You should read this section in conjunction with our audited consolidated financial information, including the Notes thereto, which are set out in the Accountant's Report in Appendix I to this prospectus. You should read the whole of the Accountant's Report included as Appendix I to this prospectus and not rely merely on the information in this section. The consolidated financial information have been prepared in accordance with HKFRS.

The following discussion and analysis contain certain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, our historical results do not necessarily indicate future results. Whether actual outcome and developments will meet our expectations and predictions depend on a number of risks and uncertainties over which we do not have control. You should review the section headed "Risk Factors" in this prospectus for a discussion of important factors that could cause our actual results to differ materially from the results described in or implied by the forward-looking statements.

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, we ranked second in the PRC in terms of revenue from fabricating plastic injection molds in 2012.

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. For the same periods, we recorded 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.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our business, results of operations and financial condition have been significantly affected by a number of factors, including those set out below.

Market demand for the products of our downstream industries

As a supplier to manufacturers of end-products in a wide range of industries, demand for our molds and plastic components directly relates to demand for industries such as commercial telecommunication equipment, automotive, household electrical appliances, video game devices, digital devices, mobile phone, pachinko and medical devices. Demand for the products of such industries is, in turn, determined by the purchasing power of consumers worldwide and forecast by manufacturers and retailers of such products of projected consumer demand in upcoming periods.

Changes in our product mix and customer base

Our products have varying specifications, which affect our gross profit margin since different product specifications have different levels of demand with corresponding selling prices and gross profit margin. From time to time, we vary our product mix in order to meet market demand and customers' requirements, which could have an impact on our overall gross profit margin. We intend to continue to manage and optimise our product mix in response to market conditions in order to maintain and increase our revenue and gross profit margin.

Although we attempt to mitigate our industry and customer concentration risks through maintaining and developing a diverse customer base, our results of operations may be affected by shifts in our customer base in upcoming periods. Such shifts in our customer base may be caused by fluctuations in demand for the end products of our customers in the market and their respective production cycles. During the Track Record Period, some of our key customers had significantly fluctuating demand for our products from period to period. For example, Promens, an automotive parts and components supplier, which was our second largest customer for 2011 and fourth largest customer for 2010, was not one of our top ten customers for 2012. Another example is that a contract manufacturer of a prominent Japanese video game devices designer, which was our largest customer for 2011 and 2012, respectively, was not one of our top ten customers for the six months ended 30 June 2013.

Please also refer to the section headed "Customers, Sales and Marketing—Customer Base" in this prospectus for an analysis of the changes in our customer base during the Track Record Period.

In addition, some of our top customers during the Track Record Period are relatively new customers. Particularly, our recent growth is partly attributable to a number of new key customers brought in by our third-party contract sales representatives. The ability of our third-party contract sales representatives to retain and to continue to bring in new customers may have a material effect on our business and results of operations.

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 the first half of the year in each of the years during the Track Record Period.

Competition in the PRC plastics industry

The mold fabrication and plastic injection molding industry in which we operate is highly fragmented. Players in the industry are located in various regions around the world. As such, we compete with industry players both domestically and globally. Our main competitors in the mold fabrication segment are companies located in the PRC that provide one-stop total plastics solutions and that engage in plastic injection mold fabrication. Our main competitors in the plastic injection molding segment are companies located in the PRC that provide one-stop total plastics solutions and that engage in the manufacturing of plastic components utilising the plastic injection molding process. Please refer to the section headed "Industry Overview—Competitive Landscape in the PRC" for further details.

Taxation

Our results of operations are affected by changes in tax rates, particularly the applicable tax rates in the PRC, where we carry out substantially all of our operations. While the enterprise income tax generally applicable in the PRC has been 25% since 1 January 2008, we enjoyed certain preferential enterprise income tax rate during the Track Record Period as a result of a government policy to encourage "New and High Technology Enterprises", which allowed one of our subsidiaries to enjoy an enterprise income tax rate of 15% when it qualified in 2011. The effective tax rate 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. On the assumption that such subsidiary was not entitled to enjoy the preferential tax rate of 15.0%, we would have been required to pay an additional of nil, approximately RMB3.4 million (equivalent to approximately HK$4.3 million) and approximately RMB4.0 million (equivalent to approximately HK$5.1 million), for 2010, 2011 and 2012, respectively.

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. Furthermore, we cannot assure you that we will be able to obtain the "New and High Technology Enterprise" qualifications for any of our subsidiaries in the future.

BASIS OF PRESENTATION

Our Ultimate Shareholders managed and collectively controlled our Group immediately before the Reorganisation and after the Reorganisation. Pursuant to the Reorganisation, our Group is transferred to and held by us. We had not been involved in any other business prior to the Reorganisation and did not meet the definition of a business. The Reorganisation is merely a reorganisation of our Group with no change in management of such business and the ultimate owners of our Group remain the same. The consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of cash flows and consolidated statements of changes in equity of our Group for 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013 have been prepared using the financial information of the companies engaged in our Group which are under the same ownership of the Ultimate Shareholders and now comprising us as if the current group structure had been in existence throughout 2010, 2011 and 2012 and the six months ended 30 June 2013 or since the respective dates of establishments of the combining companies or acquisition, whichever is a shorter period. The consolidated balance sheets of the Group as at 31 December 2010, 2011 and 2012 and 30 June 2013 have been prepared to present the assets and liabilities of the companies engaged in our Group and the companies now comprising us at these dates, as if the current group structure had been in existence as at these dates.

SIGNIFICANT ACCOUNTING POLICIES

We have prepared our financial statements in accordance with HKFRS, which require us to make critical accounting estimates. Our management is also required to exercise judgment in the process of applying our accounting policies. The assumptions and estimates are based on our historical experience and various other factors that our management believes to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. Therefore, when reviewing our consolidated financial information, you should consider our selection of critical accounting policies, the judgments and other uncertainties affecting the application of such policies, and the sensitivity of reported results to changes in the conditions and assumptions. For a summary of all of our significant accounting policies and critical accounting estimates and judgments, please refer to Notes 2 and 4 of the Accountant's Report in Appendix I to this prospectus.

Revenue recognition

We recognise revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to us, and when specific criteria have been met for each of our activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to sale have been resolved. We base our estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenue is recognised as follows:

Sales of goods in the PRC and overseas

We recognise sales of goods when our entity has delivered products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

Interest income

We recognise interest income on a time-proportion basis using the effective interest method.

Mold modification income

We recognise revenue from mold modification services in the accounting period in which the services are rendered.

Useful lives of property, plant and equipment

Our management determines the estimated useful lives of its property, plant and equipment and consequently the related depreciation charges. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Our management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Impairment of receivables

We make allowance for impairment of receivables based on an assessment of the recoverability of trade and other receivables with reference to the extent and duration that the amount will be recovered. Allowances are applied where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgments and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of trade and other receivables and the impairment charge in the period in which such estimate has been changed.

Allowance for inventories

In determining the amount of allowance required for obsolete and slow-moving inventories, we evaluate ageing analysis of inventories and compare the carrying value of inventories to their respective net realisable value. A considerable amount of judgment is required in determining such allowances. If conditions which have an impact on the net realisable value of inventories deteriorate, additional allowances may be required.

Income taxes and deferred taxation

Significant judgment is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profits will be available against which the temporary differences or tax losses can be recognised. The outcome of their actual recognition may be different.

DESCRIPTION OF SELECTED COMPONENTS OF CONSOLIDATED INCOME STATEMENTS

Revenue

The following table sets out a breakdown of our revenue by business segment and as a percentage of revenue for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2010		2011		2012		2012		2013	
							(unaudited)			
	HK$'000	*% of revenue*	*HK$'000*	*% of revenue*	*HK$'000*	*% of revenue*	*HK$'000*	*% of revenue*	*HK$'000*	*% of revenue*
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
Revenue	**536,104**	**100.0**	**781,750**	**100.0**	**1,095,985**	**100.0**	**468,473**	**100.0**	**470,625**	**100.0**

We generate substantially all of our revenue from selling molds that our mold fabrication division fabricates and plastic components that our plastic components manufacturing division manufactures for our customers in a wide range of industries. Our revenue increased substantially from 2010 to 2012 principally due to (i) an increase in mold fabrication revenue in 2011; and (ii) an increase in plastic components manufacturing in 2011 and 2012.

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 other industries significant to us, such as video game devices, digital devices, mobile phone and pachinko industries. For example, our largest customer for 2011 and 2012, respectively, which is a contract manufacturer of a prominent Japanese video game device 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.

Set out below is an estimated breakdown of our revenue by downstream industries, to which we believe our respective customers belong to, for the periods indicated:

	For the year ended 31 December						For the six months ended	
Industry	**2010**		**2011**		**2012**		**30 June 2013**	
	HK$ million	*%*	*HK$ million*	*%*	*HK$ million*	*%*	*HK$ million*	*%*
Household electrical appliances	141.2	26.3	161.8	20.7	217.6	19.9	91.7	19.5
Commercial telecommunication equipment	93.1	17.4	103.2	13.2	140.3	12.8	79.1	16.8
Automotive	66.5	12.4	150.9	19.3	115.1	10.5	90.1	19.1
Mobile phone	21.1	3.9	11.7	1.5	102.1	9.3	55.7	11.8
Pachinko	–	0.0	6.1	0.8	109.9	10.0	33.1	7.0
Video games	13.0	2.4	118.3	15.1	152.9	14.0	6.8	1.5
Digital devices	123.6	23.1	131.7	16.8	167.0	15.2	79.8	17.0
Medical devices	31.2	5.8	41.9	5.4	31.8	2.9	11.2	2.4
Others	46.6	8.7	56.2	7.2	59.3	5.4	23.0	4.9
	536.1	100.0	781.8	100.0	1,096.0	100.0	470.6	100.0

Note: For the purpose of this prospectus, mobile phone, video games and digital devices are regarded as "consumer electronics".

Please refer to the section headed "Industry Overview" in this prospectus for the details of drivers and prospects of each of the key downstream industries set out above.

In accordance with our experience during the Track Record Period, our new customers did not in all cases significantly contributed to our revenue in the first year when they became our customers as we believe that certain new customers would like to test our technical abilities with small purchase orders initially. Certain of such new customers significantly increased their purchase orders with us in subsequent years after business relationships had been established with us, mainly due to what we believe to be satisfaction with our products and services. For example, our second largest customer for 2012 and the six months ended 30 June 2013, a manufacturer of pachinko machines, did not contribute significantly to our revenue in 2011, when they first engaged us. However, sales to newly acquired customers in recent years as a whole did, over time, contribute significantly to the growth of our revenue during the Track Record Period.

Please also refer to the section headed "Customers, Sales and Marketing—Customer Base" in this prospectus for an analysis of the changes in our customer base during the Track Record Period.

Set out below is a breakdown of our revenue by delivery location of our products for the periods indicated:

	Year ended 31 December			**Six months ended 30 June**	
	2010	**2011**	**2012**	**2012**	**2013**
				(unaudited)	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
PRC	152,001	274,033	423,591	150,374	210,407
South East Asia (including Hong Kong)	176,889	171,836	269,276	116,354	106,769
Europe	104,159	200,385	154,731	59,185	89,874
USA	85,906	102,904	108,933	39,144	33,094
Japan	433	6,065	109,916	90,623	15,192
Others	16,716	26,527	29,538	12,793	15,289
	536,104	781,750	1,095,985	468,473	470,625

The revenue information above is based on delivery locations of the customers and the products produced by our customers are used globally. As such, 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 our customers located in Europe for the production of automobiles, but the automobiles so produced may be sold in countries outside of Europe.

The increase in products delivered in the PRC during the Track Record Period was consistent with the increase in our overall sales. The increase in products delivered to Europe from 2010 to 2011 was mainly contributed by the sales of mold to a customer located in Europe and engaged in the automotive industry, and the decrease in products delivered to Europe from 2011 to 2012 was mainly caused by the decrease in sales to this customer in 2012. The increase in products delivered to Europe from the six months ended 30 June 2012 to the six months ended 30 June 2013 was mainly caused by the increase in products delivered of our mold products to customers in the automotive industry during the six months ended 30 June 2013. The significant increase in products delivered to Japan from 2011 to 2012 was contributed by the products delivered to a customer engaged in pachinko industry and located in Japan. Such customer was brought in by one of our third-party sales representatives and became our second largest customer in 2012.

To the best knowledge of our Directors, our products are not subject to anti-dumping duties imposed by the United States, European Union countries and other countries.

Mold Fabrication

Our mold fabrication revenue for 2010, 2011 and 2012 and the six months ended 30 June 2013 was HK$261.3 million, HK$378.3 million, HK$356.2 million and HK$174.9 million representing 48.7%, 48.4%, 32.5% and 37.2%, respectively, of our revenue. Our mold fabrication division generates revenue primarily from selling performance molds and standard molds. The increase in mold fabrication revenue in 2011 from 2010 was primarily due to an increase in sales to existing customers in the automotive industry. Revenue for mold fabrication decreased from HK$378.3 million for 2011 to HK$356.2 million for 2012 primarily due to decreased sales to customers in the automotive industry, partially offset by increased sales to customers in the household electrical appliances industry. Our mold fabrication revenue increased to HK$174.9 million for the six months ended 30 June 2013 from HK$149.3 million for the six months ended 30 June 2012, primarily due to increased sales to customers in the automotive industry.

Plastic Components Manufacturing

Our plastic components manufacturing revenue for 2010, 2011 and 2012 and the six months ended 30 June 2013 was HK$274.8 million, HK$403.5 million, HK$739.7 million and HK$295.7 million, representing 51.3%, 51.6%, 67.5% and 62.8%, respectively, of our revenue. Our plastic components manufacturing division generates revenue by selling plastics components that it manufactures. The increase in our revenue from plastic components manufacturing in 2011 from 2010 was primarily attributable to significant sales to a key customer in the video game devices industry newly engaged in recent years brought in by a third-party sales representative, and an increase in sales to existing customers in the commercial telecommunication equipment industry. The increase in our revenue from plastic components in 2012 from 2011 was primarily due to (i) a significant increase in sales to our customers in the video game devices and pachinko industries; and (ii) an increase in sales to our customer in the commercial telecommunication equipment industry. Our plastic components manufacturing revenue decreased to HK$295.7 million for the six months ended 30 June 2013 from HK$319.2 million for the six months ended 30 June 2012, partially due to fluctuations in the production cycle of our key customer in the pachinko industry, for which we delivered more purchase orders in the first half of 2012 than in the first half of 2013.

Cost of sales

The following table sets out a breakdown of our cost of sales for the periods presented:

	Year ended 31 December						Six months ended 30 June			
	2010		2011		2012		2012		2013	
							(unaudited)			
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Direct materials(1)	284,372	68.0	303,981	63.4	510,697	66.0	288,862	73.5	252,806	68.0
Direct labour(2)	93,675	22.4	115,952	24.2	194,493	25.1	74,401	18.9	82,574	22.2
Manufacturing overhead(3)	40,453	9.6	59,756	12.4	68,724	8.9	29,985	7.6	36,244	9.8
Cost of production	**418,500**	**100.0**	**479,689**	**100.0**	**773,914**	**100.0**	**393,248**	**100.0**	**371,624**	**100.0**
Change in inventories of finished goods and work in progress	(41,731)		22,113		(49,627)		(49,860)		(38,348)	
Cost of sales	**376,769**		**501,802**		**724,287**		**343,388**		**333,276**	

(1) Includes raw materials and consumables used, subcontracting fees and allowance for inventory provision.

(2) Includes employee benefit expenses.

(3) Includes, amongst others, depreciation, amortisation and impairment charges, water, electricity and steam, transportation expenses, tax expenses, maintenance, operating lease payments and other expenses.

Our cost of sales primarily consists of direct materials, direct labour, manufacturing overhead and change in inventories of finished goods and work in progress. For 2010, 2011 and 2012 and the six months ended 30 June 2013, our cost of sales was HK$376.8 million, HK$501.8 million, HK$724.3 million and HK$333.3 million, respectively.

The major component of our direct materials during the Track Record Period was the cost of raw materials and consumables used. The following sets out a breakdown of our raw materials and consumable used for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2010		2011		2012		2012		2013	
							(unaudited)			
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Packaging	17,272	7.0	22,792	8.9	34,930	8.1	14,478	5.4	15,766	7.3
Electronics	7,179	2.9	10,294	4.0	20,994	4.9	10,767	4.0	12,230	5.6
Plastic Resins	47,962	19.6	47,374	18.5	88,367	20.5	62,811	23.5	44,447	20.5
Metallic Parts	4,354	1.8	5,143	2.0	12,477	2.9	5,578	2.1	6,343	2.9
Spray Paint	4,228	1.7	8,054	3.1	11,371	2.6	2,338	0.9	4,269	2.0
Steel (including steel and mold base)	58,957	24.0	52,367	20.5	65,958	15.3	32,635	12.2	33,610	15.5
Mold Components	37,671	15.4	43,970	17.2	57,427	13.3	28,133	10.5	29,246	13.5
Copper	8,345	3.4	7,708	3.0	11,820	2.7	5,787	2.2	5,121	2.4
Plastic Parts	10,049	4.1	8,520	3.3	53,425	12.4	50,310	18.8	10,930	5.0
Others[1]	49,270	20.1	49,573	19.4	74,919	17.4	54,081	20.3	54,538	25.2
Total[2]	245,288	100.0	255,794	100.0	431,689	100.0	266,918	100.0	216,500	100.0

1. Others include certain product specific components and other miscellaneous supplies.

2. Substantially all of our raw materials and consumable used were direct materials, and a minimal amount was selling expenses and administrative expenses.

The decrease of cost of steel (including steel and mold base) to total raw materials and consumable used is consistent with the decrease in the contribution of the revenue from our mold fabrication to total revenue during the Track Record Period. The increase in the cost of plastic parts to total raw materials and consumable used in 2012 was mainly caused by the increase in our sales to a manufacturer of pachinko machines; which was our second largest customer in 2012.

Another major component of our cost of sales during the Track Record Period was direct labour costs, which consist of employee benefit expenses for our production staff. The increase in direct labour cost was mainly due to increase in wages and salaries of the staff attributable primarily to the general rising labour cost and increased headcount due to the expansion of our operations.

Another component of our cost of sales during the Track Record Period was manufacturing overhead, which includes, among others, depreciation, amortisation and other impairment charges, water, electricity and steam, transportation expenses and certain tax expenses.

The percentage mix of direct materials, direct labour and manufacturing overhead to total cost of production were relatively stable during 2010, 2011 and 2012, while direct labour increased as a percentage of total cost of production. This was consistent with the general increase in the wages and salary of our production staff during the Track Record Period. The increase in the manufacturing overhead over the total production costs during the six months ended 30 June 2013 was primarily due to an increase in our production equipment and thus increased depreciation charges during the period as compared to the six months ended 30 June 2012.

Gross profit

The following table sets out a breakdown of our gross profit and gross profit margin for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
				(unaudited)	
Gross profit (HK$'000)	159,335	279,948	371,698	125,085	137,349
Gross profit margin	29.7%	35.8%	33.9%	26.7%	29.2%

For 2010, 2011 and 2012 and the six months ended 30 June 2013, our gross profit was HK$159.3 million, HK$279.9 million, HK$371.7 million and HK$137.3 million, respectively, representing a gross profit margin of 29.7%, 35.8%, 33.9% and 29.2%, respectively. The fluctuations of our gross profit margin during the Track Record Period were mainly due to changes in demand from our customers in various downstream industries, which affected our product mix and thus our gross profit margin. We believe that it is in line with the norm in our industry to have varying gross profit margin from project to project, depending on the nature of the project and industry of the customer, resulting in fluctuations in our gross profit margin from period to period. Our gross profit margin increased to 35.8% for 2011 from 29.7% for 2010 primarily due to an increase in sales to our largest customer for 2011, a contract manufacturer of a prominent Japanese video game devices designer, for which we were engaged in a project for manufacturing plastic components utilising the IML process at a particularly high gross profit margin due to the technical complexity of the particular project. Our gross profit margin decreased to 33.9% for 2012, primarily due to (i) an increase in sales to a key customer in the pachinko industry, for which we were engaged in a project at a relatively low gross profit margin; and (ii) decreased sales in 2012 of the high margin plastic components we sold to the contract manufacturer of a prominent Japanese video game devices designer as discussed above, as the product life cycle of the relevant product was approaching its end. Our gross profit margin increased for the six months ended 30 June 2013 as compared to the six months ended 30 June 2012 primarily due to a shift of our product mix to products with higher gross profit margin for the six months ended 30 June 2013. However, our gross profit margin decreased from 33.9% for 2012 to 29.2% for the six months ended 30 June 2013, primarily due to acquisition of plant and machinery in the second half of 2012 in anticipation of additional sales orders. Furthermore, during the Track Record Period, we generally recorded lower gross profit margin in the first half of the year as we generally recognised less revenue in the first half of the year due to seasonality, but are nevertheless subject to a similar level of fixed production overhead. Our Directors consider that the increase in production costs, in particular, the increase in the labour cost in the PRC and the fluctuations in the raw material costs have had a relatively minor impact on our gross profit margin on the basis that 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.

Mold fabrication segment

The following table sets out the segment gross profit margin for mold fabrication for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
				(unaudited)	
Segment gross profit margin(Note)	30.6%	33.2%	47.5%	37.0%	40.8%

Note: Calculated by dividing segment results by external revenue for the segment.

Our segment gross profit margin for mold fabrication increased to 33.2% for 2011 from 30.6% for 2010, primarily due to increased sales to several customers in the automotive industry at a relatively high gross profit margin. Our segment gross profit margin for mold fabrication increased to 47.5% for 2012 from 33.2% for 2011 primarily due to increased sales to certain customers in the household electrical appliances industry at a relatively high gross profit margin. Our segment gross profit margin for mold fabrication increased to 40.8% for the six months 30 June 2013 from 37.0% for the six months ended 30 June 2012 primarily due to increased sales to customers in the automotive and household electrical appliances industries, respectively, at a relatively high gross profit margin.

Plastic components manufacturing

The following table sets out the segment gross profit margin for plastic components manufacturing for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
				(unaudited)	
Segment gross profit margin(Note)	28.9%	38.2%	27.4%	21.9%	22.3%

Note: Calculated by dividing segment results by external revenue for the segment.

Our segment gross profit margin for plastic components manufacturing increased to 38.2% for 2011 from 28.9% for 2010 primarily due to sales to our largest customer for 2011, a contract manufacturer of a prominent Japanese video game devices designer, for which we were engaged in a project for manufacturing plastic components utilising the IML process at a particularly high gross profit margin due to the technical complexity of the particular project. Our segment gross profit margin for plastic components manufacturing decreased to 27.4% for 2012 primarily due to (i) an increase in sales to a key customer in the pachinko industry, for which we were engaged in a project at a relatively low gross profit margin, and (ii) decreased sales in 2012 of the high gross profit margin plastic components we sold to the contract manufacturer of a prominent Japanese video game devices designer in 2011 as discussed above, as the product life cycle of the downstream product was approaching its end. Our segment gross profit margin for plastic components manufacturing for the six months ended 30 June 2012 and for the six months ended 30 June 2013 was 21.9% and 22.3%, respectively, which was relatively stable.

Other income

The following table sets out a breakdown of our other income for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
				(unaudited)	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Sales of scrap and surplus materials	2,461	3,665	7,078	2,273	5,177
Interest income	289	2,096	2,189	1,189	415
Transportation income	37	121	1,523	–	–
Gain on derivative financial instruments	–	37	2,191	524	2,138
Others	1,774	2,527	4,557	3,339	4,726
Total	**4,561**	**8,446**	**17,538**	**7,325**	**12,456**

For 2010, 2011 and 2012 and the six months ended 30 June 2013, our other income was HK$4.6 million, HK$8.4 million, HK$17.5 million and HK$12.5 million, respectively. Other income primarily consists of net proceed from sales of scrap and surplus materials and others. Proceeds from sales of scrap and surplus materials represent a small stream of income generated from selling scrap and surplus materials that is merely incidental to our production. Transportation income represents charges to our customers for the transportation expenses. Gain on derivative financial instruments represents realised gain from certain foreign exchange contracts. As at result of the Reorganisation, as at 30 June 2013 and the Latest Practicable Date, our Group no longer held any derivatives contracts as the contracts were attached to our Old Group Companies. Please refer to the section headed "—Qualification and Quantitative Disclosure about Financial Risk—Foreign Exchange Risk—Derivative Financial Instruments" for further details. Interest income primary consists of interest from our bank deposits and certain available-for-sale financial assets. Others mainly comprise income from temporary renting of plant and equipment to third parties and customers and one-off government subsidies.

Other gains/(losses) – net

The following table sets out a breakdown of our other gains/(losses) – net for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
				(unaudited)	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Net foreign exchange gain	1,487	2,728	3,941	2,007	1,128
Fair value changes on derivative financial instruments	–	(1,874)	3,416	811	(1,472)
Loss on disposal of property, plant and equipment	(564)	(48)	(911)	(80)	–
Total	**923**	**806**	**6,446**	**2,738**	**(344)**

Net foreign exchange gain represents foreign exchange gain or loss on ordinary business transactions.

Fair value changes on derivative financial instruments represent the unrealised gain/loss on the change of fair value of certain derivative financial instruments entered into by our Old Group Companies. As a result of the Reorganisation, as at 30 June 2013 and the Latest Practicable Date, our Group no longer held any derivatives contracts as the contracts were attached to our Old Group Companies. Please refer to the section headed "—Qualification and Quantitative Disclosure about Financial Risk—Foreign Exchange Risk—Derivative Financial Instruments" for further details.

Selling expenses

The following table sets out a breakdown of our selling expenses for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2010		2011		2012		2012		2013	
							(unaudited)			
	HK$'000	%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%
Employee benefit expenses	9,305	35.9	15,410	33.5	20,143	36.3	8,933	37.3	10,449	47.0
Commission fee	1,330	5.1	14,929	32.5	19,916	35.9	6,847	28.6	2,796	12.6
Transportation and travel expenses	11,706	45.2	13,255	28.9	13,424	24.2	6,958	29.0	7,629	34.3
Others[(1)]	3,570	13.8	2,353	5.1	2,022	3.6	1,229	5.1	1,349	6.1
Selling expenses	**25,911**	**100.0**	**45,947**	**100.0**	**55,505**	**100.0**	**23,967**	**100.0**	**22,223**	**100.0**

(1) Mainly includes raw materials and consumables used, depreciation, amortisation and impairment charges, water, electricity and steam, and repair and maintenance.

Our selling expenses primarily consist of employee benefit expenses, commission fee and transportation and travel expenses. Our employee benefit expenses mainly included the salary, wages and commission of our sales and marketing staff. The increase in such amount over the Track Record Period was consistent with the increase in our sales during the Track Record Period. Commission fee represents commissions we paid to third-party contract sales representatives for the business that they have originated during the relevant periods, respectively. Depending on the arrangement with the specific sale representative as specified in our respective agreements with them, commission is calculated based on a defined percentage of sales, gross profit or net income. Please also refer to the section headed "Business—Sales and Marketing-Third-Party Contract Sales Representatives". The significant increase in our selling expenses from 2010 to 2011 was primarily due to an increase in commission expenses paid to the third-party contract sales representatives as a result of the increase in revenue attributable to customers brought in by our third-party contract sales representatives. For 2010, 2011 and 2012 and the six months ended 30 June 2013, our selling expenses represented 4.8%, 5.9%, 5.1% and 4.7%, respectively, of our revenue.

Administrative expenses

The following table sets out a breakdown of our administrative expenses for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2010		2011		2012		2012		2013	
							(unaudited)			
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Employee benefit expenses	40,337	53.8	61,246	54.0	71,055	49.8	28,382	48.0	33,356	47.3
Depreciation, amortisation and impairment charges	8,264	11.0	13,932	12.3	14,576	10.2	6,559	11.10	8,688	12.3
Water, electricity and steam	2,633	3.5	3,600	3.2	5,893	4.1	1,711	2.9	2,412	3.4
Repair, maintenance and gardening expenses	2,471	3.3	3,520	3.1	7,988	5.6	1,861	3.10	1,926	2.7
Allowance for impairment of inventory	(1,712)	(2.3)	2,236	2.0	3,222	2.3	1,856	3.1	454	0.6
Allowance for receivables	2,425	3.2	2,887	2.5	829	0.6	3,420	5.8	(541)	(0.8)
Operating lease payments	16	0.0	194	0.2	2,392	1.7	59	0.1	758	1.1
Listing expenses	–	–	–	–	3,141	2.2	–	–	9,900	14.1
Others(1)	20,538	27.4	25,868	22.8	33,641	23.6	15,311	25.9	13,494	19.2
Administrative expenses	**74,972**	**100.0**	**113,483**	**100.0**	**142,737**	**100.0**	**59,159**	**100.0**	**70,447**	**100.0**

(1) Include transportation expenses, tax expenses, travel expenses, auditors' remuneration, advisory and legal service expenses, director's remuneration and other expenses.

Our administrative expenses primarily consist of employee benefit expenses of our management and administration staff and depreciation, amortisation and impairment charges. Our administrative expenses increased primarily due to increased headcount as well as salary of our management and administrative staff, which was also consistent with the expansion of our business operations during the Track Record Period. For 2010, 2011 and 2012 and the six months ended 30 June 2013, our administrative expenses represented 14.0%, 14.5%, 13.0% and 15.0%, respectively, of our revenue.

Finance costs

Our finance costs primarily consist of interest on bank borrowings. For 2010, 2011 and 2012 and the six months ended 30 June 2013, our finance costs were HK$2.7 million, HK$9.5 million, HK$11.2 million and HK$2.8 million, respectively.

Income tax expense

We are subject to Hong Kong profits tax and PRC enterprise income tax as our operating subsidiaries are located in Hong Kong and the PRC, respectively. The effective tax rate of our Group for 2010, 2011 and 2012 and the six months ended 30 June 2013 was approximately 26.5%, 29.8%, 27.4% and 28.1%, respectively.

Because one of our subsidiaries qualified as a "New and High Technology Enterprise" in the PRC in 2011, such subsidiary was subject to a preferential income tax rate of 15.0% instead of the statutory rate of 25.0%, which resulted in the lower effective tax rates for our Group for 2011 and 2012, respectively. However, as a result of the Reorganisation, the entity enjoying such preferential income tax rate will no longer be a part of our Group. While we plan to apply 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' audited accounts. Hence, we will not be able to submit any such applications for our subsidiaries in 2013, and we are expecting a higher effective tax rate for the year 2013. We also cannot assure you that we will be able to obtain the "New and High Technology Enterprise" qualifications for any of our subsidiaries going forward.

As at 30 June 2013, we had paid all relevant taxes due and did not have any disputes or unresolved issues with the relevant tax authorities.

REVIEW OF HISTORICAL OPERATING RESULTS

Six months ended 30 June 2013 compared to six months ended 30 June 2012

Revenue

Revenue for the six months ended 30 June 2013 was HK$470.6 million, an increase of HK$2.2 million, or 0.5%, from revenue of HK$468.5 million for the six months ended 30 June 2012. The increase was primarily due to a slight increase in the mold fabrication segment revenue partially offset by a slight decrease in the plastic components manufacturing segment revenue. Revenue attributed to two of our top three customers in 2012 declined for the first half of 2013 as compared to the first half of 2012. Particularly, revenue attributable to our key customer in the pachinko industry decreased by 63.4% primarily due to fluctuations in this customer's production cycle. The decline in sales to the other key customer, a contract manufacturer in the commercial telecommunication equipment industry, was partially offset by increased sales to another contract manufacturer for the same brand owner. Overall, such decreases in sales were offset by sales to our other customers in our various downstream industries.

The mold fabrication segment revenue for the six months ended 30 June 2013 was HK$174.9 million, an increase of HK$25.6 million, or 17.2%, from segment revenue of HK$149.3 million for the six months ended 30 June 2012. Such increase was primarily due to increases in sales to customers in the automotive and household electrical appliances industries.

The plastic components manufacturing segment revenue for the six months ended 30 June 2013 was HK$295.7 million, a decrease of HK$23.5 million, or 7.4%, from segment revenue of HK$319.2 million for the six months ended 30 June 2012. Such decrease was partially due to fluctuations in the production cycle of our key customer in the pachinko industry, for which we delivered more purchase orders in the first half of 2012 than in the first half of 2013.

Cost of sales

Cost of sales decreased by HK$10.1 million, or 2.9%, from HK$343.4 million for the six months ended 30 June 2012 to HK$333.3 million in the six months ended 30 June 2013. The decrease in cost of sales despite an increase in revenue was primarily due to a shift of our product mix to products with higher gross profit margin. Direct labour costs as a percentage of total cost of production increased from 18.9% for the six months ended 30 June 2012 to 22.2% for the six months ended 30 June 2013. Such increase was primarily due to the overall increase in the labour cost in the PRC. Cost of sales as a percentage of our revenue decreased from 73.3% for the six months ended 30 June 2012 to 70.8% for the six months ended 30 June 2013.

Gross profit

Gross profit for the six months ended 30 June 2013 was HK$137.3 million, an increase of HK$12.2 million, or 9.8%, from gross profit of HK$125.1 million for the six months ended 30 June 2012. The gross profit margin increased from 26.7% for the six months ended 30 June 2012 to 29.2% for the six months ended 30 June 2013, in line with the shift of our product mix towards higher margin products. Particularly, in the six months ended 30 June 2012 as compared to the six months ended 30 June 2013, we recorded higher sales amount to our key customer in the pachinko industry, for which we have engaged in projects at a relatively low gross profit margin.

Other income

Our other income for the six months ended 30 June 2013 was HK$12.5 million, an increase of HK$5.2 million, or 70.0%, from other income of HK$7.3 million for the six months ended 30 June 2012. The increase was mainly due to an increase in the sale of scrap and surplus materials which was consistent with our business expansion of our mold fabrication division and an increase in gain on derivative financial instruments, partially offset by a decrease in interest income, as a result of the decrease in our investment in available-for-sale financial assets.

Other gains/(losses) – net

Our other gains/(losses) – net for the six months ended 30 June 2013 was a loss of HK$0.3 million, compared to a gain of HK$2.7 million for the six months ended 30 June 2012. The changes were primarily due to the decrease of net foreign exchange gain from HK$2.0 million for the six months ended 30 June 2012 to HK$1.1 million for the six months ended 30 June 2013, and the shift from fair value gain of HK$0.8 million for the six months ended 30 June 2012 to fair value loss of HK$1.5 million for the six months ended 30 June 2013.

Selling expenses

Selling expenses for the six months ended 30 June 2013 were HK$22.2 million, a decrease of HK$1.8 million, or 7.3%, from selling expenses of HK$24.0 million for the six months ended 30 June 2012. The decrease was primarily due to a decrease in the commission fees paid to our third-party contract sales representatives as the sales brought in by such third-party contract sales representatives decreased for the period, partially offset by an increase in the employee benefit expenses and transportation and travel expenses as a result of the increase in the sales attributable to customers originated by our internal sales staff during the period.

Administrative expenses

Administrative expenses for the six months ended 30 June 2013 were HK$70.4 million, an increase of HK$11.2 million, or 19.1%, from administrative expenses of HK$59.2 million for the six months ended 30 June 2012. The increase was mainly due to (i) listing expenses incurred by us during the six months ended 30 June 2013; (ii) an increase in (a) employee benefit expenses, (b) depreciation, amortisation and impairment charges; and (c) water, electricity and steam as a result of the expansion of our operations for the six months ended 30 June 2013; and (iii) the reversal of allowance of accounts receivable provision of HK$0.5 million for the six months ended 30 June 2013 as compared with an addition of allowance of accounts receivable of HK$3.4 million for the six months ended 30 June 2012.

Finance costs

Finance costs for the six months ended 30 June 2013 were HK$2.8 million, a decrease of HK$2.5 million, or 47.2%, from HK$5.3 million for the six months ended 30 June 2012. The decrease in finance costs was mainly due to decreased average borrowings for the six months ended 30 June 2013 as compared to the six months ended 30 June 2012. The decrease in the average bank borrowings was consistent with the strong net cash generated from operating activities for the six months ended 30 June 2013.

Income tax expense

Our income tax expense increased by HK$1.9 million, or 13.9%, from HK$13.3 million for the six months ended 30 June 2012 to HK$15.2 million for the six months ended 30 June 2013 primarily due to an increase in our profit before income tax.

Profit for the period attributable to owners of the Company

As a result of the foregoing, profit for the period increased by HK$5.4 million, or 16.2%, from HK$33.4 million for the six months ended 30 June 2012 to HK$38.8 million for the six months ended 30 June 2013. Our effective tax rate for the two periods was relatively stable and was 28.1% for the six months ended 30 June 2013, compared with 28.5% for the six months ended 30 June 2012.

2012 compared to 2011

Revenue

Revenue for 2012 was HK$1,096.0 million, an increase of HK$314.2 million, or 40.2%, from revenue of HK$781.8 million for 2011. The increase in revenue was mainly attributable to an increase in our revenue from our plastic components manufacturing segment by HK$336.2 million, or 83.3%, from HK$403.5 million for 2011 to HK$739.7 million for 2012, partially offset by a decrease in our revenue from our mold fabrication segment from HK$378.3 million for 2011 to HK$356.2 million for 2012.

The increase in revenue of our plastic components manufacturing segment was mainly due to (i) a significant increase in sales to our customers in the video game devices and pachinko industries respectively, and (ii) an increase in sales to our customers in the commercial telecommunication equipment industry. The increase in sales to our key customer in the pachinko industry was particularly significant to our revenue in 2012. In 2011, our key customer in the pachinko industry was not one of our top five customers, but in 2012, it was our second largest customer and contributed 10.0% of our revenue for 2012. Our Directors consider that we are able to attract customers to increase their purchase orders to us after they have had opportunities to assess our technical abilities as well as the quality of our products. Customers brought in by our third-party contract sales representatives have contributed a significant amount of revenue to us. In 2012, revenue attributable to customers originated by our third-party contract sales representatives accounted for more than 35.0% of our revenue for 2012 and represented a higher percentage of our revenue for 2012 as compared to 2011.

The decrease in revenue of our mold fabrication segment was primarily due to (i) decreased sales to our customers in the automotive industry, partially offset by increased sales to our customers in the household electrical appliances industry; and (ii) increased sales to our one-stop total plastic solutions customers, the revenue from which is included in the plastic components manufacturing segment.

Cost of sales

Cost of sales increased by HK$222.5 million, or 44.3%, from HK$501.8 million in 2011 to HK$724.3 million in 2012. The increase in cost of sales was primarily caused by the increase in our revenue.

Gross profit

Gross profit for 2012 was HK$371.7 million, an increase of HK$91.8 million, or 32.8%, from gross profit of HK$279.9 million for 2011. Gross profit margin for 2012 was 33.9%, compared with 35.8% for 2011. The decrease in gross profit margin was primarily due to (i) a significant increase in our sales to our key customer in the pachinko industry, for which we were engaged in projects at a relatively low gross profit margin, and (ii) decreased sales in 2012 of certain high margin plastic components we sold to a contract manufacturer of a prominent Japanese video game devices designer as compared with 2011, as the product life cycle of the relevant product was approaching its end.

Other income

Our other income for 2012 were HK$17.5 million, an increase of 107.6% from other income of HK$8.4 million for 2011. The increase was mainly due to (i) an increase in our net proceeds from sale of scrap and surplus materials, which was consistent with the expansion of our business operations; and (ii) an increase in gains on derivative financial instruments, which was consistent with the increase in the number of derivative financial instruments we entered into in 2012.

Other gain/(losses) – net

Our other gains/(losses) – net for 2012 were a gain of HK$6.4 million, an increase of HK$5.6 million from a gain of HK$0.8 million for 2011, primarily due to (i) an increase in net foreign exchange gain; and (ii) a gain on fair value changes on derivative financial instruments in 2012, which was consistent with the increase in the number of derivative financial instruments we entered into in 2012.

Selling expenses

Selling expenses for 2012 were HK$55.5 million, an increase of HK$9.6 million, or 20.8%, from selling expenses of HK$45.9 million for 2011. The increase was primarily attributable to (i) an increase in commission paid to our third-party contract sales representatives due to an increase in sales from customers brought in by such third-party contract sales representatives in 2012; and (ii) an increase in our employee benefit expenses due to increased headcount of our marketing staff and the increase in the commission paid to our sales staff as a result of the increase in revenue of our Group.

Administrative expenses

Administrative expenses for 2012 were HK$142.7 million, an increase of HK$29.2 million, or 25.8%, from administrative expenses of HK$113.5 million for 2011. The increase was primarily due to an increase in (i) employee benefit expenses for managerial administrative staff, repair and maintenance expenses, and depreciation, amortisation and impairment charges, which was consistent with the expansion of our business operations; and (ii) listing expenses incurred in 2012.

Finance costs

Finance costs for 2012 were HK$11.2 million, an increase of HK$1.7 million, or 17.9%, from HK$9.5 million for 2011. The increase in finance costs was mainly due to an increase in interest rate and an increase in our average borrowings in 2012.

Income tax expenses

Our income tax expenses increased by HK$15.3 million, or 42.7%, from HK$35.8 million in 2011 to HK$51.1 million in 2012 primarily due to an increase in profit before income tax. Our effective tax rate for 2012 was 27.4% compared with 29.8% for 2011. The decrease in the effective tax rate was primarily due to the net effect of (i) an increase in taxable profit in 2012 of one of our subsidiaries which continued to enjoy a preferential tax rate of 15.0%; and (ii) the increase in provision for withholding income tax on profit to be distributed from the group companies in the PRC as a result of the profit made in 2012 by our subsidiaries in the PRC.

Profit for the year attributable to owners of the Company

As a result of the foregoing, profit for the year increased by HK$50.7 million, or 60.0%, from HK$84.5 million in 2011 to HK$135.2 million in 2012.

2011 compared to 2010

Revenue

Revenue for 2011 was HK$781.8 million, an increase of HK$245.7 million, or 45.8%, from revenue of HK$536.1 million for 2010. The increase in revenue was mainly attributable to the increase in our revenue from our mold fabrication segment from HK$261.3 million for 2010 to HK$378.3 million for 2011, as well as the increase in our revenue from our plastic components manufacturing segment from HK$274.8 million for 2010 to HK$403.5 million for 2011.

We began executing a new business strategy in late 2009 which entailed engaging certain third-party contract sales representatives to promote our one-stop total plastics solutions in targeted overseas markets. As a result of such efforts, we have successfully attracted a number of new key customers since 2010 and orders from such customers increased in 2011. One of the prominent examples is our key customer in the video game devices industry, which was brought in by one of our third-party contract sales representatives in 2010 and subsequently became our largest customer in both 2011 and 2012. We have also recorded an increase in sales to existing customers in the commercial telecommunication equipment industry which contributed to our increase in sales in our plastic components manufacturing segment. The increase in our revenue from the mold fabrication segment was primarily attributable to an increase in sales to our existing customers in the automotive industry.

Cost of sales

Cost of sales increased by HK$125.0 million, or 33.2%, from HK$376.8 million in 2010 to HK$501.8 million in 2011, primarily due to an increase in raw materials and consumables used and an increase in employee and benefit expenses as a result of the increase in our sales and also a general increase in the price of raw materials and consumables as well as labour costs. Cost of sales as a percentage of revenue decreased from 70.3% for 2010 to 64.2% for 2011.

Gross profit

Gross profit for 2011 was HK$279.9 million, an increase of HK$120.6 million, or 75.7%, from gross profit of HK$159.3 million for 2010. Gross profit margin was 35.8% in 2011, compared with 29.7% in 2010. Our gross profit margin increased primarily due to increased sales to our key customer in the video game devices industry, for which we were engaged in a project for manufacturing plastic components utilising the IML process at a particularly high gross profit margin due to the technical complexity of the particular project. The impact on the gross profit margin by such customer was significant as it was the largest customer in 2011 and contributed approximately 15.1% of our revenue for 2011, but it was not one of our top five customers in 2010.

Other income

Other income for 2011 was HK$8.4 million, an increase of 85.2% from HK$4.6 million for 2010. The increase was mainly due to an increase in the sale of scrap and surplus materials which was consistent with the increase in our revenue, and an increase in our interest income from available-for-sale financial assets held by the Old Group Companies as the Old Group Companies only commenced in investing in available-for-sale financial assets in 2011.

Selling expenses

Selling expenses for 2011 were HK$45.9 million, an increase of HK$20.0 million, or 77.3%, from the selling expenses of HK$25.9 million for 2010. The increase was mainly due to an increase of our employee benefit expenses to our internal sales staff due to the increase in our revenue and an increase in the commission paid to our third-party contract sales representatives for sales brought in by such third-party contract sales representatives. The significant increase in commission expenses paid to third-party contract sales representatives was consistent with the increase of revenue attributable to customers brought in by our third-party contract sales representatives in 2011 as compared to 2010.

Administrative expenses

Administrative expenses for 2011 were HK$113.5 million, an increase of HK$38.5 million, or 51.4%, from administrative expenses of HK$75.0 million for 2010, primarily due to (i) an increase in employee benefit expenses of managerial and administrative staff and depreciation, amortisation and impairment charges, which was consistent with the expansion of our business; and (ii) the addition of allowance for impairment of inventory of HK$2.2 million in 2011, compared with the reversal of allowance of HK$1.7 million in 2010.

Finance costs

Finance costs for 2011 were HK$9.5 million, an increase of HK$6.8 million, or 249.1%, from HK$2.7 million for 2010. The increase in finance costs was mainly due to an increase in our average bank borrowings in 2011, which was consistent with the expansion of our business.

Income tax expense

Our income tax expense increased by HK$19.6 million, or 120.3%, from HK$16.2 million in 2010 to HK$35.8 million in 2011, primarily due to an increase in profit before income tax. Our effective tax rate was 29.8% in 2011 compared with 26.5% in 2010. The increase in our effective tax rate was primarily caused by (i) the increase in provision for withholding income tax on profit to be distributed from the group companies in the PRC as a result of the profit made in 2011 by our subsidiaries in the PRC; and (ii) the increase in amount not allowable for deduction, such as provision for uncontributed social securities insurance and housing provident fund, and allowances for impairment of inventory and receivables.

Profit for the year attributable to owners of the Company

As a result of the foregoing, profit for the year increased by HK$39.5 million, or 87.9%, from HK$45.0 million in 2010 to HK$84.5 million in 2011.

CERTAIN ITEMS OF CONSOLIDATED BALANCE SHEETS

Property, plant and equipment and land use rights

Property, plant and equipment consist of buildings in the PRC, leasehold improvements, plant and machineries, furniture, fixtures, computer equipment, motor vehicles and construction in progress. As at 31 December 2010, 2011 and 2012 and 30 June 2013, the net book value of our property, plant and equipment amounted to HK$152.7 million, HK$165.1 million, HK$253.7 million and HK$154.2 million, respectively. The increases from 2010 to 2012 were primarily due to our purchases of new equipment as a result of the expansion of our operations and an increase in construction in progress of the Shenzhen Tangjia Plants.

Land use rights comprise prepaid operating lease payments for the land we occupy in the PRC. As at 31 December 2010, 2011 and 2012 and 30 June 2013, the net book value of our land use rights amounted to HK$18.8 million, HK$25.5 million, HK$24.8 million and nil, respectively.

As part of the Reorganisation, the Shenzhen Tangjia Land, the Shenzhen Tangjia Plants, the Shenzhen Yulu Land and the Shenzhen Yulu Plant B were retained by our Old Group Companies. The value of the relevant factory land and buildings was previously consolidated in our consolidated balance sheets as at 31 December 2010, 2011 and 2012, and was deemed disposed to our Ultimate Shareholders pursuant to the Reorganisation. Please refer to the section headed "History, Reorganisation and Corporate Structure" in this prospectus for further details regarding the Reorganisation.

Intangible assets

Our intangible assets consist of ERP systems, a mold design software and an information system. As at 31 December 2010, 2011 and 2012 and 30 June 2013, the net book value of our intangible assets amounted to HK$2.1 million, HK$5.5 million, HK$4.2 million and HK$3.2 million, respectively.

Inventories

Our inventories consist of raw materials, work-in-progress and finished goods.

The following table sets out our inventory balances as at the dates indicated:

	31 December			30 June
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Raw materials	14,853	14,827	25,135	34,867
Work-in-progress	99,139	76,157	109,204	152,611
Finished goods	10,108	10,977	27,557	22,498
Less: allowance for write-down of inventories	(6,233)	(8,461)	(11,692)	(10,649)
Inventories – net	**117,867**	**93,500**	**150,204**	**199,327**

Our net inventory balance decreased from HK$117.9 million as at 31 December 2010 to HK$93.5 million as at 31 December 2011 primarily due to the decrease in work-in-progress. Such decrease in work-in-progress was due to certain significant purchase orders for mold fabrication that we received in 2010 but were subsequently delivered in 2011. Our net inventory balance increased from HK$93.5 million as at 31 December 2011 to HK$150.2 million as at 31 December 2012 primarily due to: (i) increased sales in 2012 and (ii) certain purchase orders for mold fabrication that we received in the second half of 2012 were subsequently delivered in 2013. Our inventory balance increased further to HK$199.3 million as at 30 June 2013 primarily due to certain purchase orders for mold fabrication that we received in the first half of 2013 were subsequently delivered in the second half of 2013.

We review and monitor our inventory level on a periodic basis. For 2010, 2011 and 2012 and the six months ended 30 June 2013, write-down of inventories amounted to HK$6.2 million, HK$8.5 million, HK$11.7 million and HK$10.6 million, respectively.

The following table sets out our inventory turnover days for the periods indicated:

	Year ended 31 December			Six months ended 30 June
	2010	**2011**	**2012**	**2013**
Inventory turnover days	94	77	61	96

Inventory turnover days is calculated based on the average balance of inventory (net of provision) divided by the cost of sales for the relevant year/period multiplied by 365/180 days. Average balance of inventory is calculated as the sum of the beginning balance and ending balance for the relevant year/period, divided by two.

Our inventory turnover days decreased from 94 days for 2010 to 77 days for 2011 and further to 61 days for 2012. The decrease in our inventory turnover days during the period was primarily due to the increase in revenue from our plastic components manufacturing segment which entails fewer inventory turnover days than that of our mold fabrication segment. Furthermore, our inventory turnover days decreased from 94 days for 2010 to 77 days for 2011 partly due to a significant purchase order received in 2010, for which we delivered the products in 2011. Our inventory turnover days increased to 96 days for the six months ended 30 June 2013 primarily due to a significant mold fabrication project for which we accrued a significant amount of inventory in the first half of 2013 but delivered the products subsequent to 30 June 2013.

Trade and other receivables

The following table sets out a breakdown of our trade and other receivables as at the dates indicated:

	31 December			**30 June**
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	97,061	123,103	159,292	108,493
Less: allowance for impairment	(2,624)	(4,743)	(3,672)	(2,417)
Trade receivables – net	94,437	118,360	155,620	106,076
Bills receivable	–	–	–	3,016
Prepayments	13,748	14,399	15,048	23,825
Value-added tax recoverable	2,995	1,892	4,967	6,487
Advances to employees	2,363	3,726	3,077	2,165
Export tax refund receivables	13,250	14,695	18,184	4,389
Other receivables	4,073	4,846	3,793	1,576
Trade and other receivables	**130,866**	**157,918**	**200,689**	**147,534**

Our trade and other receivables primarily consist of outstanding amounts receivable by us from our customers. Our trade and other receivables increased from HK$130.9 million as at 31 December 2010 to HK$200.7 million as at 31 December 2012, primarily due to an increase in our sales during the relevant period. Our trade and other receivables decreased to HK$147.5 million as at 30 June 2013, which was largely in line with the seasonality of our sales.

Our prepayments increased to HK$23.8 million as at 30 June 2013 from HK$15.0 million as at 31 December 2012, primarily due to prepayments made by certain of our newly established subsidiaries to the local customs authority in accordance with the relevant customs regulations. Our export tax refundable decreased to HK$4.4 million as at 30 June 2013 from HK$18.2 million as at 31 December 2012 as certain export tax refundable was attached to certain of our Old Group Companies which were deemed disposed pursuant to the Reorganisation.

As at 30 June 2013, we had bills receivable of HK$3.0 million, which represented certain bank's acceptance bills (銀行承兑匯票) we received from certain PRC customers in 2013. Please refer to the section headed "Regulatory Overview—Overview of PRC Regulations—Bank's Acceptance Bill" for further details regarding the mechanism of bank's acceptance bills in the PRC. Since 2013, we have accepted bank's acceptance bills as a method of payment from customers based on the amount of the transaction and our relationship with such customers. We will continue to evaluate each transaction on a case-by-base basis as to whether we accept bank's acceptance bills as a method of payment for any particular purchase order.

The following table sets out the average trade receivables turnover days for the periods indicated:

	Year ended 31 December			**Six months ended 30 June**
	2010	**2011**	**2012**	**2013**
Average trade receivables turnover days	53	51	47	52

Average trade receivables turnover days is calculated based on average trade receivables divided by the revenue for the relevant year/period multiplied by 365/180 days.

Average trade receivables turnover days remained stable ranging from 47 days to 53 days during the Track Record Period, and were within the range of our 30 to 90-day credit periods granted to customers.

The following table sets out an ageing analysis of our trade receivables based on the date of sales as at the dates indicated:

	As at 31 December			As at 30 June
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Not overdue	93,802	118,949	158,370	103,797
Overdue—up to three months	3,259	3,792	921	3,084
Overdue—more than three months but not exceeding one year	–	362	1	1,612
Total	**97,061**	**123,103**	**159,292**	**108,493**

As at 31 December 2010, 2011 and 2012 and 30 June 2013, trade receivables of HK$3.3 million, HK$4.2 million, HK$0.9 million and HK$4.7 million, respectively, were past due but not considered impaired as they relate to a number of independent customers that have a good track record with us. As at 31 December 2010, 2011 and 2012 and 30 June 2013, trade receivables of HK$2.6 million, HK$4.7 million, HK$3.7 million and HK$2.4 million, respectively, were impaired and provided for.

As at 30 November 2013, HK$104.0 million, or 95.8%, of the trade receivables outstanding as at 30 June 2013 had been subsequently settled.

Available-for-sale financial assets

As at 31 December 2010, 2011 and 2012 and 30 June 2013, we had available-for-sale financial assets of nil, HK$8.0 million, HK$24.7 million and HK$1.3 million, respectively. Available-for-sale financial assets represent certain wealth management products managed by a high credit quality publicly listed commercial bank in the PRC and are structured similarly to savings account deposits, but for that the deposit amount is not guaranteed and there is a minimum deposit period of one day. For 2011, 2012 and the six months ended 30 June 2013, cash outflow for purchase of available-for-sale financial assets amounted to approximately HK$167.1 million, HK$449.5 million and HK$158.2 million, respectively, whereas cash inflow from proceeds from available-for-sale financial assets amounted to approximately HK$159.1 million, HK$432.9 million and HK$164.0 million, respectively. According to our accounting policy, each deposit to such wealth management products described above is accounted for as a "purchase of available-for-sale financial assets", and each withdrawal is accounted for as "proceeds from available-for-sale financial assets". During 2011, 2012 and the six months ended 30 June 2013, there were significant purchases and sales of available-for-sale financial assets when compared with the corresponding period end balances as at 31 December 2011, 31 December 2012 and 30 June 2013, respectively. The significant amount of purchases and sales of such wealth management products during 2011, 2012 and the six months ended 30 June 2013 were due to the frequency of such transactions, as we generally deposited certain of our cash surplus into such higher interest wealth management products on a short-term, intra-month basis, and withdrew a substantial portion of the cash amount deposited by the end of each calendar month for cash needed in our operations, such as for settling payments with our suppliers. These wealth management products generally offer higher interest rates than savings account deposits, and enable us to earn certain interest income while maintaining adequate liquidity. In the future, we intend to maintain the current level of such assets, which we believe is financially prudent.

Trade and other payables

The following table sets out the components of our trade and other payables as at the dates indicated:

	31 December			30 June
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	75,498	93,975	121,000	92,842
Deposits received from customers	95,589	77,194	118,207	150,109
Wages and staff welfare benefits payable	21,398	37,543	55,566	37,696
Accrual for expenses and other payables	14,715	22,109	44,268	31,520
Other taxes payable	535	795	2,761	611
	207,735	**231,616**	**341,802**	**312,778**

During the Track Record Period, trade payables were mainly incurred for the purchase of raw materials for mold fabrication and plastic components manufacturing from various suppliers. We generally received credit terms of 30 to 90 days from our suppliers. Consistent with the expansion of our business operations, our trade payables increased from HK$75.5 million as at 31 December 2010 to HK$94.0 million as at 31 December 2011 and further to HK$121.0 million as at 31 December 2012. Our trade payables decreased to HK$92.8 million as at 30 June 2013, primarily due to seasonality as we typically conduct more production activities in the second half of a year. Our trade and other payables increased from HK$231.6 million as at 31 December 2011 to HK$341.8 million as at 31 Decembers 2012 primarily due to increased trade payables, deposit received from customers and welfare and staff benefits payable. Our trade payables increased from HK$94.0 million as at 31 December 2011 to HK$121.0 million at 31 December 2012 primarily due to increased purchases of direct materials in 2012 to satisfy increased purchase orders. Our deposits received from customers increased from HK$77.2 million as at 31 December 2011 to HK$118.2 million as at 31 December 2012 primarily due to increased purchased orders received and thus deposits received from customers in 2012. Our wages and staff welfare benefits payable increased from HK$37.5 million as at 31 December 2011 to HK$55.6 million as at 31 December 2012 primarily due to an increased number of staff to support the expanded business operations and a general increase in staff cost in the PRC in 2012. Such increases were generally in line with the expansion of our business operations and increased revenue and costs from 2011 to 2012. Despite the increased trade payables, the ageing of our trade payables remained stable, with approximately 92% of our trade payables aged within 90 days as at 31 December 2012. The carrying amounts of our trade payables were mainly denominated in Renminbi and Hong Kong dollars during the Track Record Period. As at 30 November 2013, HK$88.7 million, or 95.5% of our trade payable outstanding as at 30 June 2013, was subsequently settled.

The following table sets out the ageing analysis of trade payables as at the dates indicated:

	31 December			**30 June**
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0-90 days	73,388	86,972	112,323	90,099
91-120 days	416	4,191	6,189	2,425
121-365 days	978	2,588	1,560	317
Over 365 days	716	224	928	1
	75,498	**93,975**	**121,000**	**92,842**

The following table sets out the turnover days for our trade payables as at the dates indicated:

	31 December			**30 June**
	2010	**2011**	**2012**	**2013**
Trade payable turnover days	68	62	54	58

Trade payable turnover days is calculated based on the average of trade payables divided by cost of sales for the relevant year/period multiplied by 365/180 days.

Average trade payables turnover days remained stable ranging from 54 days to 68 days during the Track Record Period, and were within the credit periods of 30 to 90 days granted by our suppliers.

NET CURRENT ASSETS

	As at 31 December			As at 30 June	As at 31 October
	2010	2011	2012	2013	2013
					(unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Current assets					
Inventories	117,867	93,500	150,204	199,327	207,792
Trade and other receivables	130,866	157,918	200,689	147,534	195,385
Amount due from related companies	60,915	142,535	137,013	244,239	–
Available-for-sale financial assets	–	8,018	24,664	1,255	–
Derivative financial instruments	–	–	798	–	–
Cash and cash equivalents	34,255	79,819	94,084	85,039	115,240
Pledged bank deposits	7,026	78,221	47,712	–	–
Total current assets	350,929	560,011	655,164	677,394	518,417
Current liabilities					
Trade and other payables	207,735	231,616	341,802	312,778	383,037
Dividend payable	–	–	–	–	17,373
Amount due to related companies	48,606	55,349	40,654	327,265	–
Amount due to the Ultimate Shareholders	–	–	22,057	–	–
Income tax liabilities	16,404	26,601	38,013	5,753	15,139
Short-term bank borrowings	43,882	158,259	128,809	–	–
Current portion of non-current bank borrowings	29,285	37,607	33,336	3,613	17,680
Finance lease liabilities	117	–	–	–	–
Total current liabilities	346,029	509,432	604,671	649,409	433,229
Net current assets	4,900	50,579	50,493	27,985	85,188

We manage our working capital to ensure proper and efficient collection and deployment of our funds.

Our net current assets increased from HK$4.9 million as at 31 December 2010 to HK$50.6 million as at 31 December 2011 primarily due to an increase in our cash and cash equivalents, increase in our amount due from related companies and an increase in our pledge bank deposits, as a result of the expansion of our business operations, partially offset by an increase in our short-term bank borrowings. Our net current assets remained stable as at 31 December 2011 and 31 December 2012. The net current assets subsequently decreased to HK$28.0 million 30 June 2013 primarily due to the Reorganisation.

We carefully consider our cash position and ability to obtain further financing when making significant capital commitments and arranging payments for expanding our operations. Given suitable opportunities, we also intend to access the capital markets through further equity or equity-linked capital-raising or debt related capital-raising.

As at 31 December 2010, 2011 and 2012 and 30 June 2013 and 31 October 2013, we had net current assets of HK$4.9 million, HK$50.6 million, HK$50.5 million, HK$28.0 million and HK$85.2 million, respectively.

INDEBTEDNESS

Borrowings

We have financed our operations through bank overdraft, bank borrowings and finance leases during the Track Record Period. Set out below is a breakdown of our bank borrowings as at the dates indicated, with 31 October 2013 being the latest practicable date for the purpose of this indebtedness statement:

	31 December			30 June	31 October
	2010	**2011**	**2012**	**2013**	**2013**
					(unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current					
Bank borrowings					
– secured	56,576	60,209	71,164	–	–
– guaranteed	24,495	27,612	14,332	7,526	103,433
Less: current portion of non-current borrowings	(29,285)	(37,607)	(33,336)	(3,613)	(17,680)
	51,786	**50,214**	**52,160**	**3,913**	**85,753**

	31 December			30 June	31 October
	2010	2011	2012	2013	2013
					(unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Current					
Bank overdrafts	3,964	3,962	3,905	–	–
Bank borrowings					
– secured	11,943	154,297	114,639	–	–
– guaranteed	27,975	–	10,265	–	–
Current portion of non-current bank borrowings	29,285	37,607	33,336	3,613	17,680
Finance lease liabilities	117	–	–	–	–
	73,284	**195,866**	**162,145**	**3,613**	**17,680**
Total borrowings	**125,070**	**246,080**	**214,305**	**7,526**	**103,433**

Overall, our short-term bank borrowings increased during the Track Record Period, which was consistent with the increased production and sales of our products. Total current bank borrowings increased by HK$122.6 million, or 167.3%, from HK$73.3 million as at 31 December 2010 to HK$195.9 million as at 31 December 2011, which was consistent with the expansion of our operations. Total current bank borrowings subsequently decreased to HK$162.1 million as at 31 December 2012 due to our repayment of certain borrowings in 2012. As a result of increased net cash generated from operating activities in 2011 and 2012, we were able to repay a portion of our bank borrowings.

As at 31 December 2010, bank borrowings of HK$68.5 million were secured and bank borrowings of HK$52.5 million were guaranteed. As at 31 December 2011, bank borrowings of HK$214.5 million were secured and bank borrowings of HK$27.6 million were guaranteed. As at 31 December 2012, bank borrowings of HK$185.8 million were secured and bank borrowings of HK$24.6 million were guaranteed. Our bank loans as at 31 December 2010, 2011 and 2012 were primarily denominated in the Hong Kong dollar, Renminbi and U.S. dollar. The effective interest rate of our bank loans ranged from 1.47% to 6.55% during the Track Record Period.

Substantially all of our bank borrowings as at 31 December 2010, 2011, and 2012 were drawn by our Old Group Companies and consolidated in our balance sheets as at the relevant dates and had been deemed disposed to our Ultimate Shareholders on 31 May 2013. As at 30 June 2013, we had total borrowings of HK$7.5 million, which were guaranteed by our connected person. We have reached an agreement with the lending bank that the corporate guarantees provided by the related company will be released by the lending bank upon the Listing.

Since 30 June 2013 and up to 31 October 2013, the latest practicable date for the purpose of the indebtedness statement in this prospectus, five loan facilities were granted to us by China Merchants Securities Investment Management (HK) Co. Ltd. and four other financial institutions, in an aggregate amount of up to HK$50.0 million, HK$50.0 million, HK$30.0 million, HK$25.0 million and HK17.0 million, respectively. We are subject to certain customary covenants under certain of these loan facility agreements. For example, we have to comply with certain maximum gearing ratio, maximum level of bank borrowings and minimum interest coverage ratio, and we may not change the general nature of our business and are subject to restrictions on material acquisitions, mergers and disposals. Our Directors confirmed that we have been able to comply with the relevant covenants up to the Latest Practicable Date, and our Directors consider that such covenants to be customary so that such covenants have no material adverse effect to the operational and financial positions of our Group. The term loan with China Merchant Securities Investment Management (HK) Co. Ltd. is guaranteed by certain entities in our Group. The HK$50.0 million loan facility with one of the other financial institutions is a term loan secured by the corporate guarantee granted by our Company and personal guarantees from Mr. Li, Mr. Lee and Mr. Yung, and such personal guarantees will be released upon Listing if Listing occurs on or before 31 December 2013. The HK$30.0 million facility with one of the other financial institutions is a trade financing loan facility secured by the corporate guarantees granted by one of our subsidiaries, corporate guarantees granted by a related company as well as personal guarantees of Mr. Li, Mr. Lee and Mr. Yung, and such corporate guarantees granted by the related company and the personal guarantees will be released upon Listing if Listing occurs on or before 31 December 2013. The HK$25.0 million facility with one of the other financial institutions is a trade financing revolving loan facility secured by the corporate guarantees granted by our Company and certain of our subsidiaries as well as personal guarantees of Mr. Li, Mr. Lee and Mr, Yung, and such personal guarantees will be released upon Listing. The HK$17.0 million loan facility with one of the other financial institutions is a revolving facility secured by the corporate guarantee grant by our Company, and personal guarantees of Mr. Li, Mr. Lee and Mr. Yung, and such personal guarantees will be released upon Listing. China Merchants Securities Investment Management (HK) Co., Ltd is a fellow subsidiary of the Sole Sponsor. For details of the independence of the Sole Sponsor, please refer to paragraph headed "Underwriting—Underwriting Arrangements and Expenses—Sole Sponsor independence".

Since 30 June 2013 and up to 31 October 2013, the outstanding balance of our bank borrowings increased by HK$95.9 million. As at 31 October 2013, our Group had undrawn loan facilities amounting to HK$75.0 million, which we may draw down as long as we have not breached the covenants of the relevant loan facilities.

On 12 November 2013, a HK$45.0 million loan facility was granted to us by another financial institution. Such loan facility is a trade financing revolving loan facility and is secured by the corporate guarantees granted by our Company and certain of our subsidiaries as well as personal guarantees of Mr. Li, Mr. Lee and Mr. Yung, and such personal guarantees will be released upon Listing. As at the Latest Practicable Date, we had not drawn down on this facility. On 22 November 2013, a loan facility of HK$25.0 million was granted to us by another financial institution. Such loan facility is a credit facility granted for the purchase of machineries and is secured by the corporate guarantees granted by our Company and certain of our subsidiaries as well as personal guarantees of Mr. Li, Mr. Lee and Mr. Yung, and such personal guarantees will be released upon Listing, and we had not drawn down on such facility as at the Latest Practicable Date. On 28 November 2013, a RMB$40.0 million loan facility was granted to us by another financial institution. Such loan facility is a trade financing loan facility and is secured by the corporate guarantees granted by an Old Group Company and one of our Companies' subsidiaries, and the corporate guaranteed by such Old Group Company will be released upon Listing, and we had drawn down on RMB$7.0 million of this facility as at the Latest Practicable Date.

Save as disclosed herein, we had certain balances due to related companies during the Track Record Period, which were non-trade in nature and all such balances were settled as at 31 October 2013. Please refer to the section headed "—Liquidity and Capital Resources—Balances due from/to related parties" for further details.

Save as disclosed herein, as at the latest practicable date for the purpose for the indebtedness statement included in this prospectus, our Group did not have any material restrictive bank covenants.

Guarantees

Commencing 1 June 2013, our Group had provided guarantees for bank facilities of our related companies amounting to HK$101.6 million. We have reached an agreement with the lending bank that the guarantees provided by us will be released upon our Listing.

Except as disclosed above, as at the Latest Practicable Date, we did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

KEY FINANCIAL RATIOS

The following sets out our key financial ratios as at the dates and for the periods indicated:

	As at and for the year ended 31 December			As at and for the six months ended 30 June
	2010	**2011**	**2012**	**2013**
	(%)	*(%)*	*(%)*	*(%)*
Current ratio[(1)]	101.4	109.9	108.4	104.3
Quick ratio[(2)]	67.4	91.6	83.5	73.6
Gearing ratio[(3)]	92.0	124.4	77.5	3.9
Net debt to equity ratio[(4)]	66.8	84.1	43.5	N/A
Return on equity ratio[(5)]	33.1	42.7	48.9	19.8
Return on asset ratio[(6)]	8.3	11.0	14.2	4.6

(1) Current ratio is calculated by dividing current assets by current liabilities and multiplying the resulting value by 100%.

(2) Quick ratio is calculated by dividing current assets less inventory by current liabilities and multiplying the resulting value by 100%.

(3) Gearing ratio is calculated by dividing total loan by total equity and multiplying the resulting value by 100%.

(4) Net debt to equity ratio is calculated by dividing net debt by total equity and multiplying the resulting value by 100%.

(5) Return on equity ratio is calculated by dividing profit after tax by total equity and multiplying the resulting value by 100%.

(6) Return on asset ratio is calculated by dividing profit after tax by total assets and multiplying the resulting value by 100%.

Current ratio

Our current ratio was relatively stable as at each of 31 December 2010, 2011 and 2012 and 30 June 2013.

Quick ratio

Our quick ratio increased from 67.4% as at 31 December 2010 to 91.6% as at 31 December 2011, primarily due to the increase in amount due from related companies. Our quick ratio decreased to 83.5% as at 31 December 2012 and further decreased to 73.6% as at 30 June 2013, which was primarily due to the increase in the inventory level as a result of the expansion of our operations.

Gearing ratio

Our gearing ratio increased from 92.0% as at 31 December 2010 to 124.4% as at 31 December 2011, primarily due to the increase in loans to finance our operations, while the decrease in our gearing ratio to 77.5% as at 31 December 2012 was mainly because of the net repayment of loans using net cash generated from our operations. Our gearing ratio as at 30 June 2013 dropped to 3.9% as most of the loans were attached to our Old Group Companies, which were deemed disposed pursuant to the Reorganisation.

Net debt to equity ratio

Our net debt to equity ratio increased from 66.8% as at 31 December 2010 to 84.1% as at 31 December 2011, primarily due to the increase in loans to finance our operations, while the decrease in our net debt to equity ratio to 43.5% as at 31 December 2012 was mainly because of the net repayment of loans using net cash generated from our operations and an increase in our cash level. We did not have a net debt to equity ratio as at 30 June 2013 as we were in net cash position as at 30 June 2013 as substantially all of our previous bank loans were attached to our Old Group Companies which were deemed disposed pursuant to the Reorganisation.

Return on equity ratio

Our return on equity ratio increased from 33.1% for 2010 to 42.7% for 2011 and further increased to 48.9% for 2012, generally consistent with the increase in our Group's profit during the period. Our return on equity decreased to 19.8% for the six months ended 30 June 2013 as most of the profit is recognised in the second half of the year due to seasonality effect.

Return on asset ratio

Our return on asset ratio increased from 8.3% for 2010 to 11.0% for 2011 and further increased to 14.2% for 2012, primarily due with a higher rate of increase in our Group's profit that increase of our assets as we paid dividends during the Track Record Period. Our return on asset decreased to 4.6% for the six months ended 30 June 2013 as most of the profit is recognised in the second half of the year due to seasonality effect.

LIQUIDITY AND CAPITAL RESOURCES

To date we have funded our operations principally with net cash from operating activities, shareholder's equity and bank borrowings. Our cash requirements relate primarily to production and operating activities, repayment of liabilities as they become due, working capital and capital expenditures. We did not experience any liquidity shortage during the Track Record Period.

We expect to fund our future capital expenditure, working capital and other cash requirements from cash generated from our operations, the net proceeds from the Global Offering and bank borrowings.

Cash flows

The following table sets out selected cash flow data from our consolidated cash flow statements for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
				(unaudited)	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Net cash generated from operating activities	46,193	196,065	221,665	34,210	44,117
Net cash used in investing activities	(136,059)	(163,343)	(146,828)	(102,568)	(46,989)
Net cash generated from/(used in) financing activities	43,731	12,281	(60,444)	89,478	(2,267)

Net cash generated from operating activities

Our cash flow from operating activities consists of our profit before income tax adjusted for non-cash items such as finance costs, depreciation and amortisation and changes in working capital.

Net cash generated from operating activities for the six months ended 30 June 2013 was HK$44.1 million. The amount primarily reflected profit before income tax of HK$54.0 million as adjusted by (i) depreciation of property, plan and equipment of HK$25.3 million, (ii) a decrease in trade and other receivables of HK$15.3 million, and (iii) an increase in trade and other payables of HK$28.4 million, partially offset by (i) an increase in inventories of HK$49.6 million and (ii) income tax paid of HK$35.0 million.

Net cash generated from operating activities for 2012 was HK$221.7 million. The amount primarily reflected profit before income tax of HK$186.3 million as adjusted by (i) an increase in trade and other payables of HK$106.8 million, partially offset by (ii) an increase in inventories of HK$53.9 million, (iii) an increase in trade and other receivables of HK$47.7 million, and (iv) income tax paid of HK$29.2 million.

Net cash generated from operating activities for 2011 was HK$196.1 million. The amount primarily reflected profit before income tax of HK$120.3 million as adjusted by (i) depreciation of property, plant and equipment of HK$43.4 million, (ii) an increase in trade and other payables of HK$34.6 million, and (iii) a decrease in inventories of HK$22.1 million, partially offset by (i) an increase in trade and other receivables of HK$25.7 million, and (ii) income tax paid of HK$17.0 million.

Net cash generated from operating activities for 2010 was HK$46.2 million. The amount primarily reflected profit before income tax of HK$61.2 million as adjusted by (i) depreciation of property, plant and equipment of HK$23.1 million, and (ii) an increase in trade and other payables of HK$49.3 million, partially offset by (i) an increase in inventories of HK$38.2 million, (ii) an increase in trade and other receivables of HK$42.8 million, and (iii) income tax paid of HK$11.7 million.

Net cash used in investing activities

Our cash flow in investing activities mainly consists of costs of payment for and proceeds from the purchase and sale, respectively, of property, plant and equipment.

Net cash used in investing activities for the six months ended 30 June 2013 was HK$47.0 million, primarily due to (i) increase in investment in purchase of available-for-sale financial assets of HK$158.2 million and (ii) the purchase of property, plant and equipment of HK$52.6 million, partially offset by increase in proceeds from available-for-sales financial assets of HK$164.0 million.

Net cash used in investing activities for 2012 was HK$146.8 million, primarily due to (i) increase in investment in purchase of available-for-sale financial assets of HK$449.5 million and (ii) the purchase of property, plant and equipment of HK$146.1 million, partially offset by increase in proceeds from available-for-sales financial assets of HK$432.9 million.

Net cash used in investing activities for 2011 was HK$163.3 million, primarily due to (i) increase in investment in purchase of available-for-sale financial assets of HK$167.1 million, (ii) advance to related companies of HK$85.6 million and (iii) the purchase of property, plant and equipment of HK$63.5 million, partially offset by (i) increase in proceeds from available-for-sales financial assets of HK$159.1 million, (ii) repayments from related companies of HK$3.7 million and (iii) proceeds from disposals of property, plant and equipment of HK$1.0 million.

Net cash used in investing activities for 2010 was HK$136.1 million and was primarily due to (i) advance to related companies of HK$61.5 million and (ii) the purchase of property, plant and equipment of HK$81.3 million, partially offset by (i) repayments from related companies of HK$6.6 million and (ii) proceeds from disposals of property, plant and equipment of HK$3.0 million.

Net cash generated from/(used in) financing activities

Our cash flow in financing activities mainly consists of proceeds from bank borrowings and repayment of bank borrowings.

Net cash used in financing activities for the six months ended 30 June 2013 was HK$2.3 million, primarily attributable to (i) repayment of bank borrowings of HK$95.0 million, (ii) deemed distribution to the Ultimate Shareholders of HK$83.9 million and (iii) dividends paid to our Ultimate Shareholders of HK$77.2 million, partially offset by (i) proceeds from bank borrowings of HK$102.6 million and (ii) repayments from related companies of HK$179.4 million.

Net cash used in financing activities for 2012 was HK$60.4 million. The amount was primarily attributable to (i) repayment of bank borrowings of HK$284.9 million, (ii) dividends paid to our Ultimate Shareholders of HK$55.0 million, (iii) interest paid of HK$11.2 million and (iv) advance to related companies of HK$14.2 million, partially offset by (i) proceeds from bank borrowings of HK$253.2 million; (ii) advance from the ultimate shareholders of HK$24.8 million; and (iii) a decrease in pledged bank deposits of HK$30.5 million.

Net cash generated from financing activities for 2011 was HK$12.3 million, mainly consisting of proceeds from bank borrowings of HK$331.1 million, partially offset by (i) repayment of bank borrowings of HK$210.0 million, (ii) an increase in pledged bank deposit of HK$71.2 million, (iii) dividends paid to our Ultimate Shareholders of HK$30.8 million and (iv) interest paid of HK$9.5 million.

Net cash generated from financing activities for 2010 was HK$43.7 million. The amount was primarily attributable to proceeds from bank borrowings of HK$150.7 million, partially offset by (i) repayment of bank borrowings of HK$70.0 million, and (ii) dividends paid to our Ultimate Shareholders of HK$37.3 million.

Balances due from/to related parties

As at 31 December 2010, 2011 and 2012 and 30 June 2013, we had balances due from related companies of HK$60.9 million, HK$142.5 million, HK$137.0 million and HK$244.2 million, respectively. As at 31 December 2010, 2011 and 2012 and 30 June 2013, we had balances due to related parties of HK$48.6 million, HK$55.3 million, HK$62.7 million and HK$327.3 million, respectively. Such balances were primarily a result of advances to or from entities owned by our Ultimate Shareholders and consideration for acquisitions pursuant to the Reorganisation. Except for balance due to Jin Baoli, all our balances due to and from related companies are non-trade in nature, non-interest bearing, and will be settled before the Listing. Repayments of amounts due to related parties will be funded by a combination of (i) balances due from related parties we expected to receive before the Listing; (ii) our Group's cash reserve; (iii) bank loans; and/or (iv) cash flows generated from our operations. Our Directors confirm that neither Shenzhen Dangli Trading Development Limited nor any other of our related parties collected any sales proceeds or made any payments on behalf of our Group during the Track Record Period. Before the completion of the Reorganisation, when Shenzhen Dongbo was our subsidiary (and therefore not a related party), it processed certain purchase orders for our Group, but has ceased such operations before it became a related party as a result of the Reorganisation. Such sales amounts was eliminated on consolidation prior to the Reorganisation. Please see the section headed "History, Reorganisation and Corporate Structure—Our Group Companies Prior to the Reorganisation—Shenzhen Dongbo" for further details.

As at 31 December 2010, 2011 and 2012, we had a balance due from Shenzhen Dangli, a company owned by our Ultimate Shareholders, of HK$54.9 million, HK$136.8 million and HK$131.8 million, respectively. Such balance was advanced to Shenzhen Dangli by our Group to support the operations of Shenzhen Dangli in the PRC during the Track Record Period. Shenzhen Dangli is a property and investment holding company. The balance of HK$54.9 million as at 31 December 2010 was primarily resulted from balance advanced to Shenzhen Dangli to make payments in respect of the purchase of various investment properties in the PRC in 2010 and for general working capital purposes. The balance increased to HK$136.8 million as at 31 December 2011 primarily as a result of further balance advanced to Shenzhen Dangli to make payments in respect of the purchase of additional investment properties in the PRC and for general working capital purposes. The total amount paid by Shenzhen Dangli for acquisition of investment properties amounted to approximately RMB70.6 million, (equivalent to approximately HK$89.1 million) from 2010 to 2011 plus taxes and other miscellaneous surcharges. The balance stabilised at approximately HK$131.8 million as at 31 December 2012. As a result of the Reorganisation, such balance due from Shenzhen Dangli was deemed disposed to our Ultimate Shareholders.

As at 31 December 2010, 2011 and 2012, we had a balance due from TK Technology Holdings, a company owned by our Ultimate Shareholders, of HK$6.0 million, HK$5.8 million and HK$5.2 million, respectively. Such balance was advanced to TK Technology Holdings to support the operations of TK Technology Holdings during the Track Record Period. As a result of the Reorganisation, such balance due from TK Technology Holdings was deemed disposed to our Ultimate Shareholders.

As at 30 June 2013, we had a balance due from TK Mold Limited, the investment holding company of TK Technology (Shenzhen) and TK Mold (Shenzhen) prior to the Reorganisation, of HK$113.9 million, which represented an advance to TK Mold Limited by our Group as capital to invest in TK Technology (Shenzhen) and TK Mold (Shenzhen). As a result of the Reorganisation, TK Mold Limited is no longer a member of our Group and therefore such amount was recorded as balance due from TK Mold Limited as at 30 June 2013.

As at 30 June 2013, we had a balance due from Shenzhen Dongbo, one of our subsidiaries prior to the Reorganisation, of HK$51.4 million, and such balance was advanced by our Group to Shenzhen Dongbo which in turn advanced to Shenzhen Dangli to make payments in respect of the purchase of investment properties and for general working capital purposes, as discussed above. As a result of the Reorganisation, Shenzhen Dongbo is no longer a member of our Group and therefore such amount was recorded as balance due from Shenzhen Dongbo as at 30 June 2013.

As at 30 June 2013, we had a balance due from TK Group Limited, the investment holding company of our Group prior to the Reorganisation, of HK$78.8 million. Such balance was advanced to TK Group Limited by the Group primarily for the purpose of dividend distribution to our Ultimate Shareholders in the first half of 2013 as well as working capital for TK Group Limited. As a result of the Reorganisation, TK Group Limited is no longer an entity of our Group and therefore such amount was recorded as balance due from TK Group Limited as at 30 June 2013.

As at 31 December 2012, we had a balance due to our Ultimate Shareholders of HK$22.1 million, which was mainly comprised of cash advance from the Ultimate Shareholders to our Group. As a result of the Reorganisation, such balance was deemed disposed to our Ultimate Shareholders.

As at 31 December 2010, 2011 and 2012, we had a balance due to TK Group Limited of HK$42.3 million, HK$49.0 and HK$34.0 million, respectively, which was a balance advanced to our Group by TK Group Limited prior to the Reorganisation. As a result of the Reorganisation, such balance was deemed disposed to our Ultimate Shareholders.

As at 31 December 2010, 2011 and 2012 and 30 June 2013, we had a balance due to Jin Baoli of HK$0.6 million, HK$0.7 million, HK$0.9 million and HK$0.8 million, respectively, which resulted from normal course of trade. Please refer to the section headed "Connected Transactions" in this prospectus for further details of our relationship with Jin Baoli.

As at 30 June 2013, we had a balance due to TK Technology (Shenzhen), one of our subsidiaries prior to the Reorganisation, of HK$166.8 million. Such balance mainly comprised (i) TK Technology (Shenzhen) Consideration of RMB96,660,368 for the TK Technology (Shenzhen) Assets Transfer, and (ii) cash advances from TK Technology (Shenzhen) to our Group, the balance of which was eliminated on consolidation prior to the Reorganisation. As a result of the Reorganisation, TK Technology (Shenzhen) is no longer a member of our Group and therefore such amount was recorded as balance due to TK Technology (Shenzhen) as at 30 June 2013. Please refer to the paragraph titled "Transfer of the assets and business to TK Precision and TK Mold (Shenzhen)" under the section headed "History, Reorganisation and Corporate Structure" in this prospectus for further details regarding the Reorganisation.

As at 30 June 2013, we had a balance due to TK Plastics (Shenzhen), one of our subsidiaries before the Reorganisation, of HK$156.7 million. Such balance mainly comprised (i) TK Plastics (Shenzhen) Consideration of approximately RMB118,899,770 (equivalent to approximately HK$150.1 million) for the TK Plastics (Shenzhen) Assets Transfer; and (ii) cash advances from TK Plastics (Shenzhen) to our Group, the balance of which was eliminated on consolidation prior to the Reorganisation. As a result of the Reorganisation, TK Plastic (Shenzhen) is no longer a member of our Group and therefore such amount was recorded as balance due to TK Plastic (Shenzhen) as at 30 June 2013. Please refer to the paragraph titled "Transfer of the assets and business to TK Precision and TK Mold (Shenzhen)" under the section headed "History, Reorganisation and Corporate Structure" in this prospectus for further details regarding the Reorganisation.

As at 30 June 2013, we had a balance due to TK Mold Limited, the investment holding company of TK Technology (Shenzhen) and TK Mold (Shenzhen) prior to the Reorganisation, of HK$3.0 million. Such balance mainly comprised cash advances from TK Mold Limited to the Group and such balance was eliminated on consolidation prior to the Reorganisation. As a result of the Reorganisation, TK Mold Limited is no longer a member of our Group and therefore such amount was recorded as balance due to TK Mold Limited as at 30 June 2013.

Set out below is a breakdown of our balances with related parties:

	As at 31 December			**As at 30 June**
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
(i) Balances due from related parties				
– Shenzhen Dangli	54,907	136,757	131,779	–
– TK Technology Holdings Limited	6,008	5,778	5,234	–
– TK Mold Limited	–	–	–	113,921
– Shenzhen Dongbo	–	–	–	51,443
– TK Group Limited	–	–	–	78,848
– Eastern Mix	–	–	–	8
– Lead Smart	–	–	–	7
– Normal Times	–	–	–	6
– Cheer Union	–	–	–	6
	60,915	142,535	137,013	244,239

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
(ii) Balances due to related parties				
– The Ultimate Shareholders	–	–	22,057	–
– TK Group Limited	42,336	48,965	34,020	–
– TK Audio Limited	5,698	5,698	5,698	–
– Jin Baoli	572	686	936	757
– TK Technology (Shenzhen)	–	–	–	166,822
– TK Plastics (Shenzhen)	–	–	–	156,656
– TK Mold Limited	–	–	–	3,030
	48,606	55,349	62,711	327,265

CAPITAL EXPENDITURES AND COMMITMENTS

Capital commitments

We had the following capital commitments as at the dates indicated:

	31 December			30 June
	2010	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
In respect of the acquisition of plant and equipment, contracted but not provided for	1,361	1,358	966	12,980
In respect of the acquisition of buildings, authorised but not contracted for	1,140	72,592	29,780	–
	2,501	**73,950**	**30,746**	**12,980**

During the Track Record Period, capital commitments in respect of acquisition of plant and equipment, contracted but not provided for primarily consisted of contracts for machines used in production. During the Track Record Period, capital commitments in respect of acquisition of buildings, authorised but not contracted for primarily consisted of certain construction-in-progress for the Shenzhen Tangjia Plants. As at 30 June 2013, we had capital commitments of HK$13.0 million in relation to purchase of mold fabrication equipment.

Operating lease commitments

As at the dates indicated, we had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	31 December			30 June
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Not later than one year	1,642	1,724	2,356	16,060
Later than one year and not later than five years	6,158	4,740	3,015	22,781
	7,800	**6,464**	**5,371**	**38,841**

We lease premises under a non-cancellable operating lease agreements. The significant increase as at 30 June 2013 was primarily due to leases executed with our connected person as part of the Reorganisation. For details on such leases, please refer to the sections headed "Connected Transactions—Continuing Connected Transactions—Continuing connected transactions exempt from the independent Shareholders' approval requirement—The Shenzhen Yulu Plant B Lease Agreements" and "Connected Transactions—Continuing Connected Transactions—Continuing connected transactions exempt from the independent Shareholders' approval requirement—The Shenzhen Tangjia Plants Lease Agreement".

WORKING CAPITAL

Our Directors are of the opinion that after taking into account the existing financial resources available to us, the available banking facilities, the expected internally generated funds and the estimated net proceeds from the Global Offering, we have sufficient working capital for our present requirements, that is, for at least the next 12 months from the date of this prospectus.

OFF-BALANCE SHEET ARRANGEMENTS

As at the Latest Practicable Date, we did not have any off-balance sheet arrangements.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT FINANCIAL RISK

We are exposed to the following financial and market risks: foreign exchange risk, price risk, cash flow and fair value interest rate risk, credit risk and liquidity risk.

Foreign Exchange Risk

During the Track Record Period, we had sales and purchases transactions denominated in currencies other than the functional currency of the entities in our Group and our foreign currency risk exposure mainly arises from fluctuations in the U.S. dollar, Euro, Hong Kong

Dollar, and Japanese Yen exchange rates. In light of receivables denominated in currencies other than the Renminbi, specifically, the Euro and the U.S. dollar, certain of our Old Group Companies had entered into certain forward exchange contracts since 2011.

The carrying amounts of foreign currency-denominated monetary assets and monetary liabilities as at the dates indicated below were as follows:

	Assets				**Liabilities**			
	31 December			**30 June**	**31 December**			**30 June**
	2010	**2011**	**2012**	**2013**	**2010**	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong dollar	23,280	18,498	23,808	12,905	87,386	95,273	127,423	9,793
U.S. dollar	77,757	141,843	185,276	97,368	2,469	7,301	21,716	4,979
Euro	7,457	16,418	14,081	19,518	–	46	1,047	1,486
Japanese Yen	–	–	–	–	3,319	–	–	–
	108,494	**176,759**	**223,165**	**129,791**	**93,174**	**102,620**	**150,186**	**16,258**

Our Directors have prepared sensitivity analysis for the exchange rates of the U.S. dollar and the Euro, respectively, against the Renminbi as our revenue were primarily denominated in these two currencies during the Track Record Period.

The following analysis is for illustration purposes only and does not take into account the potential adjustments to the selling price of our products as a result of the change in the foreign currency exchange rates. The sensitivity analysis below sets out the sensitivity of our gross profit and profit before taxation during the Track Record Period with reference to movements in the annual average exchange rate of the U.S. dollar and the Euro, respectively, against the Renminbi. The movement of average exchange rate of the U.S. dollar and the Euro, respectively, against the Renminbi used in the below analysis represents 5.0%, 10.0% and the maximum (historical) range in the fluctuation of the annual average exchange rate of USD and Euro against RMB for the Track Record Period.

		Year ended 31 December						**Six months ended 30 June**	
		2010		**2011**		**2012**		**2013**	
	Increase/ decrease in exchange rate	**Gross Profit**	**Profit before taxation**	**Gross Profit**	**Profit before taxation**	**Gross Profit**	**Profit before taxation**	**Gross Profit**	**Profit before taxation**
Euro	+/-5.0%	+/-2.1%	+/-5.4%	+/-2.7%	+/-6.2%	+/-1.7%	+/-3.4%	+/-3.2%	+/-8.1%
	+/-10.0%	+/-4.1%	+/-10.8%	+/-5.3%	+/-12.4%	+/-3.4%	+/-6.8%	+/-6.3%	+/-16.1%
	+/-10.99%	+/-4.5%	+/-11.8%	+/-5.8%	+/-13.6%	+/-3.8%	+/-7.5%	+/-7.0%	+/-17.7%
U.S. dollar	+/-5.0%	+/-10.9%	+/-28.3%	+/-9.9%	+/-23.1%	+/-11.7%	+/-23.3%	+/-11.5%	+/-29.3%
	+/-7.25%	+/-15.7%	+/-41.0%	+/-14.4%	+/-33.6%	+/-16.9%	+/-33.8%	+/-16.7%	+/-42.5%
	+/-10.0%	+/-21.7%	+/-56.5%	+/-19.9%	+/-46.3%	+/-23.4%	+/-46.6%	+/-23.0%	+/-58.6%

Derivative Financial Instruments

We generate a substantial amount of our revenue and trade receivables in the U.S. dollar, while a substantial amount of our cost is denominated in the Renminbi. In 2011, our Old Group Companies had begun entering into foreign exchange contracts primarily to hedge against the appreciation of the Renminbi against the U.S. dollar. As we also generate a notable amount of revenue in the Euro, our Old Group Companies had also entered into forward exchange contracts to hedge against the depreciation of the Euro against the U.S. dollar. Approximately 64.5%, 71.2%, 79.2% and 67.2% of our revenue during the Track Record Period were denominated in the U.S. dollar, whereas approximately 12.3%, 19.0%, 11.6% and 18.5% of our revenue during the Track Record Period were denominated in the Euro. As a result of the Reorganisation, as at the Latest Practicable Date, our Group no longer held any derivatives contracts as the contracts were retained by the Old Group Companies.

In 2011, 2012 and the six months ended 30 June 2013, we recognised a realised gain on derivative financial instruments of HK$37,000, HK$2.2 million and HK$2.1 million, respectively, and unrealised fair value changes on derivative financial instruments of a loss of HK$1.9 million, a gain of HK$3.4 million and a loss of HK$1.5 million, respectively. Please refer to Note 6 to the Accountant's Report set out in Appendix I to this prospectus for further details. Our Directors consider that such income had been immaterial during the Track Record Period.

Historically, our Group has recorded unrealised fair value changes on derivative financial instruments amounted to loss of HK$1.9 million, gain of HK$3.4 million and a loss of HK$1.5 million for 2011, 2012 and six months ended 30 June 2013, which added volatility to, although immaterial when compared with our net profit, our results of operations and financial condition for and at the end of the relevant periods. In addition, our Directors have considered the previous experiences of other listed companies of incurring significant losses from hedging by way of investing in financial derivative instruments, which materially and adversely affected the interests of such listed companies' shareholders. On the basis of the above, our Directors consider that the hedging through the use of derivative financial instrument involve risks greater than the benefits which may be accrued to our Group, so that our Directors have decided that going forward, it is in our best interest to not invest in any derivative financial instruments for hedging our Group's foreign exchange rate risk. Our Directors confirmed that the entering into of the derivative financial instruments during the Track Record Period was for hedging purpose and not for speculation.

Our Directors consider that the absence of the use of derivate financial instruments going forward for hedging our foreign exchange risk will not have a material adverse effect on our Group's operating and financial positions after considering the following mitigating factors: (a) during the Track Record Period and going forward, we have adopted and will continue to adopt a pricing policy of taking into account our cost of production and targeted margin percentage, which factors in foreign exchange considerations when we provide our quotation to our customer; (b) our quotations specify a spot rate for currency translation, which allows us to renegotiate the quotation with our customers should foreign exchange rates fluctuate more than 3%; (c) majority of our costs are denominated in the Renminbi, whereas approximately 12.5%, 5.1%, 6.9% and 11.9% of revenue during the Track Record Period were denominated in RMB, which serves as a natural hedge against currency fluctuation of the RMB; and (d) during the Track Record Period and going forward, we have been procuring and will procure raw materials and components upon customers' confirmation of their purchase orders so that the time gap between the confirmation of the sale price and the purchase of raw materials is not long. Our Directors confirm that such time gap 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 the exposure to the foreign exchange fluctuation is not significant.

During the Track Record Period, our Old Group Companies had entered into the following types of derivative financial instruments:

(a) Plain forward contracts: On the expiry date, the relevant Old Group Company would exchange U.S. dollars in return for Renminbi at a pre-specified rate.

The following is a summary of the key terms of the plain forward contracts our Old Group Companies had entered into during the Track Record Period:

No.	Contract Date	Expiry Date	Term *(Note)*	Contracted Transaction
1.	25 November 2011	28 November 2012	1 year, which settles on expiry date	Exchange USD2.0 million for RMB12,660,000
2.	11 May 2012	15 May 2013	1 year, which settles on expiry date	Exchange USD2.0 million for RMB12,766,000
3.	30 May 2013	3 June 2014	1 year, which settles on expiry date	Exchange USD1.0 million for RMB6,240,000

Note: Final settlement date varies in accordance with the terms of the contract.

(b) USD/EUR/RMB forward: On each settlement date, if the USD/EUR rate is at or below a specified rate, the relevant Old Group Company would pay the bank USD 1.0 million in exchange for RMB6,370,000; or if the USD/EUR rate is above the specified rate, the relevant Old Group Company would pay the bank EUR724,637.68 in exchange for RMB6,370,000.

The following is a summary of the key terms of the USD/EUR/RMB forward one of our Old Group Companies had entered into during the Track Record Period:

No.	Contract Date	Expiry Date	Term*(Note)*	Nominal Amount	Specified Rate
1.	17 April 2012	19 April 2014	24 settlements, approximately once a month	USD1,000,000	1.38

Note: Final settlement date varies in accordance with the terms of the contract.

(c) RMB/USD variable contracts and fixed-variable contracts: On each settlement date, if the RMB/USD rate is below the lower strike rate, the relevant Old Group Company would receive a variable gain or a fixed gain, depending on the specific terms of the relevant contract; if the RMB/USD is above the upper strike rate, the relevant Old Group Company would incur a variable loss; and if the RMB/USD rate is at or in between the lower strike rate and upper strike rate, the relevant Old Group Company would either receive a variable gain or no gain, depending on the specific terms of the relevant contract.

The following is a summary of the key terms of RMB/USD variable contracts and fixed-variable contracts our Old Group Companies had entered into during the Track Record Period:

No.	Contract Date	Expiry Date	Term(1)	Nominal Amount	Lower Strike Rate	Upper Strike Rate
1.	3 January 2012	6 January 2014	24 settlements, approximately once a month	USD1,000,000.0	6.52	6.55
2.	18 May 2012	22 May 2014	24 settlements, approximately once a month	USD1,000,000.0	6.47	6.5
3.	2 January 2013	8 April 2015	24 settlements, approximately once a month	USD1,000,000.0	6.37	6.4
4.	9 May 2013	2 September 2015	24 settlements, approximately once a month	USD275,000.0	6.23	6.33
5.	28 March 2013	2 June 2015	24 settlements, approximately once a month	USD500,000.0	6.3	6.41
6.	28 July 2011	1 November 2013	24 settlements, approximately once a month	USD1,000,000.0	6.535	6.565
7.	26 March 2012	10 June 2014	24 settlements, approximately once a month	USD1,000,000.0	6.5(2)	6.5(2)
8.	9 January 2013	12 January 2015	21 settlements, approximately once a month	USD1,000,000.0	6.45 for the first 9 settlements, 6.40 subsequently	6.45 for the first 9 settlements, 6.40 subsequently

1. Only one "forward rate" for this contract.

2. Final settlement date varies in accordance with the terms of the contract.

(d) USD/Euro variable rates contracts: On each settlement date, if the USD/EUR rate is lower or equal to the lower strike rate, the relevant Old Group Company would receive a variable gain; if the USD/EUR rate is at or above the upper strike rate, the relevant Old Group Company would incur a variable loss; and if the RMB/USD rate is in between the lower strike rate and upper strike rate, there is no gain or loss.

The following is a summary of the key terms of the unsettled USD/EUR variable rates contracts our Old Group Companies had entered into during the Track Record Period:

No.	**Contract Date**	**Expiry Date**	**Term**[Note]	**Nominal Amount**	**Lower Strike Rate**	**Upper Strike Rate**
1.	9 January 2013	13 January 2014	12 months; 12 settlements, approximately once a month	EUR1,000,000	1.330	1.365
2.	9 May 2013	4 June 2014	12 months; 12 settlements, approximately once a month	EUR500,000	1.34	1.38

Note: Final settlement date varies in accordance with the terms of the contract.

Credit Risk

We are exposed to credit risk in relation to our cash and cash equivalents, pledged bank deposits, trade and other receivables, amounts due from related companies and financial guarantees provided.

In order to mitigate the credit risk regarding cash and cash equivalents and pledged bank deposits, we manage our credit risk by placing all bank deposits in state-owned financial institutions or reputable banks with high credit quality.

We manage our credit risk in respect of trade and other receivables and amounts due from related companies by performing ongoing credit evaluations of our debtors' respective financial condition. Based on the expected recoverability and timing for collecting of the outstanding balances, we maintain a provision for doubtful accounts and actual losses have been within our expectations.

As at 31 December 2010, 2011 and 2012 and 30 June 2013, we were exposed to certain concentration of credit risk as approximately 25.0%, 47.6%, 48.8% and 30.6%, respectively, of the total trade receivables, were due from our five largest customers.

Cash Flow and Fair Value Interest Rate Risk

Our borrowings at variable interest rates would expose our cash flow to cash flow interest rate risk. Our borrowing at fixed rates would expose us to fair value interest rate risk. We do not currently hedge against interest rate risk.

Liquidity risk

We rely on bank borrowings as a significant source of funding. However, our management monitor and maintain a level of cash and cash equivalents deemed adequate by our finance department to maintain flexibility in funding our operations during the Track Record Period. Our Directors are of the opinion that we will be able to meet our financial obligations when they fall due.

Price Risk

We are not materially exposed to equity securities price risk or commodity price risk. We have not entered into any long-term contract with our suppliers and we have usually been able to pass on the fluctuation in the price of raw materials to our customers. To mitigate the influence of raw material purchase price on our profits and profit margin, we price our products taking into account our cost of production and targeted margin percentage. Our Directors consider that we have monitored and managed the fluctuations in the price of raw materials risk effectively through the adoption of a pricing policy that takes into account our cost of production and targeted margin percentage, as our gross profit margin during the Track Record Period were relatively stable and ranged from 29.2% to 35.8% even though according to the Ipsos Report, the average market price of our key raw materials, namely plastic resin (including polycarbonate, polyamide and polybutylene) has increased from USD2,641 per tonne in 2010 to USD2,784 per tonne in 2012, representing an increase of approximately 5.4%, and steel has increased from RMB4,256 per tonne in 2010 to RMB4,817 in 2011, representing an increase of approximately 13.2%.

Please also refer to the section headed "Risk Factors—Risks Relating to Our Business—Fluctuations in the price of raw materials may have a material adverse effect on our business, results of operations and financial condition".

Sensitivity analysis

Our Directors have prepared sensitivity analysis for plastic resins and steel (including steel and mold bases) as these two types of raw materials were the two key raw materials of our production during the Track Record Period.

The following analysis is for illustration purposes only and does not take into account the potential adjustments to the selling price of our products as we have adopted a pricing policy that takes into account our cost of production and targeted margin percentage. The sensitivity analysis below sets out the sensitivity of our gross profit and profit before taxation during the Track Record Period with reference to movements in the average price of plastic resins (including polycarbonate, polyamide and polybutylene) and that of steel. The movement of average price of plastic resins (including polycarbonate, polyamide and polybutylene) and steel used in the below analysis represents 5%, 10%, 15% and the maximum (historical) range in the fluctuation of the average prices of plastic resins (including polycarbonate, polyamide and polybutylene) and that of steel (extracted from the Ipsos Report), respectively, from 2010 to 2012.

		Year ended 31 December						Six Months ended 30 June	
		2010		2011		2012		2013	
	Increase/ decrease in the average price	Gross Profit	Profit before taxation	Gross Profit	Profit before taxation	Gross Profit	Profit before taxation	Gross Profit	Profit before taxation
Plastic resins	+/-5.0%	+/-1.5%	+/-3.9%	+/-0.8%	+/-2.0%	+/-1.2%	+/-2.4%	+/-1.6%	+/-4.1%
	+/-10.0%	+/-3.0%	+/-7.8%	+/-1.7%	+/-3.9%	+/-2.4%	+/-4.7%	+/-3.2%	+/-8.2%
	+/-15.0%	+/-4.5%	+/-11.8%	+/-2.5%	+/-5.9%	+/-3.6%	+/-7.1%	+/-4.9%	+/-12.3%
	+/-15.1%	+/-4.5%	+/-11.8%	+/-2.6%	+/-5.9%	+/-3.6%	+/-7.2%	+/-4.9%	+/-12.4%
Steel	+/-5.0%	+/-1.9%	+/-4.8%	+/-0.9%	+/-2.2%	+/-0.9%	+/-1.8%	+/-1.2%	+/-3.1%
	+/-10.0%	+/-3.7%	+/-9.6%	+/-1.9%	+/-4.4%	+/-1.8%	+/-3.5%	+/-2.4%	+/-6.2%
	+/-15.0%	+/-5.6%	+/-14.4%	+/-2.8%	+/-6.5%	+/-2.7%	+/-5.3%	+/-3.7%	+/-9.3%
	+/-17.5%	+/-6.5%	+/-16.9%	+/-3.3%	+/-7.6%	+/-3.1%	+/-6.2%	+/-4.3%	+/-10.9%

DIVIDENDS AND DIVIDEND POLICY

Pursuant to the Companies Law and our Articles, we, through a general meeting, may declare dividends in any currency, but no dividend shall be declared in excess of the amount recommended by the Board. Our Articles of Association provide that dividends may be declared and paid out of our profit, realised or unrealised, or from any reserve set aside from profits which our Directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of our share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law. For 2010, 2011 and 2012 and the six months ended 30 June 2013, our Group declared and paid dividends of HK$37.3 million, HK$30.8 million, HK$55.0 million and HK$77.2 million, respectively. For the period subsequent to 30 June 2013 and up to the Latest Practicable Date, our Group declared dividends of HK$149.3 million, and such dividends declared will be fully settled before Listing, partly with funds from the debt facilities taken out subsequent to 30 June 2013 as describe above in the section headed "Indebtedness—Borrowings" in this prospectus and partly with internal financial resources.

Future dividend payments will also depend upon the availability of dividends we will receive from our subsidiaries in the PRC. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including HKFRS. PRC laws also require foreign investment enterprises to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our PRC subsidiaries may also be subject to any restrictive covenants in bank credit facilities or loan agreements, convertible bond instruments or other agreements that we or they may enter into in the future.

Our Board has absolute discretion in determining whether to declare any dividend for any period and, if it decides to declare a dividend, the amount of dividend to be declared. Going forward, we will re-evaluate our dividend policy in light of our financial position and the prevailing economic climate. The determination to pay dividends, however, will be made at the discretion of our Board and will be based upon our earnings, cash flow, financial condition, capital requirements, statutory fund reserve requirements and any other conditions that our Directors deem relevant. The payment of dividends may also be limited by legal restrictions and by financing agreements that we may enter into in the future. Subject to the factors described above, starting from 2014 and in the foreseeable future, our Board intends to recommend dividends of no less than 30% of our net profit available for distribution to the Shareholders in a financial year.

DISTRIBUTABLE RESERVES

As at 30 June 2013, our Company had no reserve available for distribution to our equity holders.

LISTING EXPENSES

Total expenses expected to be incurred in relation to the Listing (including underwriting commission) are approximately HK$36.3 million based on the midpoint of the Offer Price range. During the Track Record Period, listing expenses of HK$13.0 million was recognised as expenses and HK$6.4 million was capitalised as capital reserve. It is estimated that based on the midpoint of the Offer Price range set out in this prospectus, additional listing expenses in the sum of approximately HK$3.2 million will be capitalised after the Listing, HK$6.3 million will be set off against the share premium account and the remaining listing expenses in the sum of approximately HK$7.4 million will be recognised as expenses for the year ending 31 December 2013.

NO ADDITIONAL DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our directors have confirmed that, as at the Latest Practicable Date, we were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there had been no material adverse change in the financial or trading position or prospects of our Company or its subsidiaries since 30 June 2013, which is the end of the period covered by the Accountant's Report set out in "Appendix I — Accountant's Report", to the date of this prospectus.