction or production activity for new construction project.</p> <p>In addition, our internal audit department shall review the compliance with the relevant laws and regulations for the prevention and control of occupational diseases and hazards.</p> <p>We have engaged our PRC legal advisers to provide training to us on the relevant laws and regulations.</p>

BUSINESS

Non-compliance	Reason(s) for non-compliance	Legal consequences and potential maximum penalties and other financial liabilities	(i) Identity and position of the person involved (ii) Rectification actions taken and status	Measures to prevent future breach and ensure ongoing compliance
4.	TK Plastics Products (Suzhou) has failed to file a written report regarding the construction completion and final acceptance of safety facilities to the production safety supervision and management department.	<p>The administrative department has been inadvertent and did not pay sufficient attention to the relevant laws and regulations.</p> <p>Pursuant to the Supervision and Administration of “Three Simultaneities” for the Safety Devices of Construction Projects (《建設項目安全設施「三同時」監督管理暫行辦法》), the department in charge is entitled to issue warning and to fine a minimum of RMB5,000 and up to a maximum of RMB20,000.</p> <p>Upon enquiry with the production safety supervision and management department of the National High-Tech Industrial Development Zone of Suzhou (蘇州國家高新技術產業開發區安全生產監督管理局), which our PRC legal advisers have confirmed to us are the competent local authority on the matter, TK Plastics Products (Suzhou) shall not be punished for its failure to file the relevant written reports.</p> <p>As confirmed by our Directors, up to the Latest Practicable Date, we had not been investigated or questioned by or received administration punishment from the department in charge due to the flaws of our production safety filing. We also had not been involved in any major production safety related accident.</p> <p>Based on the above factors, our PRC legal advisers are of the view that the risk of production safety supervision and management department imposing punishment on TK Plastics Products (Suzhou) is remote and no provision has been made by our Company in this regard.</p>	<p>(i) Administrative officer of the administrative department.</p> <p>(ii) Upon enquiry with the production safety supervision and management department of the National High-Tech Industrial Development Zone of Suzhou (蘇州國家高新技術產業開發區安全生產監督管理局) and according to the Interim Measures for the Supervision and Administration of “Three Simultaneities” for the Safety Devices of Construction Projects (《建設項目安全設施「三同時」監督管理暫行辦法》), the requirement for the relevant authority to provide filing service for the construction entity which has commenced construction without the aforesaid filing has not been specified and as such, TK Plastics Products (Suzhou) could not rectify the non-compliance by post-filing a written report.</p>	<p>We will from time to time check the fire prevention and machine safety condition of our PRC production facilities. We will also ensure all of our employees possess the essential safety protection equipment to prevent production safety related accident.</p> <p>In addition, our internal audit department shall review the compliance with the relevant laws and regulations upon the commencement of the relevant construction projects.</p> <p>We have engaged our PRC legal advisers to provide training to us on the relevant laws and regulations, including those on production safety for new construction project.</p>

BUSINESS

Old Group Companies

<u>Matters</u>	<u>Reasons of non-compliance</u>	<u>Legal consequences and potential maximum penalties and other financial liabilities</u>	<u>(i) Identity and position of the person involved</u> <u>(ii) Rectification actions taken/to be taken</u>
5.	TK Technology (Shenzhen) has not obtained the approval from the land bureau in charge in relation to the leasing of a property designated for high-technology project purpose.	<p>Our administrative department were not familiar with the relevant laws and regulations in respect of the rental of land for high-technology project purpose.</p> <p>According to the relevant laws and regulations of Shenzhen, the owner of a property that is purchased at a discount on the condition that it is use for high-technology project purposes and the owner is restricted from the leasing of such property unless prior approval is obtained and a land premium is paid. The relevant laws and regulations do not specify any penalty for leasing of high-technology project purpose without prior approval, amongst other confiscation of the land or the eviction of the tenant.</p> <p>As at the Latest Practicable Date, TK Technology (Shenzhen) had not been questioned or investigated by or received administration penalty from the land bureau in charge in relation to the unauthorised rental of land for high-technology project.</p> <p>Our Directors confirmed that as at 31 May 2013 (being the effective date of the transfer of the assets and business of TK Technology (Shenzhen) to our Group), TK Technology (Shenzhen) had not been ordered to pay any penalty. As a result of the Reorganisation, TK Technology (Shenzhen) is no longer part of our Group and our Group will no longer be liable in the event that TK Technology (Shenzhen) is ordered to pay the the penalty on or after 1 June 2013.</p>	<p>(i) Administrative officer of administrative department.</p> <p>(ii) TK Technology (Shenzhen) will convert its green-type property ownership certificate into red-type property certificate under which there is no restriction on the leasing of this high-tech project land. For details please refer to “Business—Properties—Plans to Resolve Risks Related to certain of our Leased Properties”.</p>

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Matters	Reasons of non-compliance	Legal consequences and potential maximum penalties and other financial liabilities	(i) Identity and position of the person involved (ii) Rectification actions taken/to be taken
<p>6. (i) TK Technology (Shenzhen) and TK Plastics (Shenzhen) did not fully pay social insurance for some of their employees.</p> <p>(ii) Shenzhen Dongbo did not pay the social insurance for its employees during December 2010 to February 2013.</p> <p>The total contribution of social insurance which was not paid during the Track Record Period up to and including the date of completion of the Reorganisation amounted to approximately RMB5,438,000 (equivalent to HK\$6,864,000).</p>	<p>(i) Some of the employees came from rural areas and such rural workers have their residence registered with the villages from which they came. The relevant local government authorities have different practices in respect of social security insurance contribution schemes for rural workers, who migrate from place to place. Thus it is difficult for rural workers to transfer their social security registrations to other localities and continue their social security contributions, in which circumstances such employees have not been willing to participate in the social security system; and</p> <p>(ii) The human resources department was not familiarised with the relevant laws and regulations.</p>	<p>Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) and the relevant laws and regulations, for any incidents of non-compliance taken place within the statute of limitation, the social insurance bureau is entitled to order TK Technology (Shenzhen), TK Plastics (Shenzhen) and Shenzhen Dongbo to pay the underpaid social insurance contributions within a prescribed time and to pay a penalty for the daily late payment at a rate of 0.05% as from the due date. If the relevant authorities order TK Technology (Shenzhen), TK Plastics (Shenzhen) Shenzhen Dongbo to pay, but TK Technology (Shenzhen), TK Plastics (Shenzhen) and/or Shenzhen Dongbo did not pay within the prescribed time limits required by the relevant authorities, a fine of one to three times of the outstanding amount will also be imposed.</p> <p>We have made full provisions in the amount of approximately RMB5,438,000 (equivalent to HK\$6,864,000) for the contribution of social insurance which has not been paid by TK Technology (Shenzhen), TK Plastics (Shenzhen) and Shenzhen Dongbo during the Track Record Period up to and including the date of completion of the Reorganisation.</p> <p>As a result of the Reorganisation, TK Technology (Shenzhen), TK Plastics (Shenzhen) and Shenzhen Dongbo are no longer part of our Group and our Group will not be liable for any such penalties incurred as from 1 June 2013.</p>	<p>(i) Human resources officer of human resources department.</p> <p>(ii) From 1 June 2013, most of the employees of TK Technology (Shenzhen) and TK Plastics (Shenzhen) had their employment be transferred to TK Mold (Shenzhen) and TK Precision Plastics, respectively. TK Technology (Shenzhen) and TK Plastics (Shenzhen) have fully paid social insurance for those who remained their employees since August 2013.</p> <p>Shenzhen Dongbo has fully paid social insurance for its employees since March 2013.</p>

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Matters	Reasons of non-compliance	Legal consequences and potential maximum penalties and other financial liabilities	(i) Identity and position of the person involved (ii) Rectification actions taken/to be taken
<p>7. TK Technology (Shenzhen) and TK Plastics (Shenzhen) had not fully paid housing provident fund for some of their employees.</p> <p>The total contribution of housing provident fund which was underpaid during the Track Record Period up to and including the date of completion of the Reorganisation amounted to approximately RMB3,022,000 (equivalent to HK\$3,814,000).</p>	<p>(i) Some of the employees came from rural areas and such rural workers have their residence registered with the villages from which they came. The relevant local government authorities have different practices in respect of social security insurance contribution schemes for rural workers, who migrate from place to place. Thus it is difficult for rural workers to transfer their social security registrations to other localities and continue their social security contributions, in which circumstances such employees have not been willing to register and contribute to the housing provident fund; and</p> <p>(ii) The human resources department was not familiarised with the relevant laws and regulations.</p>	<p>Pursuant to the Regulation on the Administration of Housing Provident Fund (《住房公積金管理條例》) and the relevant laws and regulations, for any incidents of non-compliance taken place within the statute of limitation, the department in charge is entitled to order TK Technology (Shenzhen) and TK Plastics (Shenzhen) to pay in a prescribed time. If they do not pay the underpaid housing provident fund in the prescribed time, the department in charge may apply to the court for mandatory enforcement.</p> <p>We have made full provisions in the amount of approximately RMB3,022,000 (equivalent to HK\$3,814,000) for the contribution of housing provident fund which was underpaid by TK Technology (Shenzhen) and TK Plastics (Shenzhen) for the Track Record Period up to and including the date of completion of the Reorganisation.</p> <p>As a result of the Reorganisation, TK Technology (Shenzhen) and TK Plastics (Shenzhen) are no longer part of our Group and our Group will not be liable for such penalties incurred as from 1 June 2013.</p>	<p>(i) Human resources officer of human resources department.</p> <p>(ii) From 1 June 2013, most of the employees of TK Technology (Shenzhen) and TK Plastics (Shenzhen) had their employment be transferred to TK Technology (Shenzhen) and TK Plastics (Shenzhen) respectively. TK Technology (Shenzhen) and TK Plastics (Shenzhen) have fully paid housing provident fund for those who remained their employees since August 2013.</p>

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Matters	Reasons of non-compliance	Legal consequences and potential maximum penalties and other financial liabilities	(i) Identity and position of the person involved (ii) Rectification actions taken/to be taken
8. The phase 1 property of TK Technology (Shenzhen) has not attended to the environment impact assessment approval procedures.	The construction project department has been inadvertent and did not pay sufficient attention to the relevant laws and regulations.	<p>Pursuant to the Regulations on the Administration of Environmental Protection for Construction Projects (《建設項目環境保護管理條例》), the environmental protection department is entitled to order reapplication procedure in a prescribed time. If TK Technology (Shenzhen) do not conduct the reapplicable procedure in the prescribed time and commence the construction, they may be fined for not more than RMB100,000.</p> <p>As a result of the Reorganisation, TK Technology (Shenzhen) is no longer part of our Group and our Group will not be liable for any such fine incurred as from 1 June 2013.</p>	<p>(i) Manager of construction project department.</p> <p>(ii) Our PRC legal advisers consulted the environmental protection department in charge which our PRC legal advisers have confirmed to us are the competent local authority on the matter, and confirmed that as the construction project has already gone through its construction completion and final acceptance procedures, the environment impact assessment could not be arranged.</p>

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Matters	Reasons of non-compliance	Legal consequences and potential maximum penalties and other financial liabilities	(i) Identity and position of the person involved (ii) Rectification actions taken/to be taken
9. TK Technology (Shenzhen) did not attend to the construction completion and final acceptance filing procedures within 15 days after the completion and final acceptance of its phase I property.	TK Technology (Shenzhen) relied on the construction sub-contractor to attend to the filing and the relevant sub-contractor failed to do so due to its internal change in personnel.	<p>As TK Technology (Shenzhen) breached the provisions in Construction Quality Management Regulations (《建設工程質量管理條例》) and Housing Construction and Basic Facility Construction for Municipal Administration Filing and Management Regulations (《房屋建築和市政基礎設施工程竣工驗收備案管理辦法》), a construction unit which fails to file the construction completion and final acceptance within 15 days after the construction is completed and finally accepted may be ordered to rectify the problem within the prescribed time. The construction unit may be fined for a minimum of RMB200,000 and up to a maximum of RMB500,000 by the department in charge.</p> <p>Since TK Technology (Shenzhen) was fined by the department in charge in the process of post-registration, our PRC legal advisers are of the view that further administrative punishment shall not be imposed on TK Technology (Shenzhen) by the department in charge due to the non-compliance matter according to the relevant provisions of administrative law.</p>	<p>TK Technology (Shenzhen) has post-registered the construction completion and acceptance filing procedures in August 2013 for its phase I property. In the process of post-registration, TK Technology (Shenzhen) was fined for RMB350,000 by the department in charge, TK Technology (Shenzhen) had paid the amount due before the deadline.</p>

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Matters	Reasons of non-compliance	Legal consequences and potential maximum penalties and other financial liabilities	(i) Identity and position of the person involved (ii) Rectification actions taken/to be taken
10. TK Technology (Shenzhen) and TK Plastics (Shenzhen) did not attend to the relevant procedures for the prevention and control of occupational disease for the construction projects which are likely to cause occupational diseases and hazards.	The administrative department had been inadvertent and not paid sufficient attention to the relevant laws and regulations.	<p>According to the Prevention and Treatment of Occupational Diseases (《中華人民共和國職業病防治法》) the production safety supervision and management department is entitled to issue warning and order correction in a prescribed time, if TK Technology (Shenzhen) and TK Plastics (Shenzhen) are unable to rectify within the prescribed time, they may be fined from RMB100,000 to RMB500,000. TK Technology (Shenzhen) and TK Plastics (Shenzhen) may also be ordered to stop their production which may cause occupational diseases and hazards, or terminate or stop our relevant construction project if the case is serious.</p> <p>In consultation with Shenzhen prevention and control of occupational diseases and hazards department, which our PRC legal advisers have confirmed to us are the competent local authority on the matter, if the enterprises apply for post-registration, there will be no punishment due to the delayed application.</p> <p>Up to the Latest Practicable Date, TK Technology (Shenzhen) and TK Plastics (Shenzhen) had not been investigated or questioned by or received administration punishment from the department in charge due to the flaws of our approval procedures regarding the prevention and control of occupational diseases.</p> <p>Based on the above factors, our PRC legal advisers are of the view that the risk of the department in charge imposing punishment on TK Technology (Shenzhen) and TK Plastics (Shenzhen) is remote.</p> <p>As a result of the Reorganisation, TK Technology (Shenzhen) and TK Plastics (Shenzhen) are no longer part of our Group.</p>	<p>(i) Administrative officer of administrative department.</p> <p>(ii) As at the Latest Practicable Date, TK Mold (Shenzhen) and TK Precision Plastics as the transferees had completed the post-registration of the acceptance filing procedures for the prevention and control of occupational diseases.</p>

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Our PRC legal adviser, Hills & Co., confirmed the material non-compliance matters and the relevant laws and regulations as set forth above.

In order to prevent future regulatory non-compliance and further strengthen our internal control system, we have adopted the following remedial actions:

- (i) we have designated Mr. Xing Fu Zhi as our internal audit manager whose duties include, among other things, overseeing and monitoring our operations and ensuring that our operations are in compliance with applicable laws, rules and regulations. Mr. Xing has served as the senior internal control consultant in an IBM joint venture in China as well as the finance manager and internal audit manager in Hitachi GST China. Please refer to the section headed “Directors and Senior Management” for further details on Mr. Xing’s qualifications. Mr. Xing reports to our Board directly to ensure that our operations are in compliance, to strengthen the existing internal control framework and to recommend remedial plans to our Board should there be any internal control deficiencies. To further assist Mr. Xing in monitoring our Group’s operations, he has access to external professionals retained or to be retained by us from time to time if applicable, including the compliance adviser, external legal counsel, auditors and other advisers as necessary;
- (ii) we have engaged our PRC legal advisers on PRC laws to provide on-going legal advice and training to the Directors and members of the senior management in respect of PRC laws and regulations applicable to our Group;
- (iii) we have engaged an independent internal control consultant to perform a detailed evaluation of the adequacy and effectiveness of our internal control system, and to recommend action plans for improvements in areas under their review;
- (iv) our Directors have attended trainings conducted by our Company’s Hong Kong legal advisers on the ongoing obligations, duties and responsibilities of directors of publicly listed companies under the Companies Ordinance, the SFO and the Listing Rules and the Directors are fully aware of their duties and responsibilities as directors of a listed company in Hong Kong;
- (v) our Group has established effective lines of communication and provided a process by which an employee can identify and report potential non-compliance exposures, and report promptly the detected problems and undertake corrective measures;
- (vi) we will appoint Somerley Capital Limited as our Company’s compliance adviser pursuant to Rule 3A.19 of the Listing Rules to ensure that, among other things, we are properly guided and advised as to compliance with the Listing Rules and all other applicable laws, rules, codes and guidelines; and

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- (vii) we have established an audit committee which comprises three independent non-executive Directors. The audit committee has also adopted its terms of reference which set out clearly its duties and obligations for ensuring compliance with the relevant regulatory requirements. In particular, the audit committee is empowered under its terms of reference to review any arrangement which may raise concerns about possible improprieties in financial reporting, internal control or other matters.

The above remedial actions are consistent with those recommended by Protiviti Shanghai Co. Limited (“**Protiviti**”), an independent internal control consultant engaged by us, in addressing some key findings of its review on our internal controls. Protiviti is a global risk and business consulting and internal audit firm. Protiviti has assisted various companies worldwide in reviewing and improving internal controls for more than eleven years. We have engaged Protiviti to review the effectiveness of internal controls associated with major business processes of our Group, identify deficiencies and improvement opportunities, furnish recommendations on remedial actions and review the implementation status of these remedial actions. Based on the findings, recommendations and testing results of the work performed by Protiviti, it is considered that such remedial actions are adequate and effective and fit for its current operational environment under Rule 3A.15(5) of the Listing Rules.

After considering the above remedial actions taken by our Group and our business nature and operation scale, our Directors are satisfied that our internal control system is adequate and effective for our current operation environment and consider that the non-compliance incidents do not have any material impact on the suitability of our Directors under Rule 3.08 and 3.09 of the Listing Rules and the suitability for listing of the Company under Rule 8.04 of the Listing Rules. As at the Latest Practicable Date, save that the audit committee is to be established shortly before the Listing, the above internal control measures had been implemented as planned.

By virtue of the deed of indemnity, our Ultimate Shareholders have agreed to keep our Company and member(s) of our Group indemnified from and against all claims, losses, liabilities, damages, claims and penalties, costs, charges, fees, expenses, fines suffered or incurred by any members of our Group resulting from any non-compliance matters incurred before the Listing.

NO SIGNIFICANT INTERRUPTION

There have been no interruption in our business that may have or have had a significant effect in our financial position in the twelve months preceding the date of this prospectus.