Wai Chi Holdings Company Limited
偉志控股有限公司

Bring light to life

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1305

Sole Sponsor

長江證券融資（香港）有限公司
CHANGJIANG CORPORATE FINANCE (HK) LIMITED

Sole Global Coordinator

長江證券經紀（香港）有限公司
CHANGJIANG SECURITIES BROKERAGE (HK) LIMITED

Joint Bookrunners and Joint Lead Managers

長江證券經紀（香港）有限公司
CHANGJIANG SECURITIES BROKERAGE (HK) LIMITED

RHB OSK
RHB OSK Securities Hong Kong Limited

廣發香港
GF HONG KONG

SHARE OFFER

IMPORTANT

If you are in any doubt about this prospectus, you should obtain independent professional advice.

Wai Chi Holdings Company Limited
偉志控股有限公司

(incorporated in the Cayman Islands with limited liability)

SHARE OFFER

Number of Offer Shares	**:**	**50,000,000 Shares (subject to the Over-allotment Option)**
Number of Public Offer Shares	**:**	**5,000,000 Shares (subject to reallocation)**
Number of Placing Shares	**:**	**45,000,000 Shares (subject to reallocation and the Over-allotment Option)**
Maximum Offer Price	**:**	**HK$3.7 per Offer Share (payable in full on application in Hong Kong dollars subject to refund on final pricing) plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%**
Nominal value	**:**	**HK$0.01 per Share**
Stock code	**:**	**1305**

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A copy of this prospectus, having attached thereto the documents specified in the section entitled "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VI of this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

*The Offer Price is expected to be determined by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Tuesday, 11 November 2014, but in any event no later than Friday, 14 November 2014. The Offer Price will be not more than HK$3.7 per Offer Share and is currently expected to be not less than HK$3.0 per Offer Share unless otherwise announced. Investors applying for Public Offer Shares must pay, on application, the maximum indicative Offer Price of HK$3.7 per Offer Share, unless otherwise announced, together with brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK$3.7. The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, with the consent of our Company, reduce the indicative Offer Price range stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer on Monday, 10 November 2014, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) notices of the reduction in the indicative Offer Price range. Such notice will also be available at our Company's website at **www.waichiholdings.com** and the website of the Stock Exchange at **www.hkexnews.hk**. Further details are set out in the sections entitled "Structure and Conditions of the Share Offer" and "How to Apply for Public Offer Shares" in this prospectus. If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on or before Friday, 14 November 2014, the Share Offer will not proceed and will lapse.*

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus and the related Application Forms, including the risk factors set out in the section entitled "Risk Factors" in this prospectus.

Pursuant to the termination provisions contained in the Public Offer Underwriting Agreement in respect of the Share Offer, the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) has the right in certain circumstances, in its sole discretion, to terminate the obligations of the Public Offer Underwriters pursuant to the Public Offer Underwriting Agreements at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (which is currently expected to be Tuesday, 18 November 2014). Further details of the terms of the termination provisions are set out in the paragraph entitled "Grounds for termination" under the section entitled "Underwriting" in this prospectus. It is important that you refer to that section for further details.

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

4 November 2014

We will issue an announcement in Hong Kong to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.waichiholdings.com** if there is any change in the following expected timetable of the Public Offer.

	2014[1]
Latest time to complete electronic applications under the **HK eIPO White Form** service through the designated website **www.hkeipo.hk**[3]	11:30 a.m. on Monday, 10 November
Application lists open[2]	11:45 a.m. on Monday, 10 November
Latest time for lodging **White** and **Yellow** Application Forms and giving **electronic application instructions** to HKSCC[4]	12:00 noon on Monday, 10 November
Latest time to complete payment of **HK eIPO White Form** applications effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Monday, 10 November
Application lists close[2]	12:00 noon on Monday, 10 November
Expected Price Determination Date[5]	Tuesday, 11 November
Announcement of the Offer Price, the indication of the levels of interest in the Placing, the results of applications in respect of the Public Offer and the results and basis of allotment under the Public Offer to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.waichiholdings.com**[8] from	Monday, 17 November
Results of allocations in the Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the section entitled "How to Apply for Public Offer Shares — Refund of Application Monies" from	Monday, 17 November

2014[1]

Results of allocations in the Public Offer will be available at **www.tricor.com.hk/ipo/result** with a "search by ID" function from	Monday, 17 November
Despatch of Share certificates in respect of wholly or partially successful applications pursuant to the Public Offer on or before[6]	Monday, 17 November
Despatch of e-Auto Refund Payment instructions/refund cheques in respect of wholly successful (if applicable) or wholly or partially unsuccessful applications pursuant to the Public Offer on or before[6]&[7]	Monday, 17 November
Dealings in Shares on the Stock Exchange to commence at 9:00 a.m. on	Tuesday, 18 November

Notes:

1. Unless otherwise stated, all times refer to Hong Kong local time. Details of the structure of the Share Offer, including its a conditions, are set out in the section entitled "Structure and Conditions of the Share Offer" in this prospectus. If there is any change in this expected timetable, an announcement will be published in the South China Morning Post in English and in the Hong Kong Economic Times in Chinese and on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.waichiholdings.com**.

2. If there is a "black" rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 10 November 2014, the application lists will not open and close on that day. Please see the paragraph entitled "Effect of bad weather conditions on the opening of the application lists" under the section entitled "How to apply for Public Offer Shares" in this prospectus. If the application lists do not open and close on Monday, 10 November 2014, the dates mentioned in this section entitled "Expected Timetable" may be affected. An announcement will be made by our Company in such event.

3. You will not be permitted to submit your application through the designated website under **HK eIPO White Form** service at **www.hkeipo.hk**, after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

4. Applicants who apply by giving **electronic application instructions** to the HKSCC should refer to the paragraph entitled "Applying by giving **electronic application instructions** to HKSCC via CCASS" under the section entitled "How to Apply for Public Offer Shares" in this prospectus.

5. The Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or about Tuesday, 11 November 2014 and, in any event, not later than 6:00 p.m. on Friday, 14 November 2014. If, for any reason, the Offer Price is not agreed by the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company, the Share Offer will not proceed and will lapse.

6. Applicants who have applied on **WHITE** application forms or through **HK eIPO White Form** service for 1,000,000 or more Public Offer Shares under the Public Offer and have indicated in their applications that they wish to collect any refund cheques and Share certificates in person, may do so from the Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Monday, 17 November 2014. Applicants being individuals who opt for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporation stamped with the corporation's chop. Both individuals and representatives of corporations must produce, at the time of collection, identification and (where applicable) documents acceptable to Hong Kong Share Registrar at the time of collection. Applicants who have applied on **YELLOW** application forms for 1,000,000 or more Public Offer Shares under the Public Offer may collect their refund cheques, if any, in person but may not elect to collect their Share certificates which will be deposited into CCASS for the credit of their designated CCASS participants' stock accounts or CCASS investor participant stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** application form applications are the same as those for **WHITE a**pplication form applicants. Applicants who apply for Public Offer Shares by giving electronic application instructions to HKSCC should refer to the section headed "How to Apply for Public Offer Shares — Applying by giving electronic application instructions to HKSCC via CCASS" in this prospectus for details. Uncollected share certificates (if applicable) and refund cheques (if applicable) will be despatched by ordinary post at the applicants' own risk to the addresses specified in the relevant applications. Further information is set out in the paragraph headed "How to apply for Public Offer Shares — Refund of Application Monies" in this prospectus.

7. e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and also in respect of wholly or partially successful applications in the event that the Offer Price is less than the initial price per Public Offer Share payable on application. All refunds will be paid by e-Auto Refund payment instruction or a cheque crossed "Account Payee Only" made out to you, or if you are joint applicants, to the first named applicant on your Application Form. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set out in "How to Apply for Public Offer Shares" in this prospectus.

8. None of the Company's website or any of the information contained on the Company's website forms part of this prospectus.

Share certificates will only become valid certificates of title at 8:00 a.m. on Tuesday, 18 November 2014 provided that the Share Offer has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of their Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.

For further details in relation to the Public Offer, see the sections entitled "How to Apply for Public Offer Shares" and "Structure and Conditions of the Share Offer" in this prospectus.

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You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the Sole Global Coordinator, the Underwriters, any of their respective directors, officers or representatives, employees, agents, professional advisers, or any other person or party involved in the Share Offer.

CONTENTS

This summary aims to give you an overview of the information contained in this prospectus and should be read in conjunction with the full text of this prospectus. As this is only a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Offer Shares.

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

OUR BUSINESS MODEL

Our Principal Business Activities

We are an established LED products manufacturer focusing on producing LED backlight and LED lighting products on an OEM and ODM basis. Equipped with comprehensive production facilities in Shenzhen, Huizhou and Yichang in the PRC, our Group is capable of handling the requisite production procedures (including product design, mould production, mass production, quality control and maintenance) for LED backlight and LED lighting products.

Our Products and Pricing

Our Group mainly produces LED backlight products. For the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, we derived 97.7%, 92.8%, 90.0% and 93.1% of our total revenue from the selling of our LED backlight products. We produce a variety of LED backlight products of various dimensions, colours and luminosity based on the specifications provided by our customers. Our LED backlight products can principally be classified into three categories, namely: (i) Small LED backlight products (below 7 inches) which are mainly applied by our customers on smartphones, automobile displays, equipment displays, digital cameras, etc.; (ii) Medium LED backlight products (between 7 to 26 inches) which are mainly applied on notebook computers, tablets, computer monitors, equipment displays, etc.; and (iii) Large LED backlight products (more than 26 inches) which are mainly applied on televisions. For the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, our Group's revenue from selling LED backlight products amounted to approximately HK$729.8 million, HK$699.8 million, HK$805.2 million and HK$532.6 million. According to the Euromonitor Report, we ranked second in the Small LED backlight product market in the PRC in 2013, contributing an individual share of 4.3% with a sales value of approximately HK$670.9 million; we ranked seventh among the LED backlight unit manufacturers in the PRC, contributing an individual share of 2.3% with a sales value of HK$805.2 million in 2013.

We have also developed a wide spectrum of LED lighting product series for indoor and outdoor uses. Our indoor LED lighting products mainly include light bulbs, candle lights, light tubes, down lights, MR bulbs, ceiling panels, PL tubes and track lights. Our outdoor LED lighting products include street lights, flood lights, high bays and gas station lamps. During the Track Record Period, our revenue from LED lighting products increased from approximately HK$17.2 million in 2011 to HK$88.9 million in 2013, representing a CAGR of 127.3%. Our environmental and quality LED lighting products are recognised and being recommended by the Guangzhou government authorities in the "Guangdong Province Green Lighting Model City Catalogue of Recommended Products for Procurement".

We do not provide any warranty of our LED backlight products but we generally provide warranty for our LED lighting products for a period of 1 to 5 years from the date of delivery of the products to our customers. In the event that a claim under a warranty comes to light, we may recoup any losses incurred by us from our suppliers pursuant to the suppliers' warranties granted to us. We also offer product return for our LED backlight products in case the products do not conform to our customers' specifications, are not of merchantable quality, are delivered earlier than contracted, or the defective rates exceed the agreed rates.

We usually fix the price of our LED products on a cost plus profit margin basis. We determine the pricing of our LED products by taking into account various factors, including but not limited to: (i) dimensions, (ii) technological requirements, (iii) volume of purchase, (iv) production costs, (v) quality control requirements, (vi) market prices, and (vii) product type.

OUR PRODUCTION FACILITIES

Our production is conducted at our factories in Shenzhen, Huizhou and Yichang, PRC. Our Shenzhen Production Plant is responsible for producing Small LED backlight products and Medium LED backlight products, and our Huizhou Production Plant is responsible for producing all dimensions of LED backlight products and our LED lighting products, while our Yichang Production Plant is responsible for producing LED lighting products only. The table below summarises our production capacity and utilization rates during the Track Record Period:

Breakdown of estimated production capacity, actual production volume and utilization rate of our production lines for our LED backlight products during the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014:

	Estimated production capacity[1]				Actual production volume				Average utilization rate[2]			
	For the year ended 31 December			For the six months ended 30 June	For the year ended 31 December			For the six months ended 30 June	For the year ended 31 December			For the six months ended 30 June
	2011	2012	2013	2014	2011	2012	2013	2014	2011	2012	2013	2014
	('000 pieces)	*('000 pieces)*	*('000 pieces)*	*('000 pieces)*	*('000 pieces)*	*('000 pieces)*	*('000 pieces)*	*('000 pieces)*				
LED backlight products[3]												
Small	145,929	131,206	128,392	76,192	112,214	104,577	111,598	70,327	77%	80%	87%	92%
Medium	5,291	3,863	3,654	2,140	910	796	1,490	1,253	17%	21%	41%	59%
Large	2,088	2,088	2,392	1,304	639	1,019	1,526	879	31%	49%	64%	67%
	153,308	137,157	134,438	79,636	113,763	106,392	114,614	72,459	74%	78%	85%	91%
LED lighting products[4]												
Indoor	188	292	289	186	36	148	242	126	19%	51%	84%	68%
Outdoor	106	122	184	100	13	9	33	11	12%	7%	18%	11%
	294	414	473	286	49	157	275	137	17%	38%	58%	48%

Notes:

(1) The estimated production capacity for the years 2011, 2012 and 2013 is calculated for illustration purpose only, based on 348 working days per year and 10 working hours per day. The estimated production capacity for the six months ended 30 June 2014 is calculated for illustration purpose only, based on 174 working days and 10 working hours per day.

(2) The average utilization rate for the years 2011, 2012 and 2013 is calculated by dividing the total production volume of a year by the estimated production capacity of the year. The average utilization rate for the six months ended 30 June 2014 is calculated by dividing the total production value of the period by the estimated production capacity of a half year, based on 174 working days.

(3) In respect of our LED backlight products, the primary factor resulting in the decrease of our estimated production capacity from 2011 to 2013 was the phasing out of certain obsolete production equipment for Small LED backlight products.

(4) In respect of our LED lighting products, the increase in our estimated production capacity from 2011 to 2013 was primarily due to the increase in the number of production lines coupled with the increase in manpower in our Huizhou Production Plant.

We are planning to enhance our production capacity in automobile and smartphone LED backlight segments by (i) setting up new production lines with additional staff, (ii) purchasing new machinery to further increase the level of automation, and (iii) increasing the number of night shifts. We also intend to purchase additional laser engraving machines to upgrade the level of skillset in our production process of television LED backlight products.

OUR CUSTOMERS

Our customers are principally commercial corporations who buy and apply our LED backlight products in their own products and sell them to their respective clients under their own brands, and local governments who buy our lighting products by way of our tendering for lighting improvement and energy-saving projects in the relevant countries or districts.

During the Track Record Period, the PRC was the largest market of our Group, accounting for approximately 77.2%, 80.8%, 83.3% and 85.2% of our Group's turnover for the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014. Our customers include smartphones, automobile displays, equipment displays and television manufacturers, who apply our Group's LED backlight products to their respective products. Our major customers are various well-known brands in the PRC, including Biyadi, Varitronix, Truly, Tianma, Shenzhen Lead and Wuxi Booyi. We have established long term relationships with our top five customers, ranging from five to 16 years. For each of the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, our top five customers accounted for approximately 72.3%, 62.4%, 48.8% and 54.3% of our total turnover respectively; and for the same period, our single largest customer accounted for approximately 35.5%, 25.9%, 20.2% and 20.8% of our total turnover respectively. During the Track Record Period, aside from Wai Chi Electronics Limited, and as at the Latest Practicable Date, all of our customers are Independent Third Parties.

Our trade receivables turnover days increased from 94 days in 2011 to 120 days in 2012, increased to 130 days in 2013, and further increase to 137 day as at 30 June 2014. The increase in the trade receivables turnover days in 2012 was mainly because we terminated the related party transactions with Wai Chi Electronics Limited in the fourth quarter of 2011, who sold the finished products supplied by us to independent overseas customers. The increase in the trade receivables turnover days in 2013 was mainly due to the LED lighting projects for Huizhou Boluo government which have longer settlement period as the settlement was subject to the government's lengthy internal procedures. As of the Latest Practicable Date, HK$350.8 million, or 74.1% of the net trade receivables as at 30 June 2014 were subsequently settled. Please refer to the paragraph headed "Trade and bills receivables" in the "Financial Information" section for further details of our trade receivables turnover days.

Prior to the fourth quarter of 2011, we sold certain finished goods to Wai Chi Electronics Limited who then sold the finished products to independent overseas customers. As Wai Chi Electronics Limited was one of our related parties, the balance with Wai Chi Electronics Limited was recorded in the amount due from related parties but not trade receivables. In the fourth quarter of 2011, we started to sell directly to overseas customers and the balance with the customers was recorded in trade receivables.

Our trade receivables as at 31 December 2011 and 2012 increased accordingly. As a result, our average trade receivables as at 31 December 2011 and 2012 increased significantly as compared to our average trade receivables as at 31 December 2010 and 2011. Therefore, the trade receivables turnover days increased from 94 days in 2011 to 120 days in 2012 due to the adoption of average trade receivables balances in its calculation.

SALES AND MARKETING

The following tables set forth the breakdown of sales of our LED backlight products and LED lighting products by products and by application during the Track Record Period:

Breakdown of sales by products during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2011		2012		2013		2013		2014	
	HK$'000	*% of total*	*HK$'000*	*% of total*	*HK$'000*	*% of total*	*HK$'000* (unaudited)	*% of total*	*HK$'000*	*% of total*
Sales by products										
LED backlight products										
– Small	668,586	89.5	625,849	83.0	670,905	75.0	324,167	77.7	451,595	78.9
– Medium	19,837	2.7	11,262	1.5	29,055	3.2	8,336	2.0	19,822	3.5
– Large	41,351	5.5	62,706	8.3	105,202	11.8	50,510	12.1	61,171	10.7
	729,774	97.7	699,817	92.8	805,162	90.0	383,013	91.8	532,588	93.1
LED lighting products										
– Indoor	7,907	1.1	43,611	5.8	52,693	5.9	27,170	6.5	27,309	4.8
– Outdoor	9,297	1.2	10,227	1.4	36,178	4.1	6,894	1.7	11,978	2.1
	17,204	2.3	53,838	7.2	88,871	10.0	34,064	8.2	39,287	6.9
Total	746,978	100.0	753,655	100.0	894,033	100.0	417,077	100.0	571,875	100.0

Breakdown of sales by application during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2011		2012		2013		2013		2014	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Smartphone	435,021	59.6	407,484	58.2	452,351	56.2	218,637	57.1	328,304	61.7
Automobile displays	22,128	3.0	40,898	5.8	54,512	6.8	24,601	6.4	59,365	11.1
Equipment displays	231,274	31.7	188,729	27.0	193,052	24.0	89,099	23.3	83,748	15.7
Televisions	41,351	5.7	62,706	9.0	105,247	13.0	50,676	13.2	61,171	11.5
Total	729,774	100.0	699,817	100.0	805,162	100.0	383,013	100.0	532,588	100.0

The following tables set forth the Average selling price ("ASP") by segment and corresponding gross profit margin and sales volume during the Track Record Period:

	Year ended 31 December									Six months ended 30 June 2014		
	2011			2012			2013					
	ASP HK$	*Gross Profit Margin (%)*	*Sales Volume (piece)*	*ASP HK$*	*Gross Profit Margin (%)*	*Sales Volume (piece)*	*ASP HK$*	*Gross Profit Margin (%)*	*Sales Volume (piece)*	*ASP HK$*	*Gross Profit Margin (%)*	*Sales Volume (piece)*
LED backlight product												
– Small	6.0	22.1	112,213,601	6.0	22.0	104,576,575	6.0	22.0	112,622,829	6.1	22.4	74,577,133
– Medium	21.8	24.7	909,564	14.1	23.4	795,970	16.6	19.7	1,745,518	16.6	19.6	1,192,557
– Large	64.7	22.4	638,809	61.5	30.5	1,018,913	70.2	34.0	1,497,671	77.5	35.2	789,198
LED lighting												
– Indoor	216.9	3.2	36,459	295.3	31.4	147,666	220.4	38.2	239,081	227.1	37.6	120,256
– Outdoor	737.3	39.0	12,609	1,146.9	45.3	8,917	1,104.7	43.6	32,750	1,147.2	43.2	10,441

The average selling price of our Small LED backlight products and Large LED backlight products have remained relatively stable during the Track Record Period. The average selling price of our Medium LED backlight products, and our indoor and outdoor LED lighting products have been subject to fluctuation during the Track Record Period. Please refer to "Financial Information — Key Factors Affecting the Result of Operations — Changes in our product mix" for reasons of changes in the average selling price of our LED products during the Track Record Period.

We market our LED products through a variety of means including leveraging our relationship with existing clientele network for referrals of new customers, using our websites as a promotional platform for our products and communication channel with our customers, participating in exhibitions in and outside Hong Kong, and obtaining authorization from internationally renowned company to use their LED badge on our LED lighting products.

OUR SUPPLIERS AND PRODUCTION MATERIAL

We source production materials from various suppliers so as to reduce our reliance on any single supplier. To ensure the quality and lead time of production materials procured, we adopted stringent procedures in selecting and monitoring our suppliers, for instance we require our existing suppliers to undergo our monthly assessments and conduct physical examination on the factories of the new suppliers before orders are placed.

The production materials purchased by our Group mainly comprised LED lights, film materials, PCB and plastic. The cost of production materials is the major component of our total cost of sales. For the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, our top five suppliers of production materials accounted for approximately 25.2%, 31.3%, 30.8% and 32.0% of our total cost of sales respectively; and for the same period, our single largest supplier accounted for approximately 10.0%, 16.1%, 12.1% and 14.0% of our total cost of sales. During the Track Record Period, aside from Wai Chi Electronics Limited, and as at the Latest Practicable Date, all of our top five suppliers are Independent Third Parties.

During the Track Record Period, we had successfully implemented our pricing policy and enable us to pass on the increase in price of raw materials to our customers by adjusting the price upward. However, there is no guarantee that we would be able to pass the increases in price of raw materials to customers in the future, and which would adversely impact our financial performance.

OUR COMPETITIVE STRENGTHS

We believe that our success and potential future growth are attributable to the following principal competitive strengths:

- we are a top LED backlight manufacturer in the PRC with around 30 years of LED industry knowledge and experience;
- we are capable of providing a comprehensive production process without subcontracting any part of the production process;
- we have a diversified LED product portfolio to reduce reliance on single product type and broadens our customer base and source of revenue;
- we adopt stringent quality control system over LED products and have been awarded various certifications (e.g. ISO 9001:2008 and ISO 14001:2004) for our quality and environmental management system; and
- we have strong research and development ability in order to stay competitive in the market.

OUR BUSINESS STRATEGIES

With the view of intensifying our strength and success in the LED industry to become an industry leader, our Directors have developed the following strategies to pursue further development and expansion of our business:

- enhance our production capacity in automobile and smartphone LED backlight segments;
- upgrade the level of skillset in our production process;
- develop a cooperative business development model for the sales of our LED lighting products; and
- expand into overseas markets and strengthen our overseas presence.

SHAREHOLDERS' INFORMATION

Controlling Shareholders

Immediately following completion of the Share Offer, Rexell Technology, which is wholly-owned by Mr. Yiu, will be legally and beneficially interested in 75% of the Shares in issue (assuming that the Over-allotment Option is not exercised and without taking into account Shares that may be allotted and issued upon the exercise of any options granted under the Share Option Scheme). Accordingly, Mr. Yiu and Rexell Technology will be our Controlling Shareholders within the meaning of the Listing Rules. The Controlling Shareholders confirmed that they and their respective close associates do not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with our business.

SUMMARY OF FINANCIAL INFORMATION

The following tables set forth the summary of our financial information for the Track Record Period and should be read in conjunction with our financial information included in the Accountants' Report, including the notes thereto, in Appendix I to this prospectus.

Selected information from consolidated statements of profit or loss and other comprehensive income

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Turnover	746,978	753,655	894,033	417,077	571,875
Gross Profit	165,674	177,906	225,327	103,942	142,247
Profit before tax	47,380	48,087	69,559	26,150	50,027
Profit for year/period	42,618	40,965	55,190	22,455	41,368
Profit attributable to owners of our Company	42,705	40,965	55,190	22,455	41,368

Selected information from consolidated statements of financial position

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets	266,774	296,081	340,484	354,080
Current assets	656,105	771,259	842,349	992,354
Current liabilities	727,630	777,425	727,832	854,284
Net current (liabilities) assets	(71,525)	(6,166)	114,517	138,070
Total assets less current liabilities	195,249	289,915	455,001	492,150
Net assets	194,632	280,508	420,453	458,188

Key Financial Ratios

The financial ratios below are calculated with reference to the net profit for the years ended 31 December 2011, 2012 and 2013 and six months ended 30 June 2014.

	As at 31 December			As at 30 June
	2011	2012	2013	2014
Gearing ratio	143.2%	116.0%	53.4%	75.1%
Return on equity	22.7%	17.2%	15.7%	N/A
Return on total assets	5.0%	4.1%	4.9%	N/A
Current ratio	0.9x	1.0x	1.2x	1.2x
Quick ratio	0.7x	0.8x	0.9x	0.9x
Gross profit margin	22.2%	23.6%	25.2%	24.9%

SHARE OFFER STATISTICS *(Note 1)*

Share Offer size : 25% of the enlarged issued share capital of the Company

Share Offer structure : 10% of total Offer Shares for Public Offer and 90% of total Offer Shares for Placing

Over-allotment Option : Up to 15% of the total number of Offer Shares initially available under the Share Offer

Offer Price : HK$3.0 to HK$3.7 per Offer Share

Use of proceeds (assuming an Offer Price of HK$3.35, being the mid-point of the indicative Offer Price range) : Net proceeds to our Company from the offer of new Shares — HK$150.1 million, after deduction of underwriting fees and estimated expenses payable in relation to the Share Offer:

- approximately HK$67.6 million, representing approximately 45% of the net proceeds, will be used to improve our production capacity and increase our production volume by purchasing additional machinery and equipment in view of increasing demand and in anticipation of growing demand for LED backlight products;
- approximately HK$22.5 million, representing 15% of the net proceeds, will be used for the repayment of bank loans. The loan proceeds were utilised for purchasing additional machinery and equipment. The bank loans carry interest rates from 2.98% to 3.47% per annum and will mature on various dates between June 2017 and May 2019;

- approximately HK$15.0 million, representing approximately 10% of the net proceeds, will be used to enhance our LED backlight research and development capability;
- approximately HK$15.0 million, representing approximately 10% of the net proceeds, will be used to enhance our LED lighting research and development capability;
- approximately HK$10.5 million, representing approximately 7% of the net proceeds, will be used to recruit more technical and expert staff to join our production and research and development departments;
- approximately HK$4.5 million, representing approximately 3% of the net proceeds, will be used to upgrade and expand our ERP system to enhance our management information systems; and
- the remaining amount of approximately HK$15.0 million, representing approximately 10% of the net proceeds, will be used for general working capital and general corporate purposes.

Please refer to "Future Plans and Use of Proceeds" of this prospectus for further details.

Regardless of (i) whether our Shares are priced at the high-end or low-end of the Offer Price; and (ii) whether the Over-allotment Option is exercised in full, we will use the net proceeds based on the percentage disclosed above.

To the extent that the net proceeds from the Share Offer are not immediately required to be applied to the above purposes, and to the extent as permitted by applicable laws and regulations, the Directors presently intend that such net proceeds be placed on short-term interest bearing deposits with licensed banks in Hong Kong.

	Based on an Offer Price of HK$3.0 per Share	**Based on an Offer Price of HK$3.7 per Share**
Market capitalization of our Shares *(Note 2)*	HK$600 million	HK$740 million
Unaudited pro forma adjusted net tangible asset value per Share *(Note 3)*	HK$2.96	HK$3.13

Notes:

1. All statistics in this table are on the assumption that the Over-allotment Option is not exercised.
2. The calculation of our market capitalisation is based on the assumption that 200,000,000 Shares will be issued immediately upon completion of the Capitalisation Issue and the Share Offer.
3. The unaudited pro forma adjusted net tangible asset value per Share is calculated after making the adjustments referred to in "Unaudited Pro Forma Financial Information" in Appendix II of this prospectus and on the basis of a total of 200,000,000 Shares in issue immediately after the completion of Capitalisation Issue and the Share Offer.

DIVIDEND AND DIVIDEND POLICY

For the Track Record Period, we did not declare any dividend. We have no plan to pay or declare any dividends prior to the Listing. Our dividend payments also depend on our future business operations and turnover and availability of dividends from our subsidiaries in the PRC. We do not intend to determine any expected dividend payout ratio at this time since our priority is to use our earnings for business development and expansion of our production capability and customer base in the interests of our Shareholders as a whole. For details of our dividend policy, please refer to the section headed "Financial Information — Dividends and Dividend Policy" in this prospectus.

RECENT DEVELOPMENTS

Subsequent to the Track Record Period and up to the Latest Practicable Date, the main focus of our business and operation remains to be the production of LED backlight products and LED lighting products. In the first half of the year 2014, we have purchased additional machinery and equipment for the production of Small LED backlight products and Large LED backlight products and indoor LED lighting products in our Huizhou production plant to cater for business growth of our Group. During the six months ended 30 June 2014, we have ordered six injection moulding machines for the production of our Small LED backlight products and five LGP engraving machines for the production of our Large LED backlight products. The six additional injection moulding machines have commenced production since July 2014 which, in turn, increased our Group's annual production capacity of our Small LED backlight products by 16.1 million pieces. The five additional LGP engraving machines have commenced production since August 2014 which, in turn, increased the Group's annual production capacity of Large LED backlight products by 1.3 million pieces.

Furthermore, we purchased two automatic production lines for the production of LED light bulb in the first half of the year 2014, the two automatic production lines arrived to our Huizhou production plant and one of the automatic production lines commenced production in August 2014 and the other production line was expected to commence production in October 2014. Each of the automatic production line shall increase our Group's annual production capacity of LED light bulb by 5.6 million units.

Our Directors confirm that, since 30 June 2014 and up to the date of this prospectus, there had been no material adverse change in our business operations, revenue, financial position and cost structure. We continued to experience stable growth in our revenue and gross profit. Based on our unaudited management accounts, our Group recorded revenue of HK$837.4 million and gross profit of HK$208.4 million for the nine months ended 30 September 2014, representing a gross profit margin of 24.9%. Our gross profit margin for the nine months ended 30 September 2014 was comparable to our gross profit margin over the Track Record Period. As of 30 September 2014, we had net current assets of HK$150.7 million. The improvement in our net current assets from 30 June 2014 to 30 September 2014 was primarily due to the increase in cash and bank balances. The management accounts of our Group for the nine months ended 30 September 2014 are unaudited but have been reviewed by our Company's reporting accountants, SHINEWING (HK) CPA Limited, in accordance with the Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. For further details of our net current assets, please refer to the paragraph headed "Net current assets/(liabilities)" in the "Financial Information".

Our financial performance for the year ending 31 December 2014 is expected to be affected by, among others, (i) the estimated expenses in relation to the Listing and the Share Offer; and (ii) the depreciation charges in respect of our capital expenditure on buying new machinery. The nature of the abovementioned listing expenses is non-recurrent.

Our Directors confirm that, up to the Latest Practicable Date, based on the midpoint of the Offer Price range set out in this prospectus, except for the listing expenses of HK$6.4 million that will be charged as expenses, and HK$11.0 million that will be capitalised and set off against the share premium account for the six months period from 1 July 2014 to 31 December 2014, there had been no material adverse change in our financial or trading position or prospect since 30 June 2014, being the last date of the latest audited financial year reported in the Accountants' Report as set out in Appendix I to this prospectus.

RISK FACTORS

Our Directors consider that the most material risks relating to our business include (but are not limited to): (i) we may be required to relocate the production facilities in

Shenzhen to another location since the title of the leased property may be defective and this may affect our production and incur costs of relocation; (ii) if we are unable to obtain adequate financing for our business in the future, our results of operation and financial position could be adversely affected; (iii) we heavily rely on our ability to retain our work force and the failure of such would cause adverse impact to our production efficiency and productivity; and (iv) if we are unable to procure our key raw materials to mainly stable input for our productions, our financial performance could be affected as a result of possible rise in the cost for purchasing raw materials and/or our failure to pass the increase in price of raw materials to our customers.

The details of the particular risks are set forth in the section headed "Risk Factors" in this prospectus. You should read that entire section carefully before you decide to invest in the Offer Shares.

NON-COMPLIANCE

During the Track Record Period and as the Latest Practicable Date, we leased several properties in Shenzhen and Yichang to operate as workshop in our production facilities, and leased a property in Beijing as our subsidiary's office. The landlords have failed to provide the property ownership certificate of such leased properties. The registration of the relevant tenancy agreements in the relevant government departments is not completed because of no proof of ownership can be produced. However, non-registration of such tenancy agreements will not affect their validity, but the lessees may be subject to penalty to be imposed by relevant government departments. Furthermore, since the landlords of the Shenzhen Production Plant have not provided any proof of ownership and the relevant lease agreements have not been registered, our Group may be subject to a fine up to approximately RMB2.0 million and be required by the relevant governmental authorities to move out of the Shenzhen Production Plant. In the event that we are requested to so move out, since our Huizhou Production Plant has sufficient space and capacity to accommodate the operations of the Shenzhen Production Plant, our Group will implement a relocation plan by relocating our equipment, personnel and other assets in Shenzhen to Huizhou. The relocation will take 21 days with an estimated cost of not exceeding HK$9.5 million. As of 30 June 2014, the cost, the accumulated depreciation and the net book values of our Group's property, plant and equipment located at the Shenzhen Production Plant were HK$107.6 million, HK$53.9 million and HK$53.7 million, respectively. The Directors consider that the plant and equipment in the Shenzhen Production Plant can be easily relocated and assembled in the Huizhou Production Plant. Hence, no written off of these plant and equipment is expected. However, the leasehold improvement in the Shenzhen Production Plant can't be relocated and will have to be written off. The cost, the accumulated depreciation and the net book values of the leasehold improvement as at 30 June 2014 that had to be written off are HK$0.4 million, HK$0.2 million and HK$0.2 million respectively. For details of the non-compliance incidence, please refer to the section headed "Business — Legal Compliance — Regulatory non-compliance" in this prospectus.

LISTING EXPENSES

We have incurred legal, professional and other fees with respect to the Listing. In accordance with the relevant accounting standards, listing related fees that are directly attributable to issuance of new Shares are recorded as prepaid expenses, which will be deducted from equity upon Listing. The remaining listing related fees are charged to statements of profit or loss and other comprehensive income. During the Track Record Period, listing expenses of HK$11.3 million was recognised as expenses. It is expected, based on the midpoint of the Offer Price range set out in this prospectus, listing expenses of HK$6.4 million will be charged as expenses, HK$11.0 million will be capitalised and set off against the share premium account for the six months period from 1 July 2014 to 31 December 2014.

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

"Alled Solution"	Alled Solution Company Limited, a company incorporated in the BVI, and an indirect wholly-owned subsidiary of our Company
"Application Form(s)"	**WHITE** application form(s), **YELLOW** application form(s) and **GREEN** application form(s) or, where the context requires, any of them which is used in the Public Offer
"Articles" or "Articles of Association"	the articles of association of our Company adopted on 27 October 2014 and as amended from time to time, a summary of which is contained in Appendix IV to this prospectus
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Beijing Senhuan"	Beijing Senhuan Energy Management Technology Company Limited* (北京森洹節能科技有限公司), a company established in the PRC, and an indirect wholly-owned subsidiary of our Company
"Board"	the board of Directors from time to time
"Business Day"	a day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
"Biyadi"	BYD Company Limited, a joint stock limited company established in the PRC and dually listed on the Stock Exchange with stock code 1211, and on the Shenzhen Stock Exchange with stock code 002594
"Capitalisation Issue"	the issue of 149,893,920 new Shares upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in the paragraph headed "Written resolutions of the sole shareholder of our Company" under the section headed "Further information about our Company and our Subsidiaries" in Appendix V to this prospectus

"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant(s)"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant(s)"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant(s)"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant(s)"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"Changjiang Corporate Finance" or "Sole Sponsor"	Changjiang Corporate Finance (HK) Limited, a company incorporated in Hong Kong with limited liability on 8 August 2011, a licensed corporation under the SFO to carry on type 6 (advising on corporate finance) regulated activity (being the sole sponsor to our Company in respect of the Listing)
"Close Associate(s)"	has the meaning ascribed to it under the Listing Rules
"Companies Law"	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) which came into effect on 3 March 2014 as amended, supplemented or otherwise modified from time to time
"Companies (WUMP) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Company" or "our Company" or "we" or "us"	Wai Chi Holdings Company Limited (偉志控股有限公司), a company incorporated in the Cayman Islands on 16 August 2013 as an exempted company with limited liability
"Connected Person(s)"	has the same meaning ascribed thereto under the Listing Rules

"Connected Transactions"	the transactions as defined in Rule 14A.13 of the Listing Rules
"Controlling Shareholders"	has the same meaning ascribed thereto under the Listing Rules and, in the context of this prospectus, means the controlling shareholders of the Company, namely, Rexell Technology and its beneficial owner, Mr. Yiu
"Core Connected Person(s)"	has the meaning ascribed to it under the Listing Rules
"Deed of Non-competition"	the deed of non-competition undertaking dated 24 March 2014 entered into by the Controlling Shareholders in favour of our Company (for ourselves and for the benefit of our subsidiaries) as set out in the subsection headed "Non-competition undertaking" in the section headed "Relationship with the Controlling Shareholders" in this prospectus
"Director(s)"	the director(s) of our Company
"DQS GmbH"	DQS Holding GmbH based in Frankfurt am Main, Germany, being the holding company of the worldwide DQS-UL Group, which provides assessments and certifications of management systems and processes of any type
"Ecosquare Energy"	Ecosquare Energy Company Limited, a company incorporated in the BVI, and an indirect wholly-owned subsidiary of our Company
"Euromonitor"	Euromonitor International Limited
"Euromonitor Report"	the industry report prepared by Euromonitor International Limited, a private independent research firm
"European Union"	an economic and political union of 28 member states that are located primarily in Europe
"Group", "our Group", "we", "our" or "us"	our Company and its subsidiaries or, where the context so requires or permits, in respect of the period before our Company became the holding company of its present subsidiaries, such subsidiaries and the businesses carried on by them or their predecessor(s) (as the case may be)

"**GREEN** Application Form(s)"	the application form(s) to be completed by the **HK eIPO White Form** Service Provider designated by our Company
"Guangzhou Waichi"	Guangzhou Waichi Opto Technology Co., Ltd (廣州偉志光電有限公司), a company established in the PRC and an Independent Third Party
"**HK eIPO White Form**"	the application process for Public Offer Shares with applications issued in the applicant's own name and submitted on line through the designated website of **www.hkeipo.hk**
"**HK eIPO White Form** Service Provider"	the **HK eIPO White Form** Service Provider designated by our Company, as specified on the designated website at **www.hkeipo.hk**
"HK$" or "Hong Kong dollars"	Hong Kong dollar(s), the lawful currency of Hong Kong
"HKFRSs"	Hong Kong Financial Reporting Standards issued by HKICPA
"HKICPA"	the Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Share Registrar"	Tricor Investor Services Limited, the Hong Kong share registrar of our Company
"Huizhou Electronics"	Huizhou Wai Chi Electronics Company Limited* (惠州偉志電子有限公司), a company established in the PRC, and an indirect wholly-owned subsidiary of our Company
"Huizhou Lexin"	Huizhou Lexin Opto Technology Hardware Limited* (惠州樂信光電五金有限公司), a company established in the PRC, and an indirect wholly-owned subsidiary of our Company

"Huizhou Production Plant"	our production plant located in Sanxu Village and Meinua Village, Luoyang Town, Boluo County, Huizhou, Guangdong Province, the PRC
"Independent Third Party(ies)"	person(s) or company(ies) which is/are independent of and not connected with any of the directors, chief executive, the controlling shareholders or substantial shareholders of our Company or our subsidiaries or any of their respective associates
"International Automotive Task Force"	a group of automotive manufacturers which aims at providing improved quality products to automotive customers worldwide
"International Electrotechnical Commission"	a non-profit, non-government international standards organization that prepares and publishes international standards for all electrical, electronic and related technologies, and manages three global conformity assessment systems that certify whether equipment, system or components conform to its international standards
"International Organization for Standardization"	an international standard-setting body composed of representatives from various national standards organizations, which promotes worldwide proprietary, industrial and commercial standards
"Joint Bookrunners" or "Joint Lead Managers"	Changjiang Securities Brokerage (HK) Limited, RHB OSK Securities Hong Kong Limited, GF Securities (Hong Kong) Brokerage Limited
"Latest Practicable Date"	25 October 2014, being the latest practicable date for ascertaining certain information prior to the printing of this prospectus
"Listing"	the listing of Shares on the Main Board of the Stock Exchange
"Listing Committee"	the listing sub-committee of the board of directors of the Stock Exchange
"Listing Date"	the date on which dealings in the Shares on the Main Board of the Stock Exchange first commence, which is expected to be on or about Tuesday, 18 November 2014

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
"Main Board"	the stock exchange (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel to the Growth Enterprise Market of Hong Kong Stock Exchange
"Memorandum"	Memorandum of association of the Company, as amended from time to time
"Mr. C. P. Chen"	Mr. Chen Chung Po, an executive Director and Chief Executive Officer of our Group
"Mr. Yiu"	Mr. Yiu Chi To, an executive Director, the Chairman and founder and Controlling Shareholder of the Group
"Ms. K. Y. Yiu"	Ms. Yiu Kwan Yu, an executive Director
"Offer Price"	the final offer price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, the Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.0027%) of being not more than HK$3.7 and expected to be not less than HK$3.0, at which the Offer Shares are to be subscribed for and issued, or purchased and sold, and which is to be determined by agreement between the Company and the Sole Global Coordinator (on behalf of the Underwriters) on or before the Price Determination Date, as described in the section headed "Structure and Conditions of the Share Offer – Determination of the Offer Price" in this prospectus
"Offer Shares"	the Public Offer Shares and the Placing Shares

"Over-allotment Option"	the option to be granted by our Company to the Sole Global Coordinator, exercisable by the Sole Global Coordinator on behalf of the Placing Underwriters, within 30 days from the last day for the lodging of applications under the Public Offer, to require our Company to allot and issue up to an aggregate of 7,500,000 additional new Shares at the Offer Price to cover, among others, over-allocations in the Placing, if any, details of which are described in the section headed "Structure and Conditions of the Share Offer — Over-allotment Option" in this prospectus
"per cent" or "%"	per centum of percentage
"Placing"	the conditional offering of the Placing Shares for and on behalf of our Company (including professional, institutional, corporate and/or other investors in Hong Kong), subject to reallocation and the Over-allotment Option, as described under the section headed "Structure and Conditions of the Share Offer — The Placing" in this prospectus
"Placing Shares"	the 45,000,000 new Shares initially offered by our Company for subscription at the Offer Price under the Placing, subject to reallocation and the Over-allotment Option, as described under the section headed "Structure and Conditions of the Share Offer" in this prospectus
"Placing Underwriters"	the Underwriters of the Placing, whose names are set out under the section headed "Underwriting — Underwriters — Placing Underwriters" in this prospectus
"Placing Underwriting Agreement"	the conditional placing underwriting agreement relating to the Placing to be entered into, among others, our Company, the Sole Sponsor, the Sole Global Coordinator, the Placing Underwriters, the Controlling Shareholders and the executive Directors as further described under the paragraph headed "Placing" in the section headed "Underwriting" in this prospectus
"PRC" or "China"	the People's Republic of China which shall, for the purpose of this prospectus, excludes Hong Kong, the Macau Special Administrative Region and Taiwan

"PRC GAAP"	accounting principles generally accepted in the PRC
"Predecessor Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014
"Price Determination Agreement"	the agreement to be entered into between the Company and the Sole Global Coordinator (on behalf of the Underwriters) on the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date on which the Offer Price will be determined for the purpose of the Share Offer, which is expected to be on or about 11 November 2014 and, in any event, not later than 14 November 2014
"Public Offer"	the offer by the Company of the Public Offer Shares for subscription by the public in Hong Kong at the Offer Price (plus brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.0027%) (subject to reallocation as described in the section headed "Structure and Conditions of the Share Offer" in this prospectus) on the terms and conditions described in this prospectus and the Application Forms
"Public Offer Shares"	the 5,000,000 new Shares (subject to reallocation) being initially offered by our Company for subscription at the Offer Price under the Public Offer, as described under the section headed "Structure and Conditions of the Share Offer" in this prospectus
"Public Offer Underwriters"	the Underwriters of the Public Offer, whose names are set out under the section headed "Underwriting — Underwriters — Public Offer Underwriters" in this prospectus
"Public Offer Underwriting Agreement"	the conditional public offer underwriting agreement dated 3 November 2014 relating to the Public Offer and entered into by, among others, our Company, the Sole Sponsor, the Sole Global Coordinator, the Public Offer Underwriters, the Controlling Shareholders and the executive Directors, as further described under the paragraph headed "Public Offer" in the section headed "Underwriting" in this prospectus

"Regulation S"	Regulation S under the Securities Act
"Reorganisation"	the pre-listing reorganization of our Group in preparation for the Listing, details of which are described under the section headed "History and Development — Reorganisation" in this prospectus
"Rexell Technology"	Rexell Technology Company Limited (銳士科技有限公司), a company incorporated in the BVI, and the immediate holding company of our Company
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Sanxia Wai Chi"	Sanxia Wai Chi Opto Technology (Yichang) Limited* (三峽偉志光電(宜昌)有限公司), a company established in the PRC, and an indirect wholly-owned subsidiary of our Company
"Securities Act"	the United States Securities Act of 1933, as amended from time to time
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of our Company
"Shareholder(s)"	holder(s) of Share(s)
"Share Offer"	the Public Offer and the Placing
"Share Option Scheme"	the share option scheme conditionally approved and adopted by our Company on 27 October 2014, the principal terms of which are summarised and set forth in the section headed "D. Share Option Scheme" in Appendix V to this prospectus
"Shenzhen Lead"	Shenzhen Lead Communication Equipment Company Limited* (深圳市立德通訊器材有限公司), a company established in the PRC

"Shenzhen Lighting"	Shenzhen Wai Chi Lighting Company Limited* (深圳市偉志照明有限公司), a company established in the PRC, and an indirect wholly-owned subsidiary of our Company;
"Shenzhen Production Plant"	our production plant located in Sanwei Industrial Zone, Xixiang Town, Boa'an District, Shenzhen, Guangdong Province, the PRC
"Shenzhen Wai Chi"	Wai Chi Opto Technology (Shenzhen) Limited* (偉志光電(深圳)有限公司), previously known as Shenzhen Wai Chi Opto Technology Joint-stock Company Limited* (深圳市偉志光電股份有限公司) a wholly foreign-owned enterprise established in the PRC, and an indirect wholly-owned subsidiary of our Company
"Sole Global Coordinator"	Changjiang Securities Brokerage (HK) Limited
"Sole Sponsor"	Changjiang Corporate Finance (HK) Limited
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the same meaning ascribed thereto in the Listing Rules
"Substantial Shareholder"	has the same meaning ascribed thereto in the Listing Rules
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers issued by the SFC as amended, supplemented or otherwise modified from time to time
"Tianma"	Tianma Micro-electronics Group, a company listed on the Shenzhen Stock Exchange with stock code 000050
"Techwide Management"	Techwide Management Company Limited, a company incorporated in the BVI, and an indirect wholly-owned subsidiary of our Company

"Track Record Period"	the three financial years ended 31 December 2013 and the six months ended 30 June 2014
"Truly"	Truly Semiconductors Ltd, a wholly owned subsidiary of Truly International Holdings Ltd which is a company listed on the Stock Exchange with stock code 0732
"Underwriters"	the Public Offer Underwriters and the Placing Underwriters
"Underwriting Agreements"	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
"United States" or "US" or "U.S.A."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$" or "US dollars"	United States dollars, the lawful currency of the United States
"Varitronix"	Varitronix (Heyuan) Display Technology Co Ltd, a subsidiary of Varitronix International Limited which is a company listed on the Stock Exchange with stock code 0710
"Wai Chi Electronic Technology"	Wai Chi Electronic Technology Management Company Limited, a company incorporated in Hong Kong, and an indirect wholly-owned subsidiary of our Company
"Wai Chi Energy"	Wai Chi Energy Services Company Limited, a company incorporated in Hong Kong, and an indirect wholly-owned subsidiary of our Company
"Wai Chi Group"	Wai Chi Group (HK) Limited (偉志集團有限公司), a company incorporated in Hong Kong, and an indirect wholly-owned subsidiary of our Company
"Wai Chi Hardware"	Wai Chi Jingmi Hardware (Huizhou) Company Limited* (偉志精密五金塑膠(惠州)有限公司), a company established in the PRC, and an indirect wholly-owned subsidiary of our Company
"Wai Chi Opto"	Wai Chi Opto Technology Limited (偉志光電有限公司), a company incorporated in Hong Kong, and an indirect wholly-owned subsidiary of our Company

"**WHITE** Application Form(s)"	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicant's or applicants' own name(s) and to be completed in accordance with the instructions in section headed "How to Apply for Public Offer Shares — How to apply" in this prospectus
"Windrider Technology"	Windrider Technology Company Limited, a company incorporated in the BVI, and an indirect wholly-owned subsidiary of our Company
"Wuxi Booyi"	Wuxi Booyi Optoelectronics Science Technology Company Limited (無錫博一光電科技有限公司), a company established in the PRC
"**YELLOW** Application Form(s)"	the application form(s) for use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS and to be completed in accordance with the instructions in section headed "How to Apply for Public Offer Shares — How to apply" in this prospectus
"Yichang Production Plant"	our production plant located in Phase II, Sanxia Yimin Jiuye Base, Yiling Economic Development Zone, Yichang, Hubei Province, the PRC
"sq.m."	square meter(s)
"%"	per cent
"*"	for transliteration purpose only

Unless expressly stated or otherwise required by the context, all data contained in this prospectus are as at the Latest Practicable Date.

Unless otherwise specified, all references to any shareholding in our Company in this prospectus assume no exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme.

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

If there is any inconsistency between the official Chinese name of the PRC laws or regulations or the PRC governments or government authorities or the PRC entities mentioned in this prospectus and their English translations, the Chinese version shall prevail. English translations of official Chinese names are for identification purposes only.

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

"2D"	two-dimensional
"2.5D"	two-and-a-half dimensional
"BM-7+"	light intensity measurement machine which can measure luminance, colour temperature, chromaticity coordinate and tri-stimulus value of the backlight unit (or Light Source)
"CAGR"	compound annual growth rate
"CNC"	computer numerical control, which refers to the controlling of machine tools programmatically via computer. CNC machine refers to the machines or tools that are controlled by means of computer programmes in their operation
"COB"	chip-on-board, which refers to the semi-conductor encapsulation technology whereby the microchip or die is directly mounted on and electrically interconnected to its final circuit board
"DVD"	digital video disk, which is a digital optical disc storage format
"ERP"	enterprise resource planning, which is a business management software that allows a company to have a real-time view of its business processes, enable information flow among business functions, store and manage data from its business operation. ERP system is a vital organizational tool for integrating organizational systems and enhancing production and transaction efficiency and efficacy
"FPC"	flexible printed circuit, which is applied in flexible printed circuit boards for use in portable electronic products such as mobile phone, notebook, digital camera for lightness, thinness, smallness of the relevant product. FPC coating is applied by way of conformal coating to PCB/FPC assemblies for the purpose of providing electrical insulation, supplying protection against environmental elements, and enhancing resistance to mechanical vibration

"GDP"	gross domestic product (all references to GDP growth rates are to real as opposed to nominal rates of GDP growth), unless otherwise stated
"GPS"	the global positioning system, which is space-based satellite navigation system that provides location and time information in all weather conditions, anywhere on or near the Earth where there is an unobstructed line of sight to four or more GPS satellites
"ISO"	the International Organization for Standardization
"ISO 9001:2000"	the previous edition of ISO 9001:2008
"ISO 9001:2008"	the certification for an internationally recognised standard for quality management
"ISO 14001:2004"	the certification for an internationally recognised standard for environmental management
"ISO/TS 16949: 2000"	the previous edition of ISO/TS 16949: 2009
"ISO/TS 16949: 2009"	a standard defines the quality management system requirements for the design and development, production and, when relevant, installation and service of automotive related products
"Large LED backlight product(s)"	LED backlight unit with size of 26 inches or more
"LCD"	liquid crystal display, a screen for showing text or pictures that uses a liquid that becomes dark when an electric current flows across it
"LED"	light-emitting diode, which is a semi-conductor light source, used for lighting and illumination in diverse applications as mobile phones, computers, television sets, traffic lights, lamps, street lights
"LGP engraving machine"	Light guide plate engraving machine
"Medium LED backlight product(s)"	LED backlight unit with size between 7 inches to 26 inches

"Millicandela" or "mcd"	one-thousandth of a candela, which is the SI base unit of luminous intensity, that is power emitted by a light source in a particular direction, weighed by the luminosity function (being a standardised model of the sensitivity of the human eye to different wavelengths)
"MR Bulb"	multifaceted reflector bulb, a kind of LED light bulb with pressed glass reflector in the inside (reflecting side) surface, which is composed of facets and covered by a reflective coating, to provide optical control by gathering the light from the filament to create a concentrated beam of light
"ODM"	original design manufacturer, a business that designs or enhances the customers' design and manufactures products for branding and resale by the customer
"OEM"	original equipment manufacturer, a business that manufactures products in accordance with the customers' design and specification for branding and resale by the customer
"PCB"	printed circuit board, which mechanically supports and electrically connects electronic components using conductive tracks, pads and other features etched from copper sheets laminated onto a non-conductive substrate
"PL Tube"	plug-in light tube
"QC08000"	the standard for hazardous substance process management as approved by the International Electrotechnical Commission, which restricts the use of hazardous substances in various products
"RoHS"	an acronym for the Directive on the restriction of the use of hazardous substances in electrical and electronic equipment, which restricts the use of certain hazardous materials in the manufacture of various types of electronic and electrical equipment. The original RoHS directive was adopted in February 2003 by the European Union and took effect on 1 July 2006. The new RoHS 2 directive, which evolved from the original RoHS directive, became law on 21 July 2011 and took effect on 2 January 2013

"SI"	International System of Units, which defines seven units of measure as a basic set from which all other SI units are derived such as metre for length, kilogram for mass and second for time
"Small LED backlight product(s)"	LED backlight unit with size of 7 inches or less
"SMT"	Surface Mount Technology
"VAT"	value-added tax

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties, including the risk factors described in this prospectus. Forward-looking statements can be identified by words such as "may", "will", "should", "would", "could", "believe", "expect", "anticipate", "intend", "plan", "continue", "seek", "estimate" or the negative of these terms or other comparable terminology. Examples of forward-looking statements include, but are not limited to, statements we make regarding our business strategies, development activities, estimates and projections, expectations concerning future operations, profit margins, profitability, competition, and the effects of regulation.

Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. We give no assurance that these expectations and assumptions will prove to have been correct. Although these forward-looking statements are made by our Directors after due and careful consideration, these statements reflect the current views of our management with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. Should one or more of the risks or uncertainties materialise, or should underlying assumptions prove to be incorrect, our financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed, estimated or expected. Accordingly, such statements are neither statements of historical fact nor guarantees or assurances of future performance. Hence, you should not place undue reliance on such forward-looking statements.

Important factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, regional, national or global political, economic, business, competitive, market and regulatory conditions and the following:

- the success of our existing and future operation;
- our ability to materialise and manage our planned business expansion;
- our ability to retain senior management team members and recruit qualified and experienced new team members;
- our ability to maintain our competitiveness and operational efficiency;
- our prospective financial conditions;
- laws, regulations and rules for the money lending industry in Hong Kong; and
- other factors that are described in "Risk Factors" in this prospectus.

Any forward-looking statement made by us in this prospectus applies only as at the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. Subject to the requirements of applicable laws, rules and regulations, we undertake no obligation to update any forward-looking statement, whether as a result of new information, future developments or otherwise. All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement.

You should carefully consider all of the information set out in this prospectus and, in particular, should consider the risks and uncertainties described below and the special considerations associated with an investment in our Company before making any investment decision in the Offer Shares. Our business, financial condition, results of operation and future prospects may be materially and adversely affected by the occurrence of any of these risks. Additional risks and uncertainties not presently known to us, or not expressed or implied below, or that we currently deem immaterial, could also harm our business, financial condition, results of operations and prospects. The trading price of our Shares could decline due to any of these risks and uncertainties, and you may lose all or part of your investment.

RISK RELATING TO OUR GROUP

Our legal right to lease the property located in Bao'an District, Shenzhen, PRC could be challenged by property owners or other third parties

We are currently leasing a property in Bao'an District, Shenzhen, PRC, where the landlord could not provide us with the relevant construction permit and building ownership certificate evidencing that it has the requisite title or rights to lease the property to us.

If the landlord is not the ultimate owner of the leased property, no consents or permits were obtained from the ultimate owner(s), or there are any third parties who otherwise have rights to or interests in the leased property, the validity of the lease will be adversely affected. In any such case, we may terminate the lease or be required to leave the property. We may also need to relocate our operations and may incur additional costs relating to such relocation.

It is estimated by our Directors that the relocation to the Huizhou Production Plant would take 21 days to complete and the relocation cost would not exceed HK$9.5 million. As of 30 June 2014, the cost, the accumulated depreciation and the net book values of our Group's property, plant and equipment located at the Shenzhen Production Plant were HK$107.6 million, HK$53.9 million and HK$53.7 million, respectively. The Directors consider that the plant and equipment in the Shenzhen Production Plant can be easily relocated and assembled in the Huizhou Production Plant. Hence, no written off of these plant and equipment is expected. However, the leasehold improvement in the Shenzhen Production Plant cannot be relocated and will have to be written off. The cost, the accumulated depreciation and the net book values of the leasehold improvement as at 30 June 2014 that had to be written off are HK$0.4 million, HK$0.2 million and HK$0.2 million respectively. It is not expected that any material additional cost will arise from or be incurred in connection with the relocation. During such relocation period, production of our Group may be disrupted due to the removal of machinery and related production facilities, re-installation of the machinery and related production facilities at the Huizhou Production Plant and recalibration after the installation of those machinery.

Any challenge to our legal rights to the leased property, if successful, could affect our business operations in the leased property. We could also be subject to the risk of potential disputes with property owner(s) or third parties who otherwise have rights to or interests in the leased property. Furthermore, the registration of the relevant tenancy agreement in the relevant government departments is not completed because no proof of ownership of the leased property can be produced. However, non-registration of such tenancy agreement does not affect its validity, but the leasee under such tenancy agreement may be subject to penalty to be imposed by the relevant government departments. In accordance with the relevant provisions of the Regulations of Shenzhen Special Economic Zone on Lease of Houses (《深圳經濟特區房屋租賃條例》) , on the basis of 10% of the total rentals of the relevant properties for the entire term of the tenancy, Shenzhen Wai Chi as the lessee may be subject to a fine up to approximately RMB2.0 million.

Further details of the leased property and the remedial measures that we have put in place are provided in the sub-section "Legal Compliance" under the section headed "Business".

We may not be able to obtain adequate financing for our business in the future

Our business requires significant working capital for our daily production. In addition, we require capital investment to purchase new production equipment for our business growth. During the Track Record Period, we relied on bank borrowings to maintain our cash flow and satisfy our daily productions. As at 31 December 2011, 2012 and 2013 and as at 30 June 2014, our bank borrowings repayable within one year are HK$278.7 million, HK$324.1 million, HK$223.7 million and HK$343.1 million respectively. We are unable to assure that we will be able to obtain bank loans and other external financing on commercially reasonable terms or on a timely basis or at all. If we are unable to obtain necessary financing or obtain such financing on favourable terms due to various factors beyond our control, our results of operations and financial condition may be adversely affected.

For the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, our finance costs were HK$9.4 million, HK$20.7 million, HK$21.5 million and HK$13.8 million respectively. If the interest rate follows a rising trend in the future, our finance costs shall be increased accordingly and shall cause an adverse effect on our financial condition.

As of 31 December 2011, 2012 and 2013 and as of 30 June 2014, we had gearing ratios of 143.2%, 116.0%, 53.4% and 75.1% respectively. Such high gearing ratios may limit our ability to service our loans and may prevent us from borrowing additional funds in the future, which may materially and adversely affect our business prospect and results of operations and financial condition.

Labour shortages could have an adverse effect on our production process

As our current operation functions on a labour-intensive basis with particular regard to production efficiency and productivity, we are heavily reliant on our ability to retain our work force. Our future growth and expansion will depend on our ability not only to retain the existing work force, but to continue employing a suitable work force at a rate consistent with the growth of our business. There is no assurance that we will be able to continuously recruit staff in a timely and cost-efficient manner, and any labour shortages in the region where we operate may force us to recruit from a wider geographical region, which may have an adverse impact on our labour costs and may have an adverse impact on the pace of our future growth.

If we are unable to procure key raw materials timely with commercially-reasonable prices or pass the increase in the price of raw materials to customers, our production will be adversely affected

Our production process is dependent on a reliable supply of certain production materials and supplies from a number of suppliers at a competitive market prices. The major production materials include LED lights, film materials, PCB and plastic, double-sided adhesive tape and some of these key raw materials are not easily replaceable from other suppliers in the market with commercially-reasonable prices. For some of our production materials, we generally place orders upon receipt of purchase orders from our customers, instead of maintaining a specific inventory level unless they are commonly used. Any significant shortage of these key raw materials due to changes in market conditions or volatility in the prices of these raw materials could adversely affect our production schedule and increase our cost of production.

During the Track Record Period, we had successfully implemented our pricing policy and enable us to pass on the increases in price of raw materials to our customers by raising the selling prices to our customers. However, there is no guarantee that our customers would not source their products from our competitors and accept our raised prices. In such circumstances, we would be unable to pass the increases in prices to our customers and this would cause an adverse impact to our financial performance.

Our cash flow could be adversely affected due to overdue payments from our customers

Our Group has concentration of credit risk. As at 31 December 2011, 2012 and 2013 and as at 30 June 2014, 25%, 12%, 13% and 21% of the total trade receivables was due from our Group's largest customer respectively. As at 31 December 2011, 2012 and 2013 and as at 30 June 2014, 60%, 50%, 32% and 57% of the total trade receivables was due from our Group's five largest customers respectively. Our Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 81%, 86%, 82% and 93% of the total trade receivables as at 31 December 2011, 2012 and 2013 and as at 30 June 2014 respectively. There is no assurance that we are able to secure the payments from our customers on a timely manner. If we are unable to collect payments from our customers before the expiry of the respective credit period, there could be have a material effect on the results of our operation and financial condition.

Failure to retain the services of our key personnel will adversely affect our results of operations

The success of our Group to date has largely been attributable to the contributions and experience of our management team and key employees, in particular their familiarity with our business and expertise in the LED backlight and lighting industry. Our management team has a long history of working with our customers and suppliers and understands their needs and requirements. Our continued success is dependent, to a large extent, on our ability to retain the services of our senior management and key employees. Competition for experienced and qualified professionals is intense, and we may be unable to recruit and retain the management talent necessary for us to continue our growth. The loss of the services of any of our key management personnel without suitable and timely replacement would adversely affect the results of our operations.

We are exposed to risks of infringement and timely transfers of our intellectual property rights

Most of our intellectual property rights are registered in the PRC. Due to the competitive environment in the LED industry, our intellectual property has been, and will continue to be, subject to various forms of infringement. Although we register our trademarks and patents within the PRC and Hong Kong, protection may not be adequate to prevent third parties from misappropriating our intellectual property rights. In particular, we are susceptible to third parties' infringement of our intellectual property rights due to the fact that protection and enforcement of intellectual property rights in the PRC are not as certain and effective as in other countries. Even though we have applied for patent protection for some of our products, there is no assurance that we are free from any unauthorised infringement of our patent rights by our competitors or other third parties.

Further, as at the Latest Practicable Date, we had applied for 9 patents to be registered in the PRC. However, there is no assurance that the above-mentioned applications will be approved on a timely basis. For details of these applications, please see the sub-section "Intellectual Property" under the section headed "Business" and the section "Further Information about our Business — Intellectual property" in Appendix V to this prospectus.

Third parties in the future may assert, that our products infringe their intellectual property rights

We operate in an industry in which litigious actions involving infringement of intellectual property rights are common. Therefore, we could face potential claims that we have infringed the intellectual property rights of third parties. If such claims are brought against us, we could face lengthy and costly litigation that can divert management resources and materially and adversely affect our results of operations.

Disruptions to our production facilities will affect our business and operations

We operate with integrated production bases in Shenzhen and Huizhou in Guangdong Province and Yichang in Hubei Province of the PRC and our business may be affected by disruptions to our production facilities from natural disasters such as typhoons and earthquakes, machine down-time due to annual maintenance, break-down power failures or power surges at the production facilities, which would result in damage to our production equipment and facilities or cause a production halt or delay in our production process. As our major production bases for LED backlight products and LED lighting products are located in Shenzhen and Huizhou, any major disruption to their operation could prevent us from meeting our customers' orders in a timely manner, increase our costs of production or require us to make unplanned capital expenditures, each of which could have a material adverse effect on the results of our operations.

Our business could be harmed by a failure of the ERP system

We maintain the ERP system, which is a cross-functional software system that provides a real-time view of the core business process of the Company such as production, order processing and inventory management. The ERP system is significantly important to the success of our business. In particular, we rely on the ERP system to track resources (such as raw materials and production capacity). Our ERP system is developed by a third-party software development company and is vulnerable to damage or interruption from fire, flood, earthquakes, power loss, server failure, back-up failure, telecommunications and internet service failure, computer viruses and denial-of-service attacks, physical or electronic breaches, human error and similar events. Any of these events could lead to system interruptions, processing and order fulfillment delays and loss of critical data for us. During the Track Record Period and up to the Latest Practicable Date, we did not encounter any material system failure. However, any significant interruption in the availability or functionality of the ERP system, for any reason, could seriously harm our business and operating results. In addition, because we are dependent on a third-party service provider for the implementation and maintenance of certain aspects of the ERP system and operations and because some of the causes of system interruptions may be out of our control, we may not be able to remedy such interruptions in a timely manner, if at all.

For details of the ERP system, please refer to "Production — Operation flows" in the section headed "Business".

We are exposed to risks of losing major customers

Our Group's five largest customers together accounted for 72.3%, 62.4%, 48.8% and 54.3%, respectively of our total revenue for the three years ended 31 December 2013 and the six months ended 30 June 2014. During the same periods, the single largest customer of our Group accounted for 35.5%, 25.9%, 20.2% and 20.8%, respectively of our total revenue. Although our Group has maintained good business relationships with our major customers, there is no assurance that these customers will continue to place the same levels of orders with our Group on terms which are commercially reasonable and acceptable to our Group. If any of our Group's major customers ceases its business relationship with us or substantially reduces its volume of purchases from us, our profitability and results of operations may be adversely affected.

Our business is dependent on PRC consumer markets

Since the commencement of our business, we have derived a significant portion of our revenue from sales to markets in the PRC. For the three years ended 31 December 2013 and the six months ended 30 June 2014, our sales in the PRC comprised 77.2%, 80.8%, 83.3% and 85.2%, respectively of our total revenue. If there is any significant decline in the conditions or the economies of the PRC, and if we are unable to find new markets for our products on a timely basis, our sales and profitability will be adversely affected.

We must maintain high production yield and capacity utilization rates to maintain our profits

In addition to absolute pricing levels for our products, our profitability is also dependent on our ability to maintain high production yield and capacity utilization rates. Our production yield directly affects our profitability because a higher production yield results in a lower unit cost, thereby directly impacting our gross profit margin. Factors affecting our production yield include our ability to maintain our manufacturing efficiency and quality control standards, and our ability to hire and retain experienced personnel to manage and operate our production facilities. There is no assurance that we will be able to achieve or maintain our current or historical production yield in the future, and the failure to do so may have an adverse impact on the results of our operations.

Factors affecting our capacity utilization rates include overall industry conditions, the level of customer orders and operational disruptions, such as shortages of raw materials and supplies, qualified labour, components and electricity supply. There is no assurance that we will be able to achieve or maintain sufficient capacity utilization rates in the future, and the failure to do so may have an adverse impact on the results of our operations.

We have consistently invested our resources in the research and development in terms of the production of LED-based products. Our LED utilization rates will depend on our ability to develop advanced LED technology and on the continued growth in market demand for LED-based products. There is no assurance that we will be able to achieve or maintain sufficient capacity utilization rates in the future for production of LED products to the satisfaction of our customers, and the failure to do so may lead to decline in customers' purchase orders, which will have an adverse impact on the results of our operations and our business strategy.

We may be subject to liability in connection with industrial accidents at our production site

We maintain a large production operation comprising approximately 3,700 employees at our main production facilities in China as of 30 June 2014. We have a wide range of manufacturing activities and could in the future experience industrial accidents or fires at our production base, which may result in a suspension of production and could give rise to potential liabilities to our employees or third parties. Any of the foregoing events could have a material adverse effect on our financial condition and the results of our operations.

Our selling prices for certain products are subject to downward pressures

Our gross profit margin is affected by the selling prices of our products with respect to the types of products sold and our cost of goods sold. For certain products, the selling prices are subject to downward pressures due to the intense competition in the LED backlight and lighting industry in which we operate and the growing demand for more energy-saving and sophisticated products in the market. The selling prices of our products may decline further if competitors lower their prices as a result of their lower cost base, to absorb their excess capacity, to liquidate their excess inventories, or to attempt to gain market share. Since our products have different selling prices and cost bases, changes in the type of products that we sell may have an adverse effect on our overall gross profit margins even during periods of increasing revenue. A decline in our gross profit margin will adversely impact our financial condition and results of operations.

There is no assurance that our suppliers will not violate any applicable laws and regulations

We purchase components and raw materials from suppliers during the course of our business. Our Group's selection criteria for suppliers are primarily based on the quality of the materials supplied, the cost of purchase, the delivery lead time and the services provided. Prior to engaging any supplier, our Group will conduct physical examination on the factories of new supplier to ensure that they will comply with our Group's specific quality requirements. Although we have established internal control procedures in the selection of suppliers, there is no assurance that our suppliers will not violate any applicable laws and regulations in their production process. If our suppliers violate any applicable laws and regulations in their production process which renders us not being able to comply with our customers' requirements or if we terminate any supply agreement with our supplier that is involved in any material breach of applicable laws and regulations without identifying any substitute, this may lead to the termination of the sales orders made by our customers and our business operations and results of operations may be adversely affected.

Our profitability may be affected by the potential increase in depreciation expenses upon the planned acquisition of additional machinery

It is our business strategies to acquire additional machinery by utilising a portion of net proceeds from the Share Offer so as to enhance our production capability and efficiency. Please refer to the section "Business — Our Business Strategies" for details as to the types of machinery to be purchased. As a result of the purchase of additional machinery, it is expected that additional depreciation will be charged to our profit and loss account and may therefore affect our financial performance and operating results.

RISKS RELATING TO OUR INDUSTRY

We face significant competition

Due to the nature of our business and the expanding applications for our products, we face significant competition from many existing industry players and new entrants based in the PRC and other countries. We face competition in terms of our product innovation and cost efficiency. Our ability to compete also depends in part on a number of factors beyond our control, including the price at which comparable products are sold by our competitors, the extent of our competitors' responsiveness to changes of customers' need and the ability of our competitors to attract and retain experienced and/or skillful employees. There is no assurance that we will be able to retain our customers while competing against our competitors.

Our competitiveness is dependent on our research and development capabilities

Our competitiveness is substantially dependent on our ability to develop new products and more efficient production capabilities. We place continuous emphasis on research and development, in particular, to improve the quality of our products and expand our new product offerings, which we believe are factors crucial for the future growth and prospects of our Group. There is no assurance that our Group's future research and development projects will be successful or be completed within the anticipated time frame or budget, or that our Group's newly developed products will achieve commercial success. Even if such products can be successfully commercialised, there is no guarantee that they will be accepted by the market.

In addition, there is no assurance that our existing and/or potential competitors will not develop products which are similar or superior to our products, and which serve as substitutes for our products. Given the difficulty in projecting the time frame for developing new products and the duration of market demand for these products, there is a substantial risk that we may have to abandon a potential product that is no longer commercially viable, even after we have invested significant resources in the research and development of such product.

We are subject to risks associated with technological changes

Certain segments of our industry are characterised by rapid technological changes and advancements. Our future success depends on our ability to address the rapidly changing trends in the LED backlight and lighting markets by developing and introducing new products on a timely basis and in accordance with our customers' changing needs. Advances in technology often lead to price declines and decreasing margins for mature, less technologically-advanced backlight and lighting products.

In addition, we must successfully manage the introduction of new products to minimize disruptions in our customers' ordering patterns and to ensure that adequate supplies of new innovative products can be delivered to meet our customers' demands. Our financial performance will be adversely affected if market demand for our current products declines, or if we fail to develop new products that are broadly accepted by our customers.

We must satisfy the product laws, regulations and industry standards of various jurisdictions

Our products are subject to extensive laws, regulations and health and safety standards of the jurisdictions in which we market and distribute our products. Any new or amended laws, rules, regulations or standards imposed on our products may involve considerable additional costs to ensure compliance and lead to changes to our manufacturing and quality control procedures that may affect our results of operations.

RISKS RELATING TO CONDUCTING OPERATIONS AND BUSINESS IN THE PRC

Substantially all of our assets, business operations and manufacturing facilities are located in the PRC. Accordingly, the results of our operations, financial position and prospects are to a significant degree subject to economic, political and legal developments in the PRC, and in particular to the following risks:

China's political and economic policies could affect our business operations

The PRC economy differs from the economies of most developed countries in many respects, including the level of government involvement, level of capital reinvestment, speed and volatility of growth, control of foreign exchange, allocation of resources and balance of payments position. While the PRC economy has experienced significant growth in the past decades, growth has been uneven, both geographically and among various sectors of the economy. The PRC economy has been transitioning from a planned economy to a more market-oriented economy. Although the PRC government has implemented measures since the late 1970s emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China is still owned or controlled by the PRC government.

The PRC government exercises significant control over the country's economic growth by controlling the allocation of resources, controlling payment of foreign currency denominated obligations, setting monetary and industrial policies and providing preferential treatment to certain industries or companies. Since late 2003, the PRC government has implemented a number of measures to prevent its economy from growing too quickly. While some of these measures may benefit the overall economy, they may have a negative impact on our business. Furthermore, changes in the political environment of the PRC may have an adverse effect on our business.

Our operations are subject to the laws and regulations of the PRC

Our business and operations in the PRC are governed by the legal system of the PRC. The PRC legal system is a codified system with numerous written laws, regulations, circulars, administrative directives and internal guidelines. However, the PRC has not developed a fully integrated legal system and the array of new laws and regulations may not be sufficient to cover all aspects of economic and other activities in the PRC. In the event of a breach of any of the foregoing due to an act or omission by our PRC subsidiaries, we will be subject to penalties prescribed therein. The PRC government is still in the process of developing its legal system and as the PRC economy is undergoing development generally at a faster pace than its legal system, some degree of uncertainty exists in connection with whether and how existing laws and regulations will apply to certain events or circumstances. Some of the laws and regulations, and the interpretation, implementation and enforcement thereof, are still at an experimental stage and are therefore subject to policy changes. Further, precedents on the interpretation, implementation and enforcement of the PRC laws and regulations are limited, and court decisions in the PRC do not have any binding effect on lower courts. Accordingly, the outcome of dispute resolution may not be as consistent or predictable as in other more developed jurisdictions and it may be difficult to obtain swift and equitable enforcement of the laws in the PRC, or to obtain enforcement of a judgment by a court of another jurisdiction.

Currency conversion and exchange rate risks

Since 1994, the conversion of RMB into foreign currencies including HK$, has been based on exchange rate set by the People's Bank of China. The People's Bank of China sets the exchange rates daily based on the previous day's interbank foreign exchange market rates in the PRC and the current exchange rates in the financial markets. Since then, the official exchange rate for the conversion of RMB to US$ has generally been stable as it is pegged against the US$. On 21 July 2005, China changed its currency policy. China abandoned the peg of US$ in favour of a managed float of the RMB based on market demand and supply with reference to a basket of currencies and their weightings. As a result, the RMB appreciated following this change in currency policy. As the exchange rate of RMB is allowed to move in a managed way, there can be no assurance that the RMB will not further appreciate. There is also no assurance that such exchange rate will continue to remain stable in the future. Since a substantial amount of the income and profit of our Group are denominated in RMB, any fluctuations in the value of the RMB may adversely affect the quantum of dividends, if any, payable on the Shares in Hong Kong dollars to its shareholders.

RISKS RELATING TO THE SHARE OFFER

There has been no prior public market for our Shares

Prior to the Share Offer of our Shares on the Stock Exchange, there has been no public market for our Shares. The Offer Price for our Shares will be the result of negotiations between the Sole Sponsor, the Sole Global Coordinator and us, and may differ from the market prices of our Shares after Listing. We have applied to the Stock Exchange for the listing of and permission to deal in our Shares. However, there is no assurance that the listing of our Shares on the Stock Exchange will result in the development of an active and liquid public trading market for our Shares. If an active market for our Shares does not develop after the Share Offer, the market price and the liquidity of our Shares may be adversely affected.

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

The market price, liquidity and trading volume of our Shares may be volatile. Factors that may affect the volume and price at which our Shares will be traded include, among other things, variations in our revenue, earnings, cash flows, announcements of new investments and changes in laws and regulations in China. We can give no assurance that these developments will not occur in the future. In addition, shares of other companies listed on the Stock Exchange with significant operations and assets in the PRC have experienced price volatility in the past, and it is possible that our Shares may be subject to changes in price not directly related to our performance.

Because the initial public offer price is higher than the book value of the net tangible asset per Share, you will experience immediate dilution

Based on the indicative Offer Price range, the initial Offer Price of our Shares is expected to be higher than the net tangible asset per Share prior to the Share Offer. Therefore, purchasers of our Shares in the Share Offer will experience an immediate dilution in the pro forma adjusted net tangible assets per Share of HK$3.04 (assuming an Offer Price of HK$3.35 per Share, being the mid-point of our Offer Price range of HK$3.0 to HK$3.7 per Share and the Over-allotment Option is not exercised), and existing Shareholders will experience an immediate increase in the net tangible asset per Share.

The market price of our Shares could decline

It is possible that our future operating results may be below the expectations of stock market analysts and investors. Any shortfall could cause a decline in the price of our Shares. In addition, the price of our Shares may be adversely affected by other factors, including:

- acquisitions;
- new products or services introduced by our competitors;
- government regulations; and
- general market and economic conditions.

We cannot assure you that the price of our Shares will not decline.

Future sale of Shares or major divestment of Shares by any major shareholder may affect our Share price

In order to expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of our Shares may experience further dilution in the net tangible assets book value per Share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset per Share.

Except as otherwise described in the paragraph headed "Undertakings by Our Controlling Shareholders" under the section headed "Underwriting" in this prospectus, there are no restrictions imposed on our Controlling Shareholders which will prevent him from disposal of his Shares. After any person has acquired or subscribed for Shares and become a major shareholder, any major disposal of Shares by any such major shareholder may cause the market price of our Shares to fall. In addition, any disposal of Shares by our major shareholder may make it more difficult for us to issue new Shares in the future at a time and price we deem appropriate, thereby limiting our ability to raise capital.

Our interests may conflict with those of our Controlling Shareholders, who may take actions that are not in, or may conflict with, our public Shareholders' best interests

Upon completion of the Capitalisation Issue and Share Offer, the Controlling Shareholders will own 75% of our entire issued share capital assuming that the Over-allotment Option is not exercised. As such, our Controlling Shareholders have and will continue to have the ability to exercise a controlling influence over our business, including matters relating to our management and policies and certain matters requiring the approval of our Shareholders, including election of Directors, approval of significant corporate transactions and the timing and distribution of dividends. He will also have veto power with respect to any Shareholder action or approval requiring a majority vote. He may take actions that you may not agree with or that are not in our public Shareholders' best interest. This concentration of ownership may have the effect of delaying, deferring or preventing a change in control, discouraging bids for our Shares at a premium over the market price, or adversely affecting the market price of our Shares.

Adverse effect associated with the Share Option Scheme will cause dilution to your shareholding in our Company

Issuance of Shares for the purpose of satisfying any award made under the Share Option Scheme and/or pursuant to the exercise of the options to be granted under the Share Option Scheme will cause dilution to the earnings per Share and net asset value per Share because of the increase in the number of Shares in issue after the issuance.

We may be unable to pay any dividend on our Shares

We are only allowed to pay dividends out of our accumulated realised profits so far as not previously utilised by distribution or capitalization, less our accumulated realised losses, so far as not previously written off in a reduction or reorganization of capital duly made. Our ability to pay dividends will therefore depend on our ability to generate sufficient accumulated net realised profits. With the approval of our Shareholders, we can also pay dividend out of our share premium account. As a result, there is no assurance that dividends will be distributed at all or in any particular form.

Any future declaration of dividends may or may not be consistent with our historical declarations of dividends. There is no assurance that we will declare dividends at all in the future. Future dividends, if any, will be at the discretion of the Board and will depend upon our future results of operations, capital requirements, general financial condition, legal and contractual restrictions and other factors the Board may deem relevant. In addition, our distributable earnings will be equal to our net profit determined in accordance with PRC GAAP or HKFRS, whichever is lower, less allocations to the statutory and discretionary funds. As a result, we may not have sufficient or any profits to enable us to make dividend distributions to our Shareholders in the future, even if our PRC GAAP or HKFRS financial statements indicate that our operations have been profitable.

You may face difficulties in protecting your interests because we are incorporated under Cayman Islands laws and Cayman Islands law may provide less protection to minority Shareholders than the laws of Hong Kong and other jurisdictions

Our corporate affairs are governed by the Memorandum and Articles and by the Companies Law and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes and judicial precedent in existence in Hong Kong and other jurisdictions. Such differences may mean that our minority Shareholders may have less protection than they would have under the laws of Hong Kong or other jurisdictions. For example, the Cayman Islands does not have a statutory equivalent of Section 725 of the Companies Ordinance which provides a remedy for shareholders who have been unfairly prejudiced by the conduct of our Company's affairs. See the section headed "Summary of the Constitution of the Company and Cayman Company Law" in Appendix IV to this prospectus.

You may experience difficulties in effecting service of legal process and enforcing judgments against us

Substantially all of our assets and operation are located in the PRC. As a result, it may not be possible to effect service of process within the US or elsewhere outside the PRC upon us, including with respect to matters arising under the US Federal securities laws or applicable state securities laws. Moreover, the PRC is not a party to any treaties providing for reciprocal enforcement of judgments of courts with the US, the United Kingdom, Japan or most other Western jurisdictions. As a result, recognition and enforcement in the PRC of judgments of a court in the US and any of the other jurisdictions mentioned above in relation to any matter not subject to a binding arbitration provision may be difficult or impossible.

In addition, although we will be subject to the Listing Rules (which do not have the force of law) upon the listing of our Shares on the Stock Exchange, the Shareholders will not be able to bring actions on the basis of violations of the Listing Rules and must rely on the Stock Exchange to enforce the Listing Rules. Furthermore, the Hong Kong Codes on Takeovers and Mergers and Share Repurchases do not have the force of law and provide only standards of commercial and compliance conduct considered acceptable for takeover and merger transactions and share repurchases in Hong Kong.

Prospective investors should read the entire prospectus carefully and we strongly caution prospective investors not to place any reliance on any information contained in press articles or disseminated through other media, including, in particular, any financial projections, valuation or other forward-looking statements, certain of which may not be consistent with the information contained in this prospectus

There may have been press coverage on our Group's business and the Share Offer, which included certain financial information, financial and operation projections, valuations and other information on our business that do not appear in this prospectus (the "Information"). We should emphasize to prospective investors that we do not accept any responsibility for the accuracy or completeness of the Information and that the Information is not sourced from or authorised by us. We make no representations as to the appropriateness, accuracy, completeness or reliability of any of the Information. To the extent that any of the Information is inconsistent with, or conflicts with, the information contained in this prospectus, we expressly disclaim any liability associated therewith and any loss or damage howsoever incurred as a result of reliance thereon. Accordingly, prospective investors should rely solely on the disclosure contained in this prospectus and not rely on any of the Information.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

UNDERWRITING

This prospectus is published solely in connection with the Share Offer. For applicants under the Share Offer, this prospectus and the Application Forms set out the terms and conditions of the Share Offer. Details of the terms of the Share Offer are described in the section headed "Structure and conditions of the Share Offer" in this prospectus.

The Listing is sponsored by the Sole Sponsor. The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement, subject to the agreement on the Offer Price between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Group on or before the Price Determination Date. Further details of the Public Offer Underwriters and the underwriting arrangements are set out in the section headed "Underwriting" in this prospectus.

SELLING RESTRICTIONS

Each person acquiring the Public Offer Shares under the Public Offer will be required to confirm, or by his acquisition of Public Offer Shares be deemed to confirm, that he is aware of the restrictions on offers and sales of the Public Offer Shares described in this prospectus.

No action has been taken to permit an offering of the Public Offer Shares in any jurisdiction other than Hong Kong or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Public Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

INFORMATION ON THE SHARE OFFER

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Share Offer or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by us, the Sole Sponsor, the Sole Global Coordinator, the Underwriters, any of their respective directors, officers, agents, employees or advisers or any other party involved in the Share Offer.

Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure and conditions of the Share Offer" in this prospectus, and the procedures for applying for Public Offer Shares are set out in the section headed "How to Apply for Public Offer Shares" in this prospectus and in the relevant Application Forms.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in our Shares in issue, the Offer Shares, and Shares to be issued pursuant to (i) the Share Offer; (ii) the Capitalisation Issue; and (iii) the exercise of any options that were granted or may be granted under our Share Option Scheme.

No part of the equity or debt securities of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

Under section 44B(1) of the Companies (WUMP) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, our Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, our Shares on the Stock Exchange and our Company's compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares on the Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

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

All necessary arrangements have been made for our Shares to be admitted into CCASS. If you are unsure about the details of CCASS settlement arrangements and how such arrangements will affect your rights and interests, you should seek the advice of your stockbrokers or other professional advisers.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Share Offer are recommended to consult their professional advisors if they are in any doubt as to the tax implications of subscription for, purchasing, holding, disposing of and dealing in our Shares (or exercising rights attached to them). It is emphasised that none of our Group, the Sole Sponsor, the Sole Global Coordinator, the Underwriters, any of our or their respective directors, officers, agents or advisors or any other parties involved in the Share Offer accepts responsibility for the tax effects or liabilities resulting from your subscription for, purchase, holding, disposal of, or, dealing in our Shares.

HONG KONG BRANCH SHARE REGISTER AND STAMP DUTY

All Shares issued pursuant to applications made in the Share Offer will be registered on our Company's branch share register of members to be maintained in Hong Kong. Our principal register of members will be maintained by our Company's principal share registrar in the Cayman Islands.

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

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of Shares will be paid to the shareholders listed on the Hong Kong share register of our Company, by ordinary post, at the shareholders' risk, to the registered address of each shareholder.

CURRENCY TRANSLATIONS

Unless otherwise specified, amounts denominated in RMB and US$ have been translated, for illustration purposes only, into Hong Kong dollars in this prospectus at the following rates:

HK$1.26	:	RMB1.00
HK$7.8	:	US$1.00

No representation is made that any amounts in RMB, US$ or HK$ can be or could have been at the relevant dates converted at the above rates or any other rates, or at all.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail.

ROUNDING

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Yiu Chi To (姚志圖)	20B, 18th Street, Hong Lok Yuen, Tai Po, New Territories, Hong Kong	Chinese
Mr. Chen Chung Po (陳鐘譜)	20B, 18th Street, Hong Lok Yuen, Tai Po, New Territories, Hong Kong	Chinese
Ms. Yiu Kwan Yu (姚君瑜)	20B, 18th Street, Hong Lok Yuen, Tai Po, New Territories, Hong Kong	Chinese
Mr. Chen Wei Wu (陳緯武)	B5-18D, Xin Wei Nan Hai An, Nan Shan Qu, Shenzhen City, PRC	Chinese
Ms. Yong Jian Hui (雍建輝)	Room 23B, Fu Yao Ge, Tian Yue Long Ting, Xin Hu Road, No. 84 Qu, Bao'an District, Shenzhen City, PRC	Chinese
Independent non-executive Directors		
Mr. Au Yeung Tin Wah (歐陽天華)	Flat A, 15th Floor, Block 2, Robinson Heights, 8 Robinson Road, Mid-levels, Hong Kong	Chinese

Name	Address	Nationality
Mr. Chen Kwok Wang (陳國宏)	Flat RB 45/F, Tower 6, Capitol, Lohas Park, Tsueng Kwan O, New Territories, Hong Kong	Chinese
Mr. Ho Chi Wai (何志威)	2D, Block 12, Grand Del Sol, Yuen Long, New Territories, Hong Kong	Chinese

For further information about our Directors, please refer to the section headed "Directors, Senior Management and Employees" in this prospectus.

PARTIES INVOLVED

Sole Sponsor	**Changjiang Corporate Finance (HK) Limited** Suite 1908, 19th Floor, COSCO Tower, 183 Queen's Road Central, Central, Hong Kong
Sole Global Coordinator	**Changjiang Securities Brokerage (HK) Limited** Suite 1908, 19th Floor, COSCO Tower, 183 Queen's Road Central, Central, Hong Kong
Joint Bookrunners and Joint Lead Managers	**Changjiang Securities Brokerage (HK) Limited** Suite 1908, 19th Floor, COSCO Tower, 183 Queen's Road Central, Central, Hong Kong **RHB OSK Securities Hong Kong Limited** 12/F, World-wide House, 19 Des Voeux Road Central, Hong Kong **GF Securities (Hong Kong) Brokerage Limited** 29–30/F, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong

Legal advisers to our Company	*As to Hong Kong law:* **Minter Ellison** Level 25, One Pacific Place, 88 Queensway, Hong Kong
	As to Cayman Islands law: **Conyers Dill & Pearman (Cayman) Limited** Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands
	As to PRC law: **Jun He Law Offices** Suite 1301, 13/F E Building, G.T. Land Plaza 13 Zhujiang East Road, Zhujiang New Town, Guangzhou 510623, PRC
Legal advisers to the Sole Sponsor and the Underwriters	*As to Hong Kong law:* **P.C. Woo & Co** 12th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong
	As to PRC law: **China Commercial Law Firm** 14th Floor, Times Finance Centre, No. 4001, Shennan Road, Shenzhen, PRC
Auditors and reporting accountants	**SHINEWING (HK) CPA Limited** *Certified Public Accountants* 43rd Floor, The Lee Gardens, 33 Hysan Avenue, Causeway Bay, Hong Kong

Property valuer	**RHL Appraisal Limited** Room 1010, Star House, 3 Salisbury Road, Tsimshatsui, Kowloon, Hong Kong
Receiving Banker	**Bank of China (Hong Kong) Limited** 1 Garden Road, Hong Kong

Registered office	Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands
Headquarters and principal place of business in Hong Kong	6th Floor, Liven House, 63 King Yip Street, Kwun Tong, Kowloon, Hong Kong
Company's website	www.waichiholdings.com *(information contained in this website does not form part of this prospectus)*
Company secretary	**Lee Ming Yin Faith** (Associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom) Flat E, 16th Floor, Block 2, The Pinnacle, 8 Wan Hang Road, Tseung Kwan O, New Territories, Hong Kong
Authorised representatives	**Chen Chung Po** 20B, 18th Street, Hong Lok Yuen, Tai Po, New Territories, Hong Kong **Cheung Wai Hung** Flat B, 5th Floor, Billion Court, 63 Wuhu Street, Hunghom, Kowloon, Hong Kong
Audit committee members	Au Yeung Tin Wah *(Chairman)* Chen Kwok Wang Ho Chi Wai

Remuneration committee members	Ho Chi Wai *(Chairman)* Au Yeung Tin Wah Chen Kwok Wang
Nomination committee members	Chen Kwok Wang *(Chairman)* Ho Chi Wai Au Yeung Tin Wah
Compliance adviser	**Changjiang Corporate Finance (HK) Limited** Suite 1908, 19th Floor, COSCO Tower, 183 Queen's Road Central, Central, Hong Kong
Principal bankers	**China Construction Bank (Asia) Corporation Limited** CCB Tower, 3 Connaught Road Central, Central, Hong Kong **Bank of China (Hong Kong) Limited** Bank of China Tower, 1, Garden Road, Central, Hong Kong **The Hongkong and Shanghai Banking Corporation Limited** HSBC Main Building, 1 Queen's Road Central, Central, Hong Kong **Standard Chartered Bank (Hong Kong) Limited** Standard Chartered Bank Building, 4–4A Des Voeux Road Central, Central, Hong Kong

Cayman Islands principal share registrar and transfer office	**Codan Trust Company (Cayman) Limited** Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands
Hong Kong branch share registrar and transfer office	**Tricor Investor Services Limited** Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong

This and other sections of this prospectus contain certain information which is extracted or derived from the Euromonitor Report, being a report commissioned by us and prepared by Euromonitor, an independent research firm and an Independent Third Party. The Euromonitor Report includes research estimates from publicly available secondary sources and trade survey analysis of the opinions of leading industry players, and is prepared primarily as a market research tool. Research by Euromonitor should not be considered as the opinion of Euromonitor as to the value of any security or the advisability of investing in Wai Chi Holdings Company Limited. We believe that the sources of the information in this "Industry Overview" section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading in any material respect. However, the information extracted from the Euromonitor Report has not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, any of the Underwriters, any of their respective directors, employees, agents, advisers and consultants, affiliates or any other party involved in the Share Offer, and neither they nor Euromonitor give any representations as to its accuracy or completeness. As such, investors are cautioned not to place any undue reliance on the information and statistics set forth in this section and elsewhere in this prospectus.

EUROMONITOR INTERNATIONAL LIMITED

In connection with the Share Offer, we have engaged Euromonitor to prepare an industry report primarily on the LED backlight and commercial LED lighting industry in the PRC and Hong Kong. Founded in 1972, Euromonitor is a global research organization and private independent provider of business intelligence on industries, countries and consumers and an Independent Third Party.

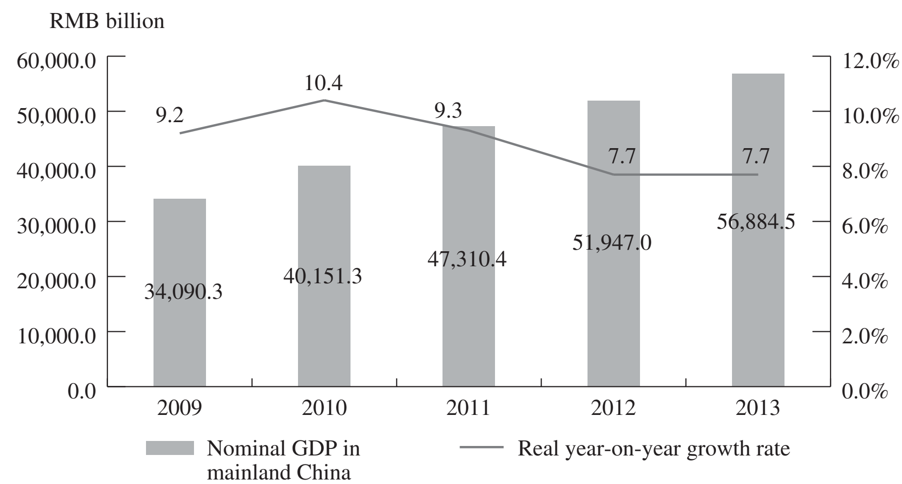
The Euromonitor Report was prepared on the bases of (i) primary qualitative research, including trade interviews with the manufactures, as well as with national or regional industry associations; and interviewing respondents from different departments within companies; and (ii) secondary research, including gathering, refining and confirming information from multiple relevant published data sources, such as the National Bureau of Statistics of China, the Census and Statistics Department of the Hong Kong government, trade associations, company financials and annual reports, independent analysts' or research groups' reports, national and local trade press. The information and statistics contained in this and other sections of this prospectus which are extracted or derived from the Euromonitor Report may include research estimates of the market size, rankings and performance from publicly available secondary sources and trade survey analysis of the opinions and perspectives of leading industry players. The market share data has been determined via a fieldwork program consisting of desk research and trade interviews and the market share estimates are based on views of interviewed trade sources and not Euromonitor's view of the market shares. It is noted that audited data is available for listed companies only and does not split revenue into the specific categories covered in this report (and are subject to further changes when latest accounts are published). For this reason all company sales and market share data are estimates based on publicly available secondary sources, and the views of interviewed trade sources (i.e. not just the companies themselves) to build a consensus on these estimates as much as possible. The total fee for the Euromonitor Report is US$190,505.

OVERVIEW OF CHINA'S ECONOMY

China's Economy Maintains Rapid Growth

China has achieved continuous and rapid economic growth since its adoption of reforms and opening-up policies in the late 1970's. Data from the National Bureau of Statistics of China ("NBSC") shows that the GDP in mainland China totalled RMB56,884.5 billion in 2013, achieving a 7.7% real GDP growth rate over the previous year. The per capita GDP in China in 2013 reached RMB41,804.7, approximately US$6,817.4.

Chart 1 Nominal GDP in Mainland China, 2009 to 2013

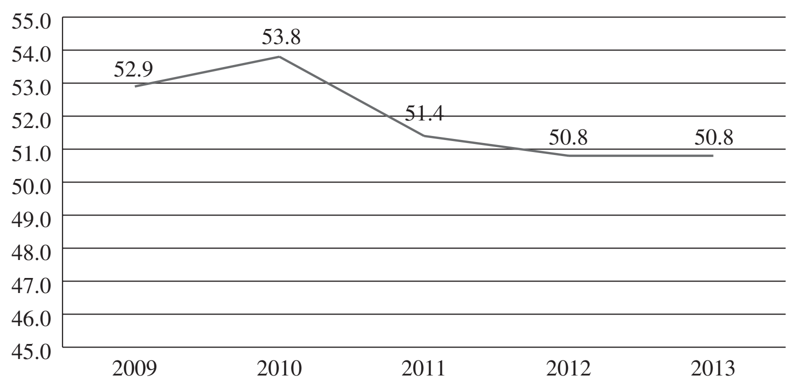


Source: The National Bureau of Statistics of China

Manufacturing Industry in Mainland China is Developing at a Stable Pace

With the continuous growth of GDP, the manufacturing industry in mainland China has been contributing its stable share at a steady pace over the last few years. The Purchasing Managers Index (PMI) of manufacturing industries has been sustaining at the level of above 50 in 2013, being an indication and proof of the rapid development of the manufacturing industry in mainland China.

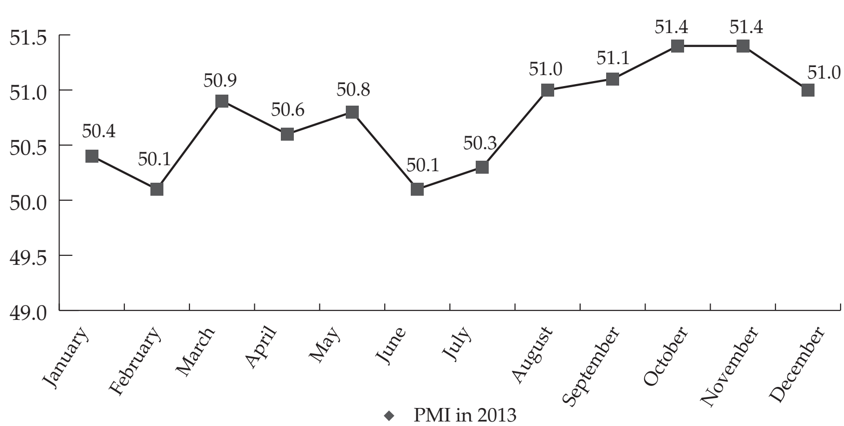
Chart 2 Average Purchasing Managers Index (PMI) of manufacturing industries in Mainland China, 2009 to 2013 *(Note)*



Source: The National Bureau of Statistics of China

Note: The average PMI for each year was the monthly average calculated based on the 12 months' PMI data for respective year sourced from the National Bureau of Statistics of China.

Chart 3 Purchasing Managers Index (PMI) of manufacturing industries in Mainland China 2013



Source: The National Bureau of Statistics of China

According to the NBSC, communication equipment, computers and other electronics equipment include complete computers, computer components, computer peripheral equipment, other computer equipment including electronic equipment operating based on Central Processing Unit (CPU) and supported by professional function module, communication equipment including communication systems and terminals, broadcast and television equipment, radar and supplementary equipment, audio-visual equipment, electronic devices and electronics components. Hence, these manufacturers are the main bodies adopting LED backlight units, as they are mostly equipped with LCD, which necessitate backlight units.

THE LED BACKLIGHT INDUSTRY IN THE PRC

LED backlight units in mainland China showed to be a dynamic market

There are basically three types of LED backlight units by product size: (i) large segment for application in display panels on consumer/industrial electronics, such as television (TV) sets; (ii) medium segment for application in car on-board monitors, dashboards on consumer/industrial electronics, like Personal Computer (PC) LCD screens (desktop, laptop and tablet), portable video players; and (iii) small segment for application in mobile phones, car on-board monitors, dashboards on consumer/industrial electronics such as MP3 players, digital cameras, refrigerators, air conditioners, laundry machines.

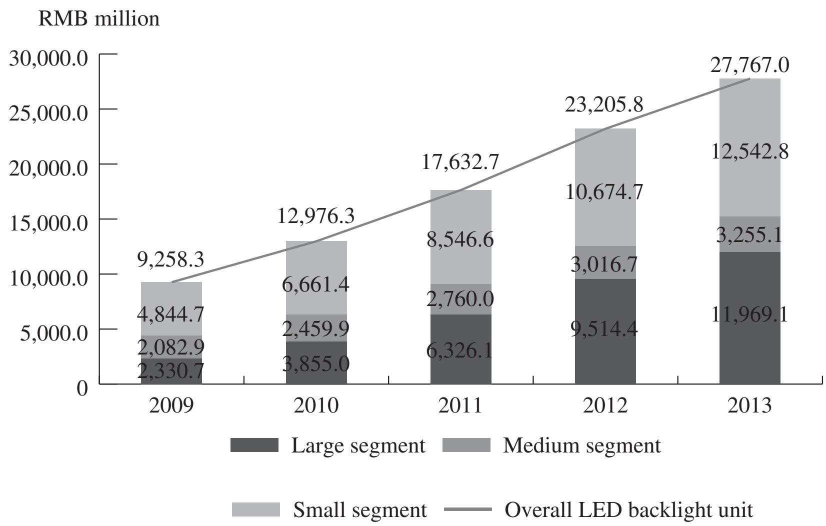
The LED backlight unit market in mainland China has been growing robustly over the past few years. The overall manufacturing sales value of LED backlight units in 2013 reached RMB27,767.0 million, increasing at a CAGR of 31.6% over the period from 2009 to 2013.

Being the main driver of the overall LED backlight unit market in the period from 2009 to 2010, the small segment achieved a market sales value of RMB12,542.8 million in 2013, taking the largest share of the overall backlight unit market, which was about 45% and attributed to the development of mobile phones, especially smartphones and automobile on-board monitors. The rapid growth of vehicle-use segment is attributed to the fast development of automobile industry. Data from China Association of Automobile Manufacturers (CAAM) showed that sales volume of passenger vehicle in mainland China has been growing at a CAGR of 22% during the period from 2009 to 2013, and in 2013 new passenger vehicle sales reached approximately 18.1 million units. This part brought about the demand of vehicle-use monitor and dashboard for the market in built-in vehicle-use display system in new vehicles, as well as the market in installation of vehicle-use display system in used vehicles.

The medium segment's market size reached RMB3,255.1 million in 2013, attaining a CAGR of 11.8% over the period from 2009 to 2013, and taking a share of 11.7% of the overall LED backlight unit market. As China's automobile market expands and demand for higher-end vehicles grows, the demand for larger monitor display units will increase.

The large segment realized the fastest development over the past five years and has been expanding at a CAGR of as high as 50.5% in the period from 2009 to 2013, achieving RMB11,969.1 million in 2013 in terms of sales value. Data from Ministry of Industry and Information Technology of the PRC (MIIT) disclosed that in 2012 colour TV production volume reached approximately 140.0 million units, of which the LED backlight based volume accounted for about 35.0%, amounting to nearly 50.0 million units.

Chart 4 Manufacturing Sales Value of LED Backlight Units in Mainland China, 2009 to 2013



Source: Euromonitor estimates from trade interviews and desk research

Trends and Drivers

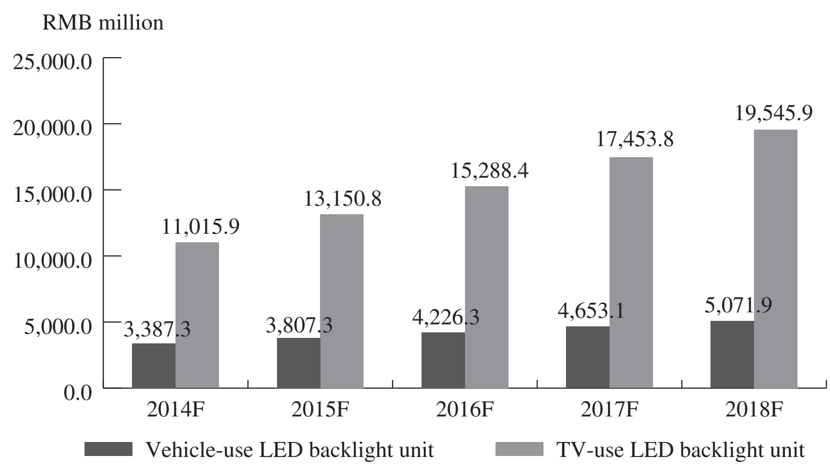
Screens of larger and higher luminance are popular

LED backlights have sought application in a wide range of devices. The latest developed products are the ones applied in automobile on-board monitors, tablet backlights and wearable digital backlights. Currently, smartphones and televisions are the two biggest application sectors of LED backlights. Lately, smartphone users prefer larger screens, while TV manufacturers promote high luminance and high resolution of TV screens. Accordingly, LED backlights of higher luminance that apply to larger surfaces gained popularity.

TV sets and automobile on-board monitors will be the most dynamic applications of LED backlights

For most of the application industries that use backlights, LED backlights have dominated. Industry sources indicated a future prospect for the growth of LED backlight units by segment. The traditional TV sets based on the Cold Cathode Fluorescent Lamps (CCFL) have been gradually and will be substantially replaced with LED backlight based TV sets. Regarding the automobile on-board monitors industry, according to CCAM, the incremental automobiles manufactured in mainland China in 2013 achieved near 20 million units. The big automobile market saw a huge potential for middle and small segments of the LED backlight unit market.

Chart 5 Projected Sales of LED Backlight based TV and automobile on-board monitors, 2014F-2018F



Source: Euromonitor estimates from trade interview and desk research

Technology advantages make LED backlights more widely accepted in client industry

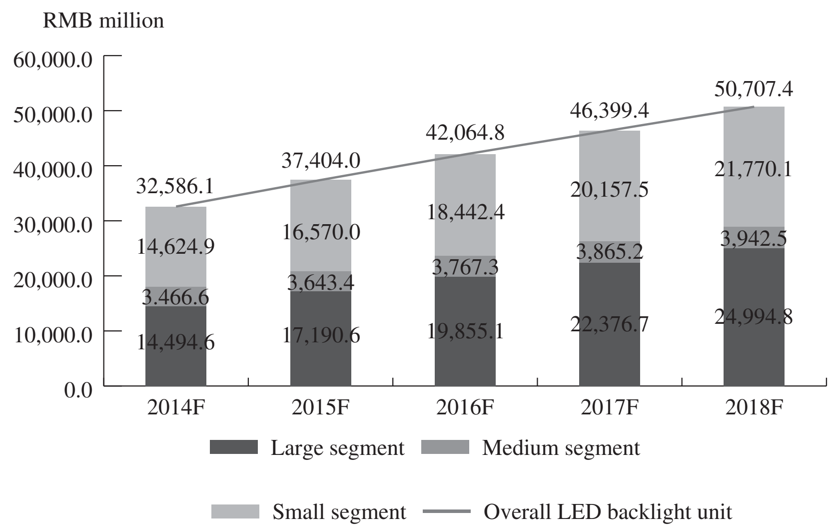
LED backlight has long been recognized for its energy-saving feature, high display quality and ultrathin appearance. LED backlight technology has been continuously upgraded to enhance its quality and advantage including light stability, light evenness and luminance and drive down costs and make it more widely accepted by customer industries. In general, falling prices promoted LED penetration and total sales value growth.

Future prospects

In the future period, the large segment will become the largest part in the overall LED backlight unit market. There will be increasing penetration of LED backlight based TV's and automobile on-board monitors with LED backlight screens. The small segment will maintain modest growth, since the popularization of smartphones is still on the way globally and innovation of 4th Generation (4G) communications are spreading locally in mainland China. Besides, China is still one of the most important manufacturing hubs, even for smartphones. The small segment is anticipated to amount to RMB21,770.1 million by 2018, realizing a CAGR of 10.5% in the coming five years. Increasing penetration of LED backlight based TV's plays a key role in facilitating the layout for expansion. The large segment will become the main force to take the lead and will surpass the small segment to become the largest part in the overall LED backlight unit market. TV-use segment will grow to reach RMB19,545.9 million by 2018, realizing a CAGR of 15.4% over this next five years. The manufacturing sales value for large segment is expected to reach RMB24,994.8 million in 2018, increasing at a CAGR of 14.6% over the period from 2014 to 2018.

Similarly, Vehicle-use segment will be facing a booming penetration of LED backlight screens. Data from the NBSC indicated that by the end of 2013, the number of automobiles in mainland China reached over 130 million units. And according to CCAM, the incremental automobiles manufactured in mainland China in 2013 achieved near 20 million units. It is expected to realize a sales of RMB5,071.9 million by the end of 2018, growing at a CAGR of 10.6% over the period from 2014 to 2018. Hence, the market in the future period will be greatly driven by large and small segments of LED backlights.

Chart 6 Manufacturing Sales Value of LED Backlight Units in Mainland China, 2014F to 2018F



Source: Euromonitor estimates from trade interviews and desk research

Competitive Landscape

The overall LED backlight unit market has over 5,000 enterprises engaged in the manufacturing of such units as of the end of 2013. The top 10 manufacturers filtered by sales value as a whole in mainland China in 2013 took a combined share of 55.6%. Over half of the leading players in this market focused on large segment manufacturing. Small segment-focused enterprises like our Group followed on to complete the top 10 list.

The chart below sets forth the competitive landscape by sales value of top 10 Overall LED backlight unit manufacturers in mainland China in 2013.

Rank	Company Name	2013 Sales Value *(MSP, RMB million)*	2013 Market Share
1	Company A	5,275.5	19.0%
2	Company B	3,399.7	12.2%
3	Company C	1,678.4	6.0%
4	Company D	1,025.0	3.7%
5	Company E	965.0	3.5%
6	Company F	857.0	3.1%
7	Our Group	640.0	2.3%
8	Company G	590.1	2.1%
9	Company H	558.0	2.0%
10	Company I	466.0	1.7%

Source: Euromonitor estimates from trade interviews and desk research

Our Group ranked number 7 in the overall LED backlight unit market, contributing an individual share of 2.3% with a sales value of RMB640.0 million in 2013. The top 10 manufacturers took a combined share of 55.6%.

The chart below sets forth the competitive landscape by sales value of top 10 Small LED backlight unit manufacturers in mainland China in 2013.

Rank	Company Name	2013 Sales Value *(MSP, RMB million)*	2013 Market Share
1	Company E	760.0	6.1%
2	Our Group	533.3	4.3%
3	Company G	500.5	4.0%
4	Company J	463.0	3.7%
5	Company I	430.0	3.4%
6	Company K	376.0	3.0%
7	Company A	359.0	2.9%
8	Company B	340.0	2.7%
9	Company L	301.7	2.4%
10	Company M	294.6	2.3%

Source: Euromonitor estimates from trade interviews and desk research

Entry Barrier

Optical design and research and development capability pose technical barriers. Optical design is considered the core value of backlight manufacturers. Companies should possess techniques to transmit light with high evenness and stability. In addition, LED backlight technology is constantly evolving and upgrading. Manufacturers have to possess adequate research and development capabilities to keep up with the industry.

Increasing demand for high-quality products shows signals of high requirements to the entrants. As the industry quickly evolves and matures, the customer industries have developed an emphasis on product quality, such as the ability to evenly spread light, as well as high luminance and stability of light. Even though there is currently no national standard set for backlights, the increasingly selective clients and the severely competitive environment have raised the entry bar.

THE LED LIGHTING INDUSTRY IN THE PRC

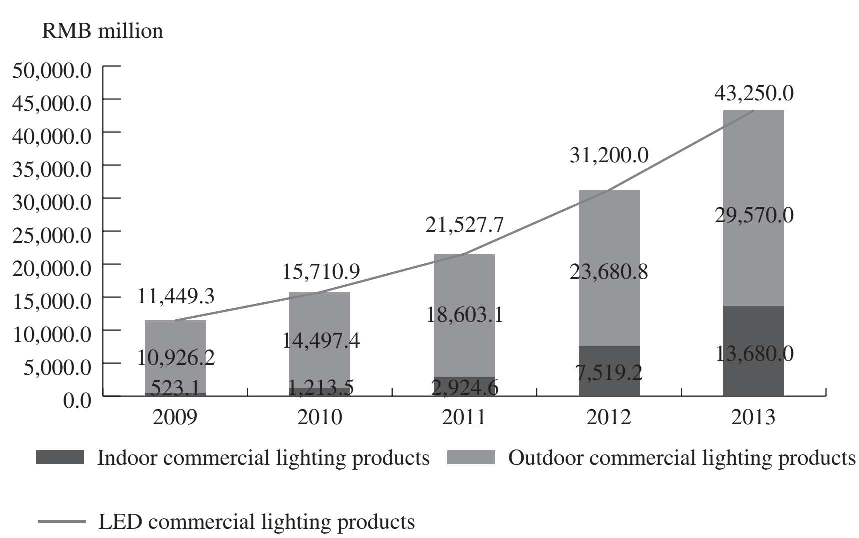
LED commercial lighting is booming in mainland China

The LED commercial lighting market achieved a sales value of RMB43,250.0 million in 2013, attaining growth at a CAGR of 39.4% over the period from 2009 to 2013.

Outdoor lighting formed the main body of the LED commercial lighting market

LED commercial lighting for outdoor use in 2013 reached a sales value of RMB29,570.0 million, accounting for a share of 68.4% of the whole market. This was realised at a CAGR of 28.3% for the past five years. The outdoor lighting market was mainly composed of two product types, LED public street lighting and LED landscape lighting. While landscape lighting has taken nearly half of the whole outdoor lighting market in mainland China, public street lighting was usually managed by the government who launched the LED installation project for energy-saving purpose. LED commercial lighting for indoor use in 2013 reached a sales value of RMB13,680.0 million, taking a share of 31.6% of the whole market, attaining a high CAGR of 126.1% over the period from 2009 to 2013.

Chart 7 Sales Value of LED Commercial Lighting Products by Point-of-usage in Mainland China, 2009 to 2013



Source: Euromonitor International estimates from trade interviews and desk research

Trends and Drivers

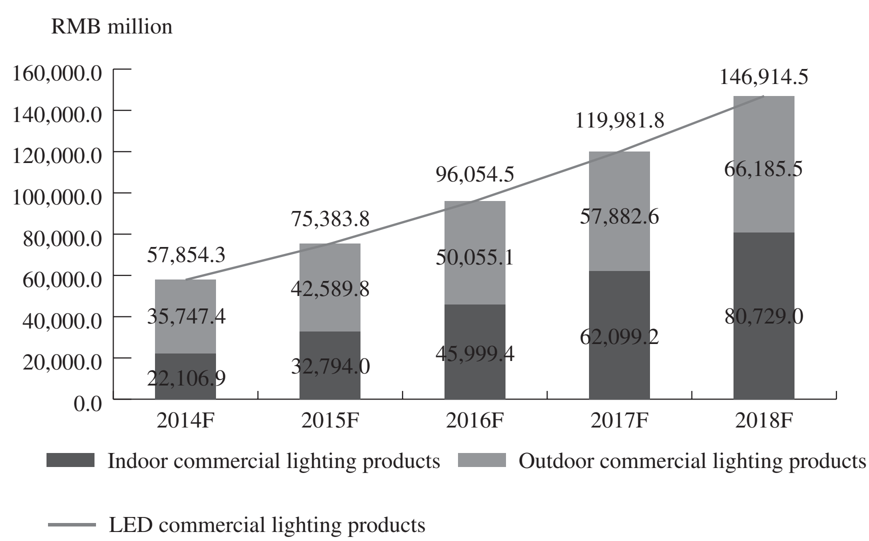
The huge demand for energy-saving consumption will greatly spur the LED industry as local government takes the lead in using LED lighting to save energy

Currently, contribution from the government accounts for the largest share of overall LED commercial lighting. Local governments define LED commercial lighting as a promising and sustainable way to achieve energy-saving targets, so they encourage LED lighting replacement through streetlight projects.

Future prospects

By 2018, the indoor lighting market is expected to reach a sales value of RMB80,729.0 million, exceeding the contribution by the outdoor lighting segment, which is projected to grow to RMB66,185.5 million. The CAGR's of these two segments for the forecast period as analysed are 38.2% and 16.6% respectively. The huge number of supermarkets in mainland China and assumed promising retail market in China would be key factors driving the future growth.

Chart 8 Sales Value of LED Commercial Lighting Products by Point-of-usage in Mainland China, 2014F to 2018F



Source: Euromonitor estimates from trade interviews and desk research

Competitive Landscape

There are over 10,000 LED commercial lighting manufacturers in mainland China, witnessing a very fragmented market. There are no large, expert LED commercial lighting enterprises in mainland China. Except for certain global brand owners, there is no one leading player that could currently achieve a sales value of more than RMB1.0 billion. Given the promising prospect of the LED lighting market, it is expected that more intensified competition is on the way, and more big companies with highly integrated capabilities and high sales revenue will surface and push out the small companies. This would help lead to a more consolidated market, where the overall competence of the LED commercial lighting industry in mainland China will increase.

Our operations of LED backlight manufacturing and providing energy management solutions are mainly carried out in Shenzhen and Huizhou, the PRC, while our sales and marketing operations are mainly carried out in Hong Kong. This section summarises certain aspects of the Hong Kong and the PRC laws and regulations which are relevant to our operations in Hong Kong and the PRC respectively.

REGULATIONS IN HONG KONG

As at the Latest Practicable Date, companies operating the business of our Group in Hong Kong, i.e. sales and marketing and trading of LED backlight products, are required to comply with the laws of Hong Kong generally and there are no particular laws or regulations of Hong Kong which are specific to the businesses of our Group and the industry in which our Group operates in Hong Kong.

REGULATIONS IN THE PRC

PRC Laws and Regulations Relating to the Group's Business

The Group's business is subject to the laws and regulations of the Chinese government in which its business is operated. This section summarises the main PRC laws and regulations relating to the Group's operations.

At the Latest Practicable Date, the Group has complied with all applicable laws and regulations in all material respects, and has obtained all licenses as required for its current business operations. The establishment of Shenzhen Wai Chi and its subsidiaries in the PRC did not bring the Group under the scope of the Regulations on the Merger with and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) as promulgated by the PRC Ministry of Commerce and other ministries of the State Council.

Laws and Regulations Relating to Foreign Investment

Foreign Investment Industries

According to the Catalogue for the Guidance of Foreign Investment Industries (《外商投資產業指導目錄》) which was promulgated on 24 December 2011 and came into force on 30 January 2012, as well as the scope of business operated by our subsidiaries, the main business operated by our operating subsidiaries shall be classified as permitted or encouraged foreign investment industry.

Foreign-owned Enterprise

Wholly foreign-owned enterprises are subject to the Wholly Foreign-owned Enterprise Law of the PRC (《中華人民共和國外資企業法》) promulgated on 12 April 1986 and amended on 31 October 2000, and the Rules for the Implementation of the Wholly Foreign-owned Enterprise Law of the PRC (《中華人民共和國外資企業法實施細則》) promulgated on 12 December 1990 and amended on 12 April 2001. A wholly foreign-owned enterprise is a legal entity with the capacity to bear civil liabilities, enjoy civil rights and to own, use and sell properties independently. The registered capital of a wholly foreign-owned enterprise must be contributed by foreign investors. The liability of the foreign investor is limited to the amount of the register capital for which such investor agrees to subscribe. According to the relevant law and regulations of the PRC, foreign investors are allowed to pay the amount of registered capital by instalments, and the registered capital must be injected within the specified period as approved by the Ministry of Commerce of the PRC or its authorised organizations.

Laws and Regulations Relating to Our Products

Product Quality

Pursuant to the Product Quality Law of the PRC (《中華人民共和國產品質量法》) promulgated on 22 February 1993 and amended on 8 July 2000 and 27 August 2009, it is prohibited to produce or sell industrial products that do not meet the standards and requirement for safeguarding human health and ensuring human and property safety. Products shall be free from unreasonable dangers threatening human and product safety. For products which, if improperly used, may cause damage to the products per se or may endanger human or property safety, the products or their packaging shall be marked with warning marks or warning statements in Chinese.

Producers are liable for the quality of the products produced by them. Where a defective product causes physical injury to a person or damage to property, the victim may claim compensation against the producer or the seller of such product. Where bodily injury is caused by a defective product, the infringing party is required to compensate for medical expenses, nursing fees and other economic losses of the victim such as any decreased earnings due to loss of ability to work. Where the victim becomes disabled, the infringing party is required to pay such fees as the expenses for self-help devices, the subsistence allowances, disability compensation to the victim. Where such defect causes death to the victim, the infringing party is required to also pay for the funeral expenses, compensation for death, and the living expenses necessary for any other person(s) supported by the deceased before his death. Where the defective product causes damage to the property of the victim, the infringing party is required to restore the damaged product to its original state, or pay compensation at the market price. Where the defective product causes other material losses to the victim, the infringing party shall make compensation for such losses.

Where anyone produces or sells products that do not comply with the relevant national or trade standards safeguarding the health or safety of the person and property, the related authority will order it to suspend the production or sale, confiscate the products produced or for sale, and impose a fine higher than the value of the products and less than three times of the value of the products. The illegal earnings, if any, shall also be confiscated. If the circumstances are serious, the business license shall be revoked. If the activities constitute a crime, the offender will be prosecuted.

Product Labeling

According to the Measures for the Administration of Energy Efficiency Labels (《能源效率標識管理辦法》), which were promulgated on 13 August 2004 and came into force on 1 March 2005, the State shall formulate and promulgate the Catalogue of the PRC on the Products to be Affixed with Energy Efficiency Labels. For any products listed in such catalogue, the uniform energy efficiency label shall be indicated in an eye-catching position of the products or its smallest packing. Manufactures shall, within 30 days from the date of using energy efficiency label, submit the label and relevant information to the authorised institution for record filing.

According to the Implementing Rules on Energy Efficiency Label of Self-ballasted Fluorescent Lamps (《自鎮流螢光燈能源效率標識實施規則》) which came into force on 1 June 2008, and the Third Batch of Catalogue of the PRC on the Products to be Affixed with Energy Efficiency Labels (《中華人民共和國實行能源效率標識的產品目錄(第三批)》, fluorescent lighting products reaching certain technique standards shall be attached with energy efficiency label.

According to Article 20 of the Energy Conservation Law of the PRC (《中華人民共和國節約能源法》), which was promulgated on 1 November 1997 and amended on 28 October 2007, producers and sellers of energy-consuming products may submit, on a voluntary basis and pursuant to State provisions relating to energy-saving products authentication, applications for energy-saving product authentication to the energy-saving product authentication institutions acknowledged by authentication ratification and supervision authorities under the State Council. Those who pass the authentication may, after obtaining energy-saving product authentication certificates, attach energy-saving product authentication labels to energy-consuming products or their packaging.

Import or Export of Products

The Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) promulgated on 12 May 1994 and amended on 6 April 2004, and the Measures for the Record Filing and Registration of Foreign Trade Operators (《對外貿易經營者備案登記辦法》) promulgated on 25 June 2004, require that foreign trade operators who engage in the import and export of goods and technologies must register with the Ministry of Commerce and other institutions authorised thereby. In addition, if a company imports or exports goods as a consignee or a consignor, it must register with the local customs authority and obtain the PRC Customs Declaration Registration Certificate for Consignors and Consignees (《中華人民共和國海關進出口貨物收發貨人報關註冊登記證書》) pursuant to the Administration Provisions for the Registration of Customs Declaration Agents (《海關報關單位註冊登記管理規定》).

Laws and Regulations Relating to Environment and Safety Issues

Environmental Law

Our operations are subject to PRC environmental laws and regulations, which include the PRC Environmental Protection Law (《中華人民共和國環境保護法》), the PRC Law on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), the PRC Law on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》), the PRC Law on the Prevention and Control of Pollution from Environmental Noise (《中華人民共和國環境噪聲污染防治法》), the PRC Law on the Prevention and Control of Environmental Pollution By Solid Waste (《中華人民共和國固體廢物污染防治法》), the Administrative Regulations on Environmental Protection for Construction Projects (《建設項目環境保護管理條例》), and the Administrative Regulations on Levy and Utilization of Sewage Charge (《排污費徵收使用管理條例》). These environmental laws govern a broad range of environmental matters, including air pollution, noise emissions, sewage and waste discharge.

Enterprises are required to comply with the applicable national and local environmental laws and regulations. According to these environmental laws, all business operations that may cause environmental pollution and other public hazards are required to incorporate environmental protection measures into their plans and establish a reliable system for environmental protection. Their operations are required to adopt effective measures to prevent and control pollution levels and harm caused to the environment in the form of waste gas, liquid, solid, waste, dust, malodorous gas, radioactive substances, noises, vibration, and electromagnetic radiation generated in the course of production, construction or other activities. Companies are also required to carry out an environmental impact assessment before commencing the construction of production facilities and also must install pollution treatment facilities that meet the relevant environmental standards to treat pollutants before discharge.

If a company fails to report and/or register in respect of any environmental pollution caused by it, it will be warned or subject to penalties. If the company then fails to restore the environment to its original state or improve the environment affected by the pollution within the time limit, it will be penalized, and its business license may be suspended. Companies or enterprises causing environmental pollution and hazards are responsible for taking action to remedy the hazards and consequences caused by the pollution, and compensation for any loss or damages caused by the environmental pollution.

Labour and Safety Law

According to the Production Safety Law of the PRC (《中華人民共和國安全生產法》) which was promulgated on 29 June 2002 by the Standing Committee of the National People's Congress and came into force on 1 November 2002, companies carrying out production activities are required to provide safe production conditions as required by relevant laws and regulations. Companies having more than 300 employees are required to form a management department to carry out the functions of production safety or appoint personnel solely responsible for ensuring production safety. Companies are required to display warning signs at the location and on equipment with high potential risks. Companies are required to purchase job-related injury insurance according to relevant laws and regulations.

According to the Regulations on Safety Production Permit (安全生產許可證條例), enterprises engaged in the industry of construction are required to obtain a safety production permit. The safety production permit shall be valid for 3 years. Enterprises which, in violation of the Regulations, are arbitrarily engaged in production without safety production licenses shall be ordered to suspend production, and shall be subject to the confiscation of illicit gains and a fine of RMB100,000 to RMB500,000.

According to the Fire Control Law of the PRC (《中華人民共和國消防法》), we are required to submit designs and drawings of a construction project to the relevant fire control bureau for approval before commencement of the construction. Also upon completion of a construction project, fire prevention mechanisms of the construction project should be evaluated and approved by the relevant fire control bureau before commencement of operation.

In addition, we are also subject to other labour and safety laws and regulations in the PRC including the PRC Labour Law (《中華人民共和國勞動法》), the PRC Labour Contract Law (《中華人民共和國勞動合同法》), the Regulations of Insurance for Labour Injury (《工傷保險條例》), the Unemployment Insurance Regulations (《失業保險條例》), the Provisional Insurance Measures for Maternity of Employees (《企業職工生育保險試行辦法》), the Interim Regulations on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》). According to the PRC Labour Law and the PRC Labour Contract Law, labour contracts in written form must be executed to establish labour relationships between employers and employees. Wages cannot be lower than the local minimum wage. Companies are required to establish a system for labour safety and sanitation, strictly abide by state standards, and provide relevant education to their employees. Employees are also required to work in safe and sanitary conditions meeting State rules and standards. In addition, employees engaged in hazardous occupations must carry out regular health examinations.

OTHER LAWS AND REGULATIONS

Tax law

On 1 January 2008, the Foreign-Funded Enterprise and Foreign Enterprise Income Tax Law of the PRC (《中華人民共和國外商投資企業和外國企業所得稅法》) was abolished, and the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) promulgated on 16 March 2007 came into force. According to the Enterprise Income Tax Law of the PRC, the income tax rate for both domestic-funded enterprises and foreign-funded enterprises is 25%.

Pursuant to the Notice on the Implementation of the Enterprise Income Tax Transition Preferential Policy (《國務院關於實施企業所得稅過渡優惠政策的通知》) enacted by the State Council of the PRC on 26 December 2007, the preferential tax rate enjoyed by enterprises established prior to the issuance of the new tax law pursuant to relevant tax laws, regulations and documents, will gradually be increased to the statutory tax rate within a transitional period of five years from the effective day of the new tax law. The fixed-term preferential tax policies enjoyed by certain enterprises, such as the "two-year exemption and three-year half rate" and the "five-year exemption and five-year half rate", will continue to be effective after the implementation of the new tax law in the manner and the period as specified in relevant tax laws, regulations and documents until the expiration of the preferential period. Enterprises that had not enjoyed the aforesaid preferential policy due to their failure to make a profit will enjoy the aforesaid preferential policy from 2008.

The Provisional Regulations on Value Added Tax of the PRC (《中華人民共和國增值稅暫行條例》) were promulgated on 13 December 1993 and came into force on 1 January 1994, and were amended on 1 January 2009. The regulations are applicable on domestic and foreign invested enterprises selling commodities in the PRC, provision of processing or maintenance services, and imports of commodities. Except for the sales or imports of specific categories of commodities which are entitled to enjoy a VAT rate of 13%, sales or imports, provision of service and maintenance labour are subject to a tax rate of 17%.

According to the Provisional Regulations on Business Tax of the PRC (《中華人民共和國營業稅暫行條例》) which was promulgated on 13 December 1993 and came into force on 1 January 1994 and their implementation rules, enterprise providing various taxable labour services and transfer of intangible assets and sale of fixed assets are subject to Business Tax at a rate ranging from 3% to 20%, depending on the categories of taxable items.

Trademark Law

The PRC Trademark Law (《中華人民共和國商標法》) which was promulgated on 23 August 1982 and amended on 22 February 1993, 29 October 2001 and 30 August 2013, seeks to improve the administration of trademarks, protect the right to exclusive use of trademarks and encourage producers and operators to guarantee the quality of their goods and services and maintain the reputation of their trademarks, so as to safeguard the interests of consumers and of producers and operators.

Under this law, any of the following acts shall constitute an infringement upon the right to exclusive use of a registered trademark:

– using a trademark identical with a registered trademark on identical goods without a license from the registrant of that trademark;

– using a trademark similar to a registered trademark on identical goods or using a trademark identical with or similar to a registered trademark on similar goods, without a license from the registrant of that trademark, which may easily cause confusion;

– selling the commodities that infringe upon the right to exclusive use of a registered trademark;

– forging, manufacturing the marks of a registered trademark of others without authorization, or selling marks of a registered trademark forged or manufactured without authorization;

– changing a registered trademark and putting the commodities with the changed trademark into the market without the consent of the registrant of that trademark;

– intentionally providing facilitation for infringement upon others' right to exclusively use a registered trademark or aiding others in committing infringement upon the right to exclusively use a registered trademark; and

– causing other damage to the right to exclusive use of a registered trademark of another person.

In the event of any above mentioned acts which infringe upon the right to exclusive use of a registered trademark, the infringer would be imposed a fine, ordered to stop the infringement acts immediately and give the infringed party compensation.

Consumer Interests Protection

Products of our operating subsidiaries manufactured within their scope of operation are subject to the Consumer Interests Protection Law of the PRC (《中華人民共和國消費者權益保護法》) being effective on 1 January 1994 and amended on 27 August 2009, 25 October 2013 and other related laws and regulations, including requirements relating with personnel safety and property protection. In the event of personal injury or property damage to consumers caused by defective products, the customers shall be entitled to claim damages from the manufacturers or sellers.

Foreign Exchange

Pursuant to the Regulations of Foreign Exchange Administration of the PRC (《中華人民共和國外匯管理條例》), which were promulgated on 19 January 1996 and amended on 14 January 1997 and 1 August 2008 by the State Council, Renminbi are freely convertible for current account items, such as trade-related receipts and payments, interests and dividends. However, conversion of Renminbi and remittance of foreign currency outside the PRC for capital account items, such as direct equity investments, loans and repatriation of investment, are subject to prior approval from the SAFE or its local counterparts.

M&A Rules

The Rules on Merger and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》), which were promulgated by the Ministry of Commerce, the State Asset Supervision and Administration Commission, China Securities Regulatory Commission, the State Administration of Taxation, the State Administration for Industry and Commerce and the State Administration of Foreign Exchange, came into force on 8 September 2006. The Rules apply in the event that foreign investors acquire PRC enterprises.

Dividend Distribution

The principal provisions governing distribution of dividends of wholly foreign invested companies include the Company Law of the PRC (《中華人民共和國公司法》) which was promulgated by the National People's Congress Standing Committee on 27 October 2005 and came into force as of 1 January 2006 and then was amended on 28 December 2013, the Foreign-owned Enterprise Law of the PRC (《中華人民共和國外資企業法》), and the Rules for the Implementation of the Wholly Foreign-owned Enterprise Law of the PRC (《中華人民共和國外資企業法實施細則》).

Under these laws and regulations, foreign invested enterprises in China may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, foreign investment enterprises in China are required to allocate at least 10% of their respective accumulated profits after tax each year, if any, to fund certain reserve funds unless these accumulated reserve have reach 50% of the registered capital of the enterprises. Such reserves are not distributable as cash dividends.

Our Company was incorporated under the laws of the Cayman Islands and holds its interest in Shenzhen Wai Chi through a Hong Kong company Wai Chi Group. If Wai Chi Group is deemed to be a non-PRC tax resident enterprise without an office or premises in the PRC or with an office or premises which has no actual relationship with our Company's income, a withholding tax at the rate of 10% will be applied to any dividends paid by Shenzhen Wai Chi to Wai Chi Group, unless, due to the existence of specific tax treaty, our Company is entitled to a reduction or elimination of such tax. Pursuant to the Arrangement between Mainland of China and the HKSAR for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), dividends paid by a foreign-invested enterprise in the PRC to its shareholders in Hong Kong will be subject to withholding tax at a rate of 5% if the Hong Kong company directly holds 25% or more interest in the PRC enterprise and other conditions required by the PRC laws and regulations are satisfied. Otherwise, the dividend withholding tax rate is 10%.

According to the Notice of the State Administration of Taxation on Issues Relating to the Administration of the Dividend Provision in Tax Treaties (《國家稅務總局關於執行稅收協議股息條款有關問題的通知》) promulgated on 20 February 2009, the corporate recipients of dividends distributed by PRC enterprises must satisfy the direct ownership thresholds at all times during the 12 consecutive months preceding the receipt of the dividends. According to the Administrative Measures for Non-resident to Enjoy Treatments under Tax Treaties (trial) (《非居民享受稅收協議待遇管理法(試行)》) which came into force on 1 October 2009, in order for a non-resident enterprise (as defined under the PRC tax laws) that is in receipt of dividends from PRC resident enterprise to enjoy favourable tax benefits under the tax arrangements, an application for approval to the competent tax authority must first be submitted. A non-resident enterprise may not enjoy the favourable tax treatment provided for in the tax treaties without such approval.

Provisions on endorsement of drafts

In accordance with the Negotiable Instruments Law of the PRC (《中華人民共和國票據法》), the bearer of a draft may transfer the draft rights or authorize others to exercise certain rights. When exercising the aforesaid rights, the bearer shall endorse and deliver the draft. “Endorsement” refers to the recording of relevant content, including a signature or stamp, on the back of a draft or on its allonge. When an endorser has transferred a draft to others by endorsement, the endorser shall be responsible for ensuring that the draft is honored when presented by the subsequent bearers. Where an endorser fails to ensure that a draft is honored or that payment is made, the endorser shall provide compensation to the bearer in the amount of the dishonored draft, the relevant interest on the draft amount, expenses incurred while obtaining the relevant notices of dishonor and the issuing of notifications. According to the Administrative Measures on Negotiable Instruments (《票據管理實施辦法》), the People’s Bank of China is the department responsible for the administration of negotiable instruments. Unless otherwise provided by law, no unit or individual may freeze the funds for any bill that has been lawfully transferred following endorsement. Our PRC legal advisers confirmed that the Company’s practice of using bank drafts received from customers to settle the trade payables during the Track Record Period fully complied with PRC Negotiable Instrument Laws and other applicable rules and regulations in the PRC.

Shareholders’ Approval

In preparation for the Listing, our Group has carried out the Reorganisation in which shareholders’ approval was required. For details of shareholders’ approval required for the reorganisation, please refer to the sub-section headed “Reorganisation” under the section headed “History and Development” for further details.

Shareholders’ approval is also required for the listing of the Company. Please refer to the paragraph headed “Written resolutions of the sole shareholder of our Company” under the section headed “Further information about our Company and our Subsidiaries” in Appendix V to this prospectus for details of the status and timing.

BUSINESS DEVELOPMENT

Introduction

Our business can be traced back to 1984 when Mr. Yiu established Wai Chi Electronics Co (偉志電子公司) in Hong Kong, which was financed by his own savings, to principally engage in processing and sale of LED components. Since 1991, we have commenced to design, manufacture and sell LED backlight products and have now become a manufacturer and designated supplier of LED backlight and LED lighting products to our customers.

Business milestones

The following table sets forth our Group's business development milestones:

1984	•	Wai Chi Electronics Co (偉志電子公司), a sole proprietorship, was established in Hong Kong to engage in processing and sale of LED components
1991	•	Wai Chi Electronics Limited (偉志電子有限公司) was established in Hong Kong
	•	We commenced manufacturing LED backlight products
1992	•	偉志電子(深圳)有限公司 (Wai Chi Electronics (Shenzhen) Company Limited*) was established in Shenzhen, the PRC
2002	•	Shenzhen Wai Chi (formerly known as SNE Technology (Shenzhen) Limited* (星之杰科技(深圳)有限公司)) was established for manufacturing and trading of Small LED backlight products
2006	•	Wai Chi Hardware (formerly known as Wai Chi Jingmi Hardware (Shenzhen) Company Limited* (偉志精密五金塑膠(深圳)有限公司)) was established in Shenzhen, the PRC
	•	Huizhou Electronics (formerly known as Wai Chi Electronics (Huizhou) Company Limited* (偉志電子(惠州)有限公司)) was established in Huizhou, the PRC
	•	Our environmental system for the design and manufacture of LED bottom backlight and LED side backlight was recognised by the accreditation of the ISO 14001:2004 certification

2007
- Our quality management system for the design and manufacture of backlight products was recognised by the accreditation of the ISO/TS 16949:2002 and ISO 9001:2000 certification
- We commenced to develop our administration and production base consisting of office and factory buildings in Huizhou, the PRC
- Huizhou Lexin (formerly known as Lexin Opto Technology Hardware (Huizhou) Limited* (樂信光電五金(惠州)有限公司)) was established in Huizhou, the PRC

2008
- We launched our series of LED lighting products and became an enterprise that designs, manufactures and sells LED backlight and LED lighting products
- Shenzhen Lighting was established in Shenzhen, the PRC

2009
- We obtained a number of awards and recognitions such as being approved as a High-Tech Enterprise by the Shenzhen government authorities
- Sanxia Wai Chi was established in Hubei province, the PRC

2010
- We became a founding member of Hong Kong Solid State Lighting Industry Consortium (香港半導體照明產業聯盟)
- We consolidated our LED lighting and TV backlight production from Shenzhen to Huizhou for better management and production efficiency
- Wai Chi Opto and Wai Chi Group were established in Hong Kong

2011
- We were named by the magazine "高工 LED" as one of the leading LED backlight enterprises
- Beijing Senhuan was established in Beijing, the PRC

2012
- Our LED lighting products were recommended by the Guangzhou government authorities under the "Guangdong Province Green Lighting Model City — Catalogue of Recommended Products for Procurement" (廣東省綠色照明示範城市推薦採購產品目錄)

2013
- We were recognised as the Most Innovative Brand of China LED Industry by the Guangdong Province Semiconductor Lighting Industry Allied Innovation Centre (廣東省半導體照明產業聯合創新中心)

CORPORATE DEVELOPMENT AND STRUCTURE

Our Group comprises our Company and 15 subsidiaries, the table below sets out the principal businesses of our main operating subsidiaries as at the Latest Practicable Date.

Name of Group Member	Principal Business
Wai Chi Group	Holding company of our Group's PRC subsidiaries and provides administrative and treasury functions
Shenzhen Wai Chi	Trading of LED backlight products and LED lighting products in the PRC, and manufacturing of LED backlight products in medium and small dimension
Sanxia Wai Chi	Manufacturing of LED lighting products
Huizhou Electronics	Trading of LED backlight products and manufacturing of LED backlight products in large and medium dimension
Wai Chi Hardware	Manufacturing and trading of our hardware products
Huizhou Lexin	Manufacturing and trading of moulds
Wai Chi Opto	Sourcing of materials from overseas, and trading of LED backlight products and LED lighting products
Beijing Senhuan	Provision of energy management services in the PRC

Our Company

Our Company was incorporated on 16 August 2013 in the Cayman Islands. At its inception, our Company had an authorised share capital of US$50,000 consisting of 50,000 shares of US$1.00 each, of which one subscriber's share, representing the entire issued share capital, of our Company, was transferred to Mr. Yiu. On 18 December 2013, Mr. Yiu transferred the entire issued share capital of our Company in favour of Rexell Technology for a consideration of US$1.00.

For details of the changes in the shareholding structure of our Company, see the paragraph headed "Reorganisation" in this section below.

Windrider Technology

Windrider Technology is an investment holding company of our Group. It was incorporated on 10 July 2013 in the BVI, with an authorised share capital of US$50,000 consisting of 50,000 shares of US$1.00 each. Mr. Yiu owned 100 shares, representing the entire issued share capital, of Windrider Technology since its incorporation. On 30 August 2013, Mr. Yiu transferred the entire issued share capital of Windrider Technology in favour of our Company for the consideration of US$100.

Techwide Management

Techwide Management is an investment holding company of our Group. It was incorporated on 10 July 2013 in the BVI, with an authorised share capital of US$50,000 consisting of 50,000 shares of US$1.00 each. Windrider Technology owned 100 shares, representing the entire issued share capital, of Techwide Management since its incorporation.

Wai Chi Electronic Technology

Wai Chi Electronic Technology is principally engaged in the provision of energy management services outside the PRC and related engineering works. It was incorporated on 21 August 2013 in Hong Kong. Techwide Management owned 100,000 shares, representing the entire issued share capital, of Wai Chi Electronic Technology since its incorporation.

Ecosquare Energy

Ecosquare Energy is an investment holding company of our Group. It was incorporated on 10 July 2013 in the BVI, with an authorised share capital of US$50,000 consisting of 50,000 shares of US$1.00 each. Windrider Technology owned 100 shares, representing the entire issued share capital of Ecosquare Energy since its incorporation.

Wai Chi Energy

Wai Chi Energy is principally engaged in the trading of LED lighting products outside the PRC. It was incorporated on 21 August 2013 in Hong Kong. Ecosquare Energy owned 100,000 shares, representing the entire issued share capital, of Wai Chi Energy since its incorporation.

Alled Solution

Alled Solution is an investment holding company of our Group. It was incorporated on 10 July 2013 in the BVI with an authorised share capital of US$50,000 consisting of 50,000 shares of US$1.00 each. Windrider Technology owned 100 shares, representing the entire issued share capital, of Alled Solution since its incorporation.

Wai Chi Group

Wai Chi Group is the holding company of our Group's PRC subsidiaries and provides administrative and treasury functions. It was incorporated on 15 December 2010 in Hong Kong. Mr. Yiu owned 100,000 shares, representing the entire issued share capital, of Wai Chi Group since its incorporation until the Reorganisation as described below.

Shenzhen Wai Chi

Shenzhen Wai Chi is principally engaged in the trading of LED backlight products and LED lighting products in the PRC and the manufacturing of LED backlight products in medium and small dimension. It was established on 9 August 2002 in Shenzhen, the PRC with a registered capital US$1,500,000. On 30 April 2004, the registered capital of Shenzhen Wai Chi was increased from US$1,500,000 to US$3,000,000. Such capital was fully contributed by Mr. Yiu.

On 22 February 2006, the registered capital of Shenzhen Wai Chi was further increased from US$3,000,000 to US$3,500,000. On 1 June 2006, Mr. Yiu transferred all of his equity interest in Shenzhen Wai Chi to SNE International Holdings Limited, a company ultimately beneficially owned by Mr. Yiu, for a consideration of approximately RMB25,247,000. Subsequently, on 1 June 2006, its registered capital was further increased from US$3,500,000 to US$4,000,000. The increased portion of the registered capital was contributed by SNE International Holdings Limited.

On 17 July 2007, the name of Shenzhen Wai Chi was changed from SNE Technology (Shenzhen) Limited* (星之杰科技(深圳)有限公司) to Wai Chi Opto Technology (Shenzhen) Limited* (偉志光電(深圳)有限公司).

On 11 April 2008, the registered capital of Shenzhen Wai Chi was increased from US$4,000,000 to US$4,500,000. On 11 November 2008, its registered capital was further increased from US$4,500,000 to US$5,500,000. Following the increase in the registered capital of Shenzhen Wai Chi in 2008, SNE International Holdings Limited continued to be the sole shareholder of Shenzhen Wai Chi.

On 1 September 2011, SNE International Holdings Limited transferred the entire equity interest in Shenzhen Wai Chi to Wai Chi Group for a consideration of approximately RMB42,644,000.

On 30 September 2011, the registered capital of Shenzhen Wai Chi was increased from US$5,500,000 to approximately US$5,738,000, of which approximately US$238,000, representing approximately 4.15% of the enlarged registered capital of Shenzhen Wai Chi, was contributed by Shenzhen Chicheng Wanli Investments Limited* (深圳市馳騁萬里投資有限公司) ("Chicheng Wanli"), a nominee of Mr. Yiu, and US$5,500,000, representing approximately 95.85% of the enlarged registered capital of Shenzhen Wai Chi was contributed by Wai Chi Group.

On 20 April 2012, Shenzhen Wai Chi was converted from a company with limited liability to a joint stock company with a share capital of RMB75,000,000 divided into 75,000,000 shares of RMB1.00 each. The name of Shenzhen Wai Chi was changed to Shenzhen Wai Chi Opto Technology Joint-stock Company Limited* (深圳市偉志光電股份有限公司). Immediately after the conversion, Wai Chi Group owned 71,887,500 shares, representing approximately 95.85% of the issued share capital of Shenzhen Wai Chi, and Chicheng Wanli owned 3,112,500 shares representing approximately 4.15% of the issued share capital of Shenzhen Wai Chi.

On 11 October 2012, the registered capital of Shenzhen Wai Chi was increased from RMB75,000,000 to RMB87,128,000. The increase of RMB12,128,000, represented by 12,128,000 shares were subscribed as to 11,000,000 shares by Shenzhen Huicui Qunying Investments Enterprise (Limited Partnership)* (深圳市薈萃群英投資企業(有限合伙)) ("Huicui Qunying") for a consideration of RMB33,000,000 and as to 1,128,000 shares by Shenzhen Shengliyuan Investment Enterprise (Limited Partnership)* (深圳市生力源投資企業(有限合伙)) ("Shengliyuan") for a consideration of RMB3,384,000. Both Huicui Qunying and Shengliyuan were nominees of Mr. Yiu. Following the subscription by Huicui Qunying and Shengliyuan, the issued share capital of Shenzhen Wai Chi was owned approximately as to 82.51% by Wai Chi Group, 3.57% by Chicheng Wanli, 12.63% by Huicui Qunying, and 1.29% by Shengliyuan.

On 21 January 2013, the registered capital of Shenzhen Wai Chi was increased from RMB87,128,000 to RMB97,128,000. The increase of RMB10,000,000, represented by 10,000,000 shares were subscribed by Wai Chi Group for the consideration of RMB32,000,000. Following the subscription by Wai Chi Group, the issued share capital of Shenzhen Wai Chi was owned approximately as to 84.31% by Wai Chi Group, 3.20% by Chicheng Wanli, 11.33% by Huicui Qunying, and 1.16% by Shengliyuan.

On 9 July 2013, Chicheng Wanli, Huicui Qunying, and Shengliyuan transferred 3,112,500 shares, 11,000,000 shares and 1,128,000 shares, representing approximately 3.2%, 11.33% and 1.16% of the issued share capital of Shenzhen Wai Chi for the consideration of approximately RMB9,472,000, RMB33,474,000, and RMB3,433,000 respectively by reference to the amount of capital contributed by the vendors. Since the above transfer, Wai Chi Group has been the sole owner of Shenzhen Wai Chi. On the same date, Shenzhen Wai Chi was converted from a joint stock company into a company with limited liability with a registered capital of RMB97,128,000, which was solely contributed by Wai Chi Group, and the name of Shenzhen Wai Chi was changed to Wai Chi Opto Technology (Shenzhen) Limited* (偉志光電(深圳)有限公司).

As confirmed by Shenzhen Wai Chi, the subscription of the shares in Shenzhen Wai Chi by Chicheng Wanli, Huicui Qunying and Shengliyuan (the "Nominee Enterprises") on 11 October 2012 was implemented under the employee incentive scheme devised by Shenzhen Wai Chi.

According to the nominee arrangements, Mr. Yiu provided finance for the contributions to Shenzhen Wai Chi through the Nominee Enterprises. The nominee arrangements were terminated during the Reorganisation when the Group decided not to implement that employee incentive scheme. As a part of our Reorganisation, the Nominee Enterprises transferred the entire shareholdings of Shenzhen Wai Chi to Wai Chi Group for the consideration with reference to the capital contributions made by the Nominee Enterprises. According to the confirmations made by the Nominee Enterprises and Mr. Yiu, the consideration was ultimately transferred back to and settled with Mr. Yiu.

Reasons for the Group to set up three Nominee Enterprises for one employee incentive scheme

Chicheng Wanli was established as a limited liability company on 15 August 2011 in PRC. Chicheng Wanli was then held as to 50% by Mr. Yiu Chi Heung and 50% by Mr. Yao Daomin who held the shares on trust for Mr. Yiu Chi Heung. Mr. Yiu Chi Heung is a younger brother of, and Mr. Yao Daomin the father of, Mr. Yiu. The establishment of Chicheng Wanli was to recognise the contribution of Mr. Yiu Chi Heung to the Group.

As regards to the type of vehicle used, it was decided that Chicheng Wanli was set up in the form of a limited liability company. As advised by the Company's PRC legal advisers, given that the Company Law of the PRC (《中華人民共和國公司法》) ("PRC Company Law") requires that a limited liability company shall be established by no less than 2 shareholders, except for an one-person limited liability company, and Mr. Yao Daomin held the interests for Mr. Yiu Chi Heung, this would avoid Chicheng Wanli being required to dissolve or change in the event that either Mr. Yiu Chi Heung or Mr. Yao Daomin were to cease to hold any interest in Chicheng Wanli.

Huicui Qunying was established on 30 September 2011 and Shengliyuan on 13 September 2012 in PRC. Both Huicui Qunying and Shengliyuan were established in the form of a limited partnership, in order to facilitate the admission of employees into the employee incentive scheme.

As advised by the Company's PRC legal advisers, a holding vehicle in the form of a limited partnership is commonly adopted for the implementation of employee incentive schemes in the PRC. One of the advantages of a partnership structure is that the partnership itself is generally not subject to taxes on incomes derived from its business and operation pursuant to the Partnership Law of the PRC《中華人民共和國合夥企業法》("PRC Partnership Law") and the relevant tax laws. Further, there is no requirement for registered capital, and partnership's profit may be distributed to the partners without deduction as opposed to the statutory reservation applicable to a limited liability company, being 10% of the net profit according to the PRC Company Law.

However, the PRC Partnership Law provides that the number of partners in a limited partnership is limited to maximum of 50. As such, upon the number of employees admitted into the partnership under the employee incentive scheme reaching that number, an additional limited partnership would have to be set up in furtherance of the employee incentive scheme.

Wai Chi Opto

Wai Chi Opto is principally engaged in sourcing of materials from overseas, and trading of LED backlight products and LED lighting products. It is also the holder of most of our intellectual property rights registered in Hong Kong. It was incorporated on 17 November 2010 in Hong Kong. Shenzhen Wai Chi owned 62,380,000 shares, representing the entire issued share capital, of Wai Chi Opto, and has been its sole owner since its incorporation.

Sanxia Wai Chi

Sanxia Wai Chi is principally engaged in manufacturing of LED lighting products. It was established on 10 February 2009 in Hubei province, the PRC, with a registered capital of RMB10,000,000, of which RMB9,500,000, representing 95% of the equity interest, was contributed by Shenzhen Wai Chi, and RMB500,000, representing 5% of the equity interest, was contributed by Mr. Yiu Chi Heung, younger brother of Mr. Yiu.

On 28 December 2010, Mr. Yiu Chi Heung transferred 5% of the equity interest in Sanxia Wai Chi to Shenzhen Wai Chi for the consideration of RMB500,000, which was determined with reference to the investment costs of Mr. Yiu Chi Heung. Since the above transfer, Shenzhen Wai Chi has been the sole owner of Sanxia Wai Chi.

On 26 April 2011, the registered capital of Sanxia Wai Chi was increased from RMB10,000,000 to RMB30,000,000. The increase of RMB20,000,000 was fully contributed by Shenzhen Wai Chi.

Shenzhen Lighting

Shenzhen Lighting is an investment holding company of our Group. Shenzhen Lighting was established on 9 July 2008 in Shenzhen, the PRC, with a registered capital of RMB5,000,000. The registered capital were contributed under two installments, of which RMB400,000, representing 20% of the equity interest in Shenzhen Lighting, was contributed by Mr. Tang Changjiang, an independent third party, and RMB1,600,000, representing 80% of the equity interest in Shenzhen Lighting, was contributed by Shenzhen Wai Chi as the first installment.

On 3 November 2008, Mr. Tang Changjiang transferred 20% of the equity interest in Shenzhen Lighting to Mr. Yiu Chi Heung for the consideration of RMB400,000 which was determined with reference to the amount of capital contributed by Mr. Tang Changjiang.

On 3 February 2010, the name of Shenzhen Lighting was changed from Shenzhen Wai Chi Gaoxin Xianshi Technology Company Limited* (深圳市偉志高新顯示技術有限公司) to Shenzhen Wai Chi Lighting Company Limited* (深圳市偉志照明有限公司).

On 29 December 2010, Mr. Yiu Chi Heung transferred 20% of the equity interest in Shenzhen Lighting to Shenzhen Wai Chi for the consideration of RMB400,000 which was determined with reference to the investment cost of Mr. Yiu Chi Heung. Since the above transfer, Shenzhen Wai Chi has been the sole owner of Shenzhen Lighting and has contributed RMB3,000,000 as the second installment of the registered capital.

Beijing Senhuan

Beijing Senhuan is principally engaged in the provision of energy management solutions. Beijing Senhuan was established on 12 February 2011 in Beijing, the PRC, with an initial registered capital of RMB100,000, which was subsequently increased to RMB5,800,000 on 3 March 2011. Such registered capital was fully contributed by the then shareholders of Beijing Senhuan, who are independent third parties.

On 26 April 2013, the then shareholders of Beijing Senhuan transferred the entire equity interest in Beijing Senhuan to Mr. Chen Jianghua and Ms. Ze Wenxia, both being independent third parties, for the total consideration of RMB5,800,000. The consideration of RMB5,800,000 was determined with reference to the registered capital of Beijing Senhuan.

To implement the Group's plan to develop its energy management business, on 24 July 2013, Shenzhen Lighting acquired the entire equity interest in Beijing Senhuan from Mr. Chen Jianghua and Ms. Ze Wenxia, the then shareholders of Beijing Senhuan, for the total consideration of RMB5,800,000 by way of taking up the total loan from Beijing Senhuan to the shareholders of RMB5,800,000 (the "Loan"). The Group assumed the Loan, and the assumption of the Loan served as the consideration for the acquisition of Beijing Senhuan from the shareholders. The Loan was taken up by Shenzhen Lighting and thus became intercompany balances within the Group which was then completely eliminated by debiting the Loan taken up by Shenzhen Lighting and crediting the Loan receivable in Beijing Senhuan's books by the same amount during the consolidation of the financial information. There is no amount due from outsider from this transaction and no impairment was recognised. Other than taking up their Loan, the Group did not have to pay to the shareholders any other consideration whether by cash or in kind for the acquisition. In view of the Group's cash flow management, repayment of the Loan by Shenzhen Lighting to Beijing Senhuan will not create any effective net cash flow. The Group thus effectively paid nil amount for the acquisition. Since the above acquisition, Shenzhen Lighting has been the sole owner as well as debtor of Beijing Senhuan.

The acquisition of Beijing Senhuan was to facilitate the development of our LED lighting business. Beijing Senhuan is a company which is recognised by the PRC government at the national level as a company which operates primarily an energy-saving business. It has been the existing policy of the PRC government to encourage the development of energy management business for the purpose of energy-saving and improvement of the living environment for the Chinese people. The PRC government has adopted the policy of providing incentive grant to companies who develop and operate energy management business. Only companies which possess the requisite qualification can apply for such incentive grant and submit tender for lighting improvement project of the PRC government. The requisite qualification include, among others, being accepted and put on record by the Ministry of Finance (the "MOF") and the National Development and Reform Commission (the "NDRC") of the PRC government as being an independent legal person whose principal business activity is the provision of energy-saving services in respect of energy diagnosis, design, renovation and operation; the possession of technical staff and contract energy management personnel; and good operational conditions and sound financial management system. Beijing Senhuan is able to apply for incentive grant or any other benefits stipulated by the PRC government without any locality or district or regional restrictions. The acquisition of Beijing Senhuan provides the Group significant advantages with respect to applying for the government incentive grant and submitting tender for lighting improvement project of the PRC government. Given the fact that the Group derived substantial portion of its LED lighting sales from the government lighting improvement project, the acquisition of Beijing Senhuan was essential and was only to facilitate the Group's LED lighting business.

Notwithstanding that Beijing Senhuan is a company without extensive operations, the Group with its sound operational and financial management systems can share with Beijing Senhuan its resources including the technical staff and energy management personnel who have grown in number and skill in the process of developing and operating the LED backlight and LED lighting businesses.

According to the announcement made by the MOF and the NDRC, the validity of the aforesaid qualification in the name of Beijing Senhuan is not subject to any time limit, provided that the MOF and the NDRC have not rendered disqualification upon Beijing Senhuan. According to the lists of companies disqualified to be filed as energy saving enterprises as announced by the MOF and the NDRC on 15 December 2011 and 22 April 2013, Beijing Senhuan has not been disqualified and therefore maintains its qualification filed by the MOF and the NDRC as an energy saving enterprise.

Pursuant to the Announcement on the Publication of the Fourth Filed List of the Energy Saving Companies issued by the National Development and Reform Commission and the Ministry of Finance (Announcement No. 1 of Year 2012) (the "Announcement"), Beijing Senhuan is an energy saving company in the fourth filed list. Since 1 January 2012, any energy saving company as set forth in the first, second, third and fourth filed lists which implemented less than two energy management contract projects allocated with governmental incentive fund per annum, or of which the relevant projects contributed less than 1,000 tons per year in terms of the realised energy saving capability will be subject to cancelation of the filed qualification as an energy saving company.

Accordingly, in order to maintain its qualification as an energy saving company, Beijing Senhuan will have to implement two energy management contract projects which are financed by the governmental incentive fund in future. Our Directors are of the view that, given that the resources required to be spent on the energy management contract projects are limited and may be readily available from the existing products being made by our Group in our day-to-day business operation, even if Beijing Senhuan does need to use our Group's resources to implement such projects, such resources so used by Beijing Senhuan will be minimal to our Group and will not disturb our Group's daily production.

Our Directors confirm that in order to maintain Beijing Senhuan's qualification as an energy saving company, our Group shall use its best endeavours to implement at least two energy management contract projects every year. However, since the acquisition of Beijing Senhuan by the Group, Beijing Senhuan has yet to enter into any agreement or letter of intent to implement such energy management contract projects.

As at the Latest Practicable Date, Beijing Senhuan has not received any form of notice from the relevant government authority removing Bejing Senhuan's qualification as an energy saving company. Furthermore, our PRC legal advisers consulted the NDRC on 13 August 2014, and were advised by NDRC that Beijing Senhuan has not been disqualified and continues to maintain its qualification filed by MOF and the NDRC as an energy saving company. Our PRC legal advisers were further advised by the NDRC that in relation to the cancelation of the filed qualification as an energy saving company for companies unable to meet the requirements listed in the Announcement, such sanctions have not been enforced. Our PRC legal advisers are of the view that, in practice, the energy saving qualification will not be removed due to the failure to meet the requirements listed in the Announcement.

In light of the aforementioned circumstances, our Directors are of the view that despite the absence of any energy management contract projects, the chance that the energy saving qualification being removed from Beijing Senhuan is remote. In the event that Beijing Senhuan's energy saving qualification is removed due to its failure to meet the abovementioned requirements, our Directors believe that such removal will not have any material adverse impact on the Group's operation, business strategy and/or financial performance.

Huizhou Electronics

Huizhou Electronics is principally engaged in the manufacturing of LED backlight products in large and medium dimensions. It was established on 25 October 2006 in Guangdong province, the PRC, with a registered capital of US$10,000,000, which was fully contributed by Wai Chi Electronics Limited, which is ultimately beneficially owned by Mr. Yiu.

On 17 April 2009, the registered capital of Huizhou Electronics was increased from US$10,000,000 to US$12,000,000. On 24 December 2009, its registered capital was increased from US$12,000,000 to US$18,000,000. Wai Chi Electronics Limited remained as the then sole shareholder of Huizhou Electronics following the above increase in registered capital.

On 29 November 2010, Wai Chi Electronics Limited transferred to Shenzhen Wai Chi and Shenzhen Lighting 95% and 5% of the equity interest in Huizhou Electronics respectively for the consideration of approximately RMB82,272,808 and RMB4,330,148 respectively.

On 29 November 2010, the name of Huizhou Electronics was changed from Wai Chi Electronics (Huizhou) Company Limited* (偉志電子(惠州)有限公司) to Huizhou Wai Chi Electronics Company Limited* (惠州偉志電子有限公司).

On 27 January 2011, the registered capital of Huizhou Electronics was further increased to RMB144,113,349. The increased registered capital of RMB14,970,549 was fully contributed by Shenzhen Wai Chi with physical assets. After the increase of registered capital, Shenzhen Wai Chi held 95.5% of Huizhou Electronics' equity interest and Shenzhen Lighting held 4.5% of Huizhou Electronics' equity interest.

Wai Chi Hardware

Wai Chi Hardware is principally engaged in manufacturing and trading of our hardware products. Wai Chi Hardware was established on 12 January 2006 in Shenzhen, the PRC, with a registered capital of US$1,000,000, which was subsequently increased to US$2,720,000 on 27 April 2006. Such registered capital was fully contributed by Wai Chi Electronics Limited.

On 28 December 2010, Wai Chi Electronics Limited transferred 70% and 30% of the equity interest in Wai Chi Hardware to Shenzhen Wai Chi and Wai Chi Opto respectively for a consideration of approximately RMB17,172,000 and RMB7,359,000 respectively.

On 18 October 2011, the name of Wai Chi Hardware was changed from Wai Chi Jingmi Hardware (Shenzhen) Company Limited* (偉志精密五金塑膠(深圳)有限公司) to Wai Chi Jingmi Hardware (Huizhou) Company Limited* (偉志精密五金塑膠(惠州)有限公司).

On 28 March 2013, the registered capital of Wai Chi Hardware was increased from US$2,720,000 to US$3,720,000. Such registered capital was fully contributed by Wai Chi Opto.

Huizhou Lexin

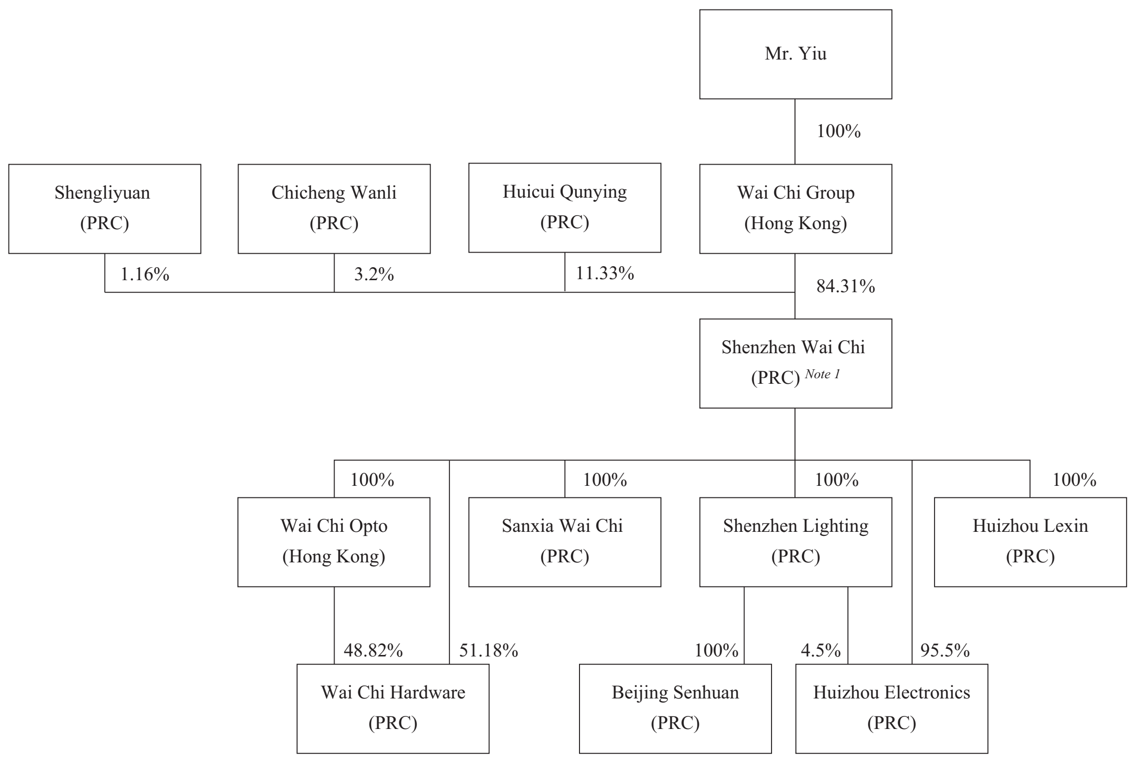
Huizhou Lexin is principally engaged in manufacturing and trading of moulds. Huizhou Lexin was incorporated on 17 April 2007 in Guangdong province, the PRC, with a registered capital of HK$5,000,000, which was fully contributed by Wai Chi Electronics Limited.

On 26 November 2010, the name of Huizhou Lexin was changed from Lexin Opto Technology Hardware (Huizhou) Limited* (樂信光電五金(惠州)有限公司) to Huizhou Lexin Opto Technology Hardware Limited* (惠州樂信光電五金有限公司).

On the same date, Wai Chi Electronics Limited transferred the entire equity interest in Huizhou Lexin to Shenzhen Wai Chi for the consideration of RMB2,034,438.25. Since the above transfer, Shenzhen Wai Chi has been the sole shareholder of Huizhou Lexin.

REORGANISATION

The following chart sets forth the corporate and shareholding structure of the Group prior to the Reorganisation:



Note 1: Prior to the Reorganisation, Shenzhen Wai Chi was owned as to (a) 84.31% by Wai Chi Group; (b) 3.2% by Chicheng Wanli; (c) 11.33% by Huicui Qunying; and (d) 1.16% by Shengliyuan. Each of Chicheng Wanli, Huicui Qunying and Shanliyuan was a nominee of Mr. Yiu prior to the Reorganisation for the purpose of implementing an employee incentive scheme, such nominee arrangement was terminated during the Reorganisation.

In preparation for the Listing, our Group has carried out the Reorganisation which involved the following steps:

Incorporation of Our Company and Offshore Subsidiaries

(a) On 16 August 2013, our Company was incorporated under the laws of the Cayman Islands with an authorised share capital of US$50,000 consisting of 50,000 shares of US$1.00 each (each a "USD share"), of which one USD share was transferred by the subscriber to Mr. Yiu. On 18 December 2013, such one USD share representing the entire issued share capital of our Company, was transferred by Mr. Yiu to Rexell Technology.

(b) On 10 July 2013, Alled Solution was incorporated under the laws of the BVI with an authorised share capital of US$50,000 consisting of 50,000 shares. On the same day, 100 shares were allotted and issued to Windrider Technology.

(c) On 10 July 2013, Windrider Technology was incorporated under the laws of the BVI with an authorised share capital of US$50,000 consisting of 50,000 shares. On the same day, 100 shares were allotted and issued to Mr. Yiu. On 30 August 2013, Mr. Yiu transferred 100 shares to our Company for the consideration of US$100.

(d) On 10 July 2013, Techwide Management was incorporated under the laws of the BVI with an authorised share capital of US$50,000 consisting of 50,000 shares. On the same day, 100 shares were allotted and issued to Windrider Technology.

(e) On 10 July 2013, Ecosquare Energy was incorporated under the laws of the BVI with an authorised share capital of US$50,000 consisting of 50,000 shares. On the same day, 100 shares were allotted and issued to Windrider Technology.

(f) On 21 August 2013, Wai Chi Electronic Technology was incorporated under the laws of Hong Kong. On the same day, 100,000 shares in the capital of Wai Chi Electronic Technology were allotted and issued to Techwide Management.

(g) On 21 August 2013, Wai Chi Energy was incorporated under the laws of Hong Kong with an authorised share capital of HK$1,000,000 consisting of 1,000,000 shares. On the same day, 100,000 shares were allotted and issued to Ecosquare Energy.

Acquisition of 15.69% equity interest in Shenzhen Wai Chi

(h) On 9 July 2013, Chicheng Wanli, Huicui Qunying, and Shengliyuan transferred 3,112,500 shares, 11,000,000 shares and 1,128,000 shares, representing 3.2%, 11.33% and 1.16% of the issued share capital of Shenzhen Wai Chi to Wai Chi Group for the consideration of RMB9,471,648.75, RMB33,474,100 and RMB3,432,616.80 respectively. Following the transfer, Wai Chi Group became the owner of the entire issued share capital of Shenzhen Wai Chi. The consideration was financed by initial funding loaned by Mr. Yiu.

Capitalisation of loan owed by Wai Chi Group to Alled Solution

(i) On 31 December 2013, Wai Chi Group passed an ordinary resolution to increase its authorised share capital from HK$100,000 to HK$1,000,000,000 by the creation of 999,900,000 shares of HK$1.00 each. On the same day, the loan of HK$59,000,000 owed by Wai Chi Group to Alled Solution was capitalised in full and Wai Chi Group issued 59,000,000 new shares credited as fully paid to Alled Solution.

Capitalisation of loan owed by our Company to Mr. Yiu

(j) On 31 December 2013, the loan owed by our Company to Mr. Yiu of HK$59,000,000 was capitalised in full and we issued 59 USD shares credited as fully paid to Rexell Technology at Mr. Yiu's direction.

Subscription of shares in Wai Chi Group

(k) On 31 December 2013, Rexell Technology subscribed for 38 USD shares in our Company of US$1.00 each at a consideration of HK$38,000,000. On the same day, Alled Solution subscribed for 38,000,000 shares in Wai Chi Group of HK$1.00 each at a consideration of HK$38,000,000.

Assignment of amounts due from Wai Chi Group

(l) On 31 December 2013, Mr. Yiu procured an assignment of the HK$38,000,000 due from Wai Chi Group to Wai Chi Electronics Limited in favour of our Company, in consideration of our Company issuing 38 USD shares credited as fully paid in favour of Rexell Technology.

(m) On the same day, our Company assigned the HK$38,000,000 loan owed to it by Wai Chi Group in favour of Windrider Technology, who in turn assigned such loan to Alled Solution.

(n) On the same day, Alled Solution capitalised such loan in consideration of Wai Chi Group issuing 38,000,000 new shares of HK$1.00 each in the share capital of Wai Chi Group credited as fully paid in favour of Alled Solution.

Repurchase of the USD shares and issuance of new Shares

(o) On 21 October 2014, our Company passed an ordinary resolution to increase its authorised share capital by HK$10,000,000 by the creation of 1,000,000,000 Shares of HK$0.01 each. On the same day, we (i) issued and allotted 106,080 Shares of HK$0.01 each to Rexell Technology, and (ii) in return, we repurchased the 136 USD shares held by Rexell Technology; and (iii) cancelled all of the 50,000 USD shares in the authorised share capital in our Company.

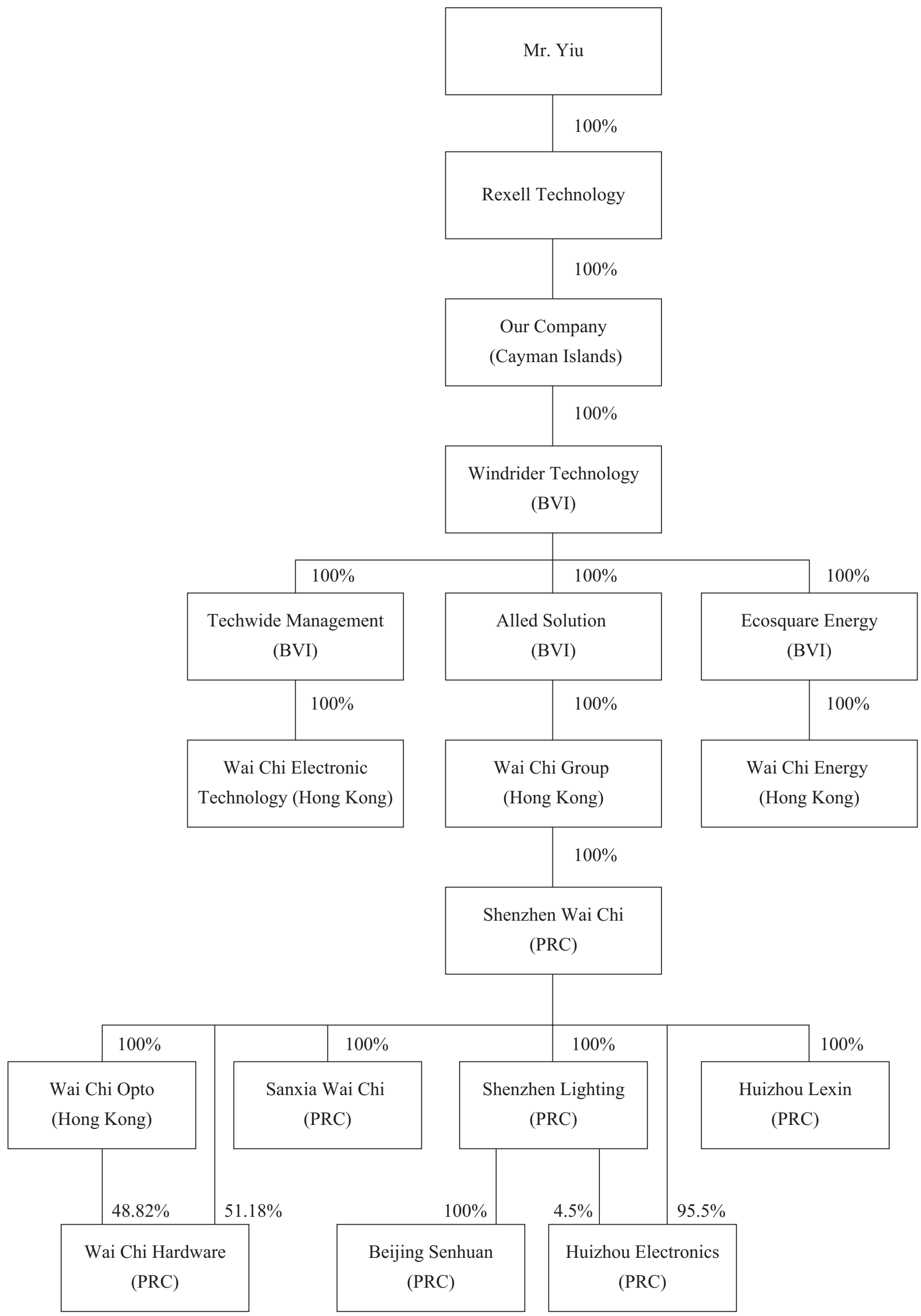
Repurchase by Wai Chi Group of all shares held by Mr. Yiu

(p) On 27 October 2014, Alled Solution subscribed for 100,000 shares in the capital of Wai Chi Group at a subscription price of HK$100,000.

(q) On the same day, immediately upon completion of the share subscription by Alled Solution described in (p) above, Wai Chi Group bought back from Mr. Yiu all its 100,000 shares (the "Buy-back Shares") held by Mr. Yiu for HK$100,000, payment of which was made out of the subscription price received by Wai Chi Group from Alled Solution as described in (p) above (the "Buy-Back"). Following the Buy-Back, the Buy-back Shares were cancelled.

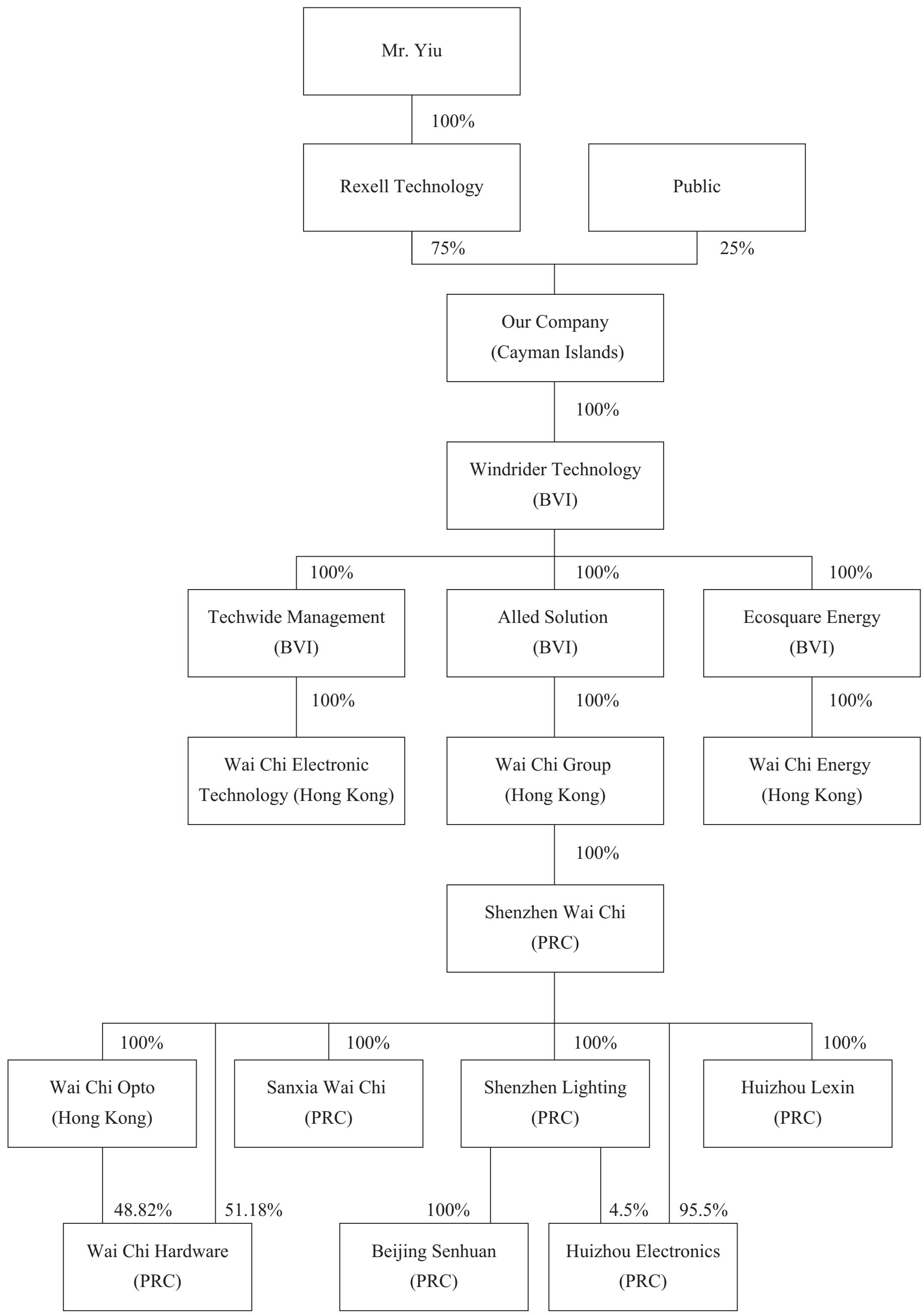
(r) Following the Buy-Back, Wai Chi Group became the wholly-owned subsidiary of Alled Solution.

The following chart sets forth our corporate and shareholding structure immediately following completion of our Reorganisation:



OUR CORPORATE STRUCTURE

The following chart sets out the corporate and shareholding structure of our Group immediately following completion of the Public Offer (assuming that the Over-allotment Option is not exercised):



OVERVIEW

We are an established LED products manufacturer focusing on producing LED backlight and LED lighting products on an OEM and ODM basis. Equipped with comprehensive production facilities in Shenzhen, Huizhou and Yichang in the PRC, our Group is capable of handling the requisite production procedures (including product design, mould production, mass production and quality control and maintenance) for LED backlight products and LED lighting products.

Our Group mainly produces LED backlight products. For the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, we derived 97.7%, 92.8%, 90.0% and 93.1% of our total revenue from the selling of our LED backlight products. We produce a variety of LED backlight products with various dimensions, colours and luminosity based on the specifications provided by our customers. Our LED backlight products can principally be classified into three categories, namely: (i) Small LED backlight products with size of 7 inches or less, which are mainly applied on smartphones, automobile displays, equipment displays, digital cameras, etc.; (ii) Medium LED backlight products with size between 7 inches to 26 inches, which are mainly applied on notebook computers, tablets, computer monitors, equipment displays, etc.; and (iii) Large LED backlight products with size larger than 26 inches, which are mainly applied on televisions. Our revenue from LED backlight products increased from approximately HK$729.8 million in 2011 to HK$805.2 million in 2013, representing a CAGR of approximately 5.0%. According to the Euromonitor Report, we ranked second in the Small LED backlight product market in the PRC in 2013, contributing an individual share of 4.3% with a sales value of approximately HK$670.9 million.

We have developed a wide spectrum of LED lighting product series for indoor and outdoor uses. The indoor LED lighting products we produce mainly include light bulbs, candle lights, light tubes, down lights, MR bulbs, ceiling panels, PL tubes and track lights. The outdoor LED lighting products we produce mainly include flood lights, high bays, street lights and gas station lamps. Our revenue from LED lighting products increased from approximately HK$17.2 million in 2011 to approximately HK$88.9 million in 2013, representing a CAGR of approximately 127.3%. We are also conducting LED lighting research and development projects sponsored by government authorities in the PRC, including research and development on plant-grow lights and fishing lights.

The principal market of our Group is the PRC. During the Track Record Period, the PRC was the largest market of our Group, accounting for approximately 77.2%, 80.8%, 83.3% and 85.2% of our Group's turnover for the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014. Given that Euromonitor has stated in the Euromonitor Report the respective consolidation of each of (i) the manufacturing industry for LED commercial lighting products and the LED commercial lighting market and (ii) the manufacturing industry for LED backlight products and the LED backlight market on separate bases, the Directors believe that it is unlikely that the PRC LED commercial lighting and LED backlight markets be consolidated as they will result in different end-products and end-users.

Nevertheless, according to the Euromonitor Report, each of the PRC LED backlight market and PRC LED commercial lighting market will undergo a period of consolidation. The current trends in these markets, particularly the Large LED backlight products for televisions and Small LED backlight products for mobile phones with stringent thickness requirements, are increasingly capital and technically intensive. The Directors believe that this will result in higher entry barriers in detriment to the small players who will ultimately be eliminated from the two markets. On the other hand, the Company has the requisite research and development capabilities and advanced machinery to cater for these demanding requirements, and can take on any spillover orders that the small players cannot deliver. In view of the scale of our operation, our long term relationship with our major customers who are mainly listed companies in Hong Kong and the PRC, and our experience in government LED lighting projects, we believe that we would be able to benefit from the consolidating yet growing PRC LED backlight and lighting market in the future and continue to expand at a rapid pace.

Our Shenzhen Production Plant is responsible for producing Small LED backlight products and Medium LED backlight products, and our Huizhou Production Plant is responsible for producing all dimensions of LED backlight products and our LED lighting products, while our Yichang Production Plant is responsible for producing LED lighting products only. Our LED backlight customers are principally reputable brands including Biyadi, Varitronix, Truly and Tianma, who buy and use our LED backlight products in their own products and sell them to their respective clients under their own brand. In addition, our LED lighting products are being used in supermarkets like CP Lotus, and by local governments in their lighting improvement and energy saving projects. Our Group has established long term business relationships with our top 5 customers, ranging from five to 16 years.

With around 30 years of experience in the LED industry, our Group has received a number of accreditations and certifications from various organisations. Some of such accreditations and certifications include ISO 9001:2008 and ISO 14001:2004 for our quality and environmental management systems.

OUR COMPETITIVE STRENGTHS

We believe that our competitive strengths will enable us to compete effectively in the LED industry:

We are a top Small LED backlight product manufacturer in the PRC with extensive LED industry knowledge and experience

Our Group has around 30 years of knowledge and experience in the LED industry. Our business can be traced back to 1984, when we were first established in Hong Kong to principally engage in processing and sale of LED components. In 1991, our Group commenced manufacturing LED backlight products. We launched our LED lighting products in 2008 and became an enterprise that designed, manufactured and sold LED backlight and LED lighting products.

According to the Euromonitor Report, the LED backlight unit market in mainland China has been growing robustly over the past few years, with the Small LED backlight product segment taking the largest share of the overall LED backlight unit market. According to the Euromonitor report, we ranked second in the Small LED backlight product market in the PRC in 2013, contributing an individual share of 4.3% with a sales value of approximately HK$670.9 million. Our Small LED backlight products are mainly utilised by our customers for the production of smartphones and automobile displays.

Our customers include smartphones, automobile displays, equipment displays and television manufacturers, who apply our Group's LED backlight products to their respective products. During the Track Record Period, our LED backlight products were sold to various reputable brands including Biyadi, Varitronix, Truly, Tianma, Shenzhen Lead and Wuxi Booyi. We have established long and stable customer relationships with our top five customers in the PRC, ranging from five to 16 years. Our Directors believe that such long standing relationship with sizeable customers has set a good foundation for our future developments. The long business relationships also allow us to have the chance to constantly interact and discuss with our customers, such that we can provide them with better technological service and support.

We provide a comprehensive production process

Our Shenzhen Production Plant is responsible for producing Small LED backlight products and Medium LED backlight products, and our Huizhou Production Plant is responsible for producing all dimensions of LED backlight products and LED lighting products, while our Yichang Production Plant is responsible for producing LED lighting products only. Our Group is capable of providing the requisite production process independently without subcontracting any part of the production process. We can independently provide product designs and drawings, carry out the whole production process, manage the schedule of production, review the quality of the products, and store the raw materials and finished goods. Our Directors believe that we are able to exert complete control over the entire production chain, ensure our product quality, and maintain profitability through an optimal cost structure.

According to the Euromonitor Report, there are over 5,000 enterprises engaged in the manufacturing of LED backlight units in the PRC as of the end of 2012. Euromonitor estimated that, currently, most of these enterprises stand at the band with sales revenue falling in the range of less than RMB10.0 million. What separates our Group from our competitors is our ability to produce LED backlight products on a large scale basis. The ability to engage in mass production, we believe, is one of the core advantages our Group possesses. Our Group's sales value for LED backlight products is one of the highest in the PRC. In addition, we acquired a piece of land in Huizhou (approximately 71,049 square metres) which was developed into an industrial park in early 2011 with the view of further developing and enhancing our production capacity and efficiency. Under the 12th Five-year Program of Huizhou issued and approved by Huizhou People's Government on 25 February 2011, the Huizhou Government designated the LED industry as one of the important development projects in the city. We believe that with the advantageous conditions provided by the Huizhou Government for LED production and our continuous shift of production focus to our factory in Huizhou, we can enhance our profitability by enjoying the financial benefits provided by the Huizhou government, achieving more positive synergies among our production lines and reducing our management costs.

We have a diversified LED product portfolio

We have a diversified LED product portfolio. Our LED backlight products can principally be classified into three categories, namely: (i) Small LED backlight products with size of 7 inches or less, which are mainly applied on smartphones, automobile displays, equipment displays, digital cameras, etc.; (ii) Medium LED backlight products with size between 7 inches to 26 inches, which are mainly applied on notebook computers, tablets, computer monitors, equipment displays etc.; and (iii) Large LED backlight products with size larger than 26 inches, which are applied on televisions. We have the ability to manufacture LED backlight products of various dimensions and luminosity based on specifications provided by our customers. In addition, in light of the emerging thinness trend, our Group has successfully developed 0.40mm thick LED backlight products with size over 5 inches for smartphones. Our Directors believe that our ability to produce 0.40mm thick LED backlight products enables us to cope with the increasingly sophisticated specification requirements from our high-end customers and thus maintain a higher profit margin for our smartphone LED backlight products.

We have developed a wide spectrum of LED lighting product series for indoor and outdoor uses. Our major LED lighting products are light bulbs, candle lights, light tubes, down lights, MR bulbs, ceiling panels, high bays, PL tubes, track lights, flood lights, street lights and gas station lamps. Our environmental and quality LED lighting products are recognised and being recommended by the Guangzhou Government in the "Guangdong Province Green Lighting Model City Catalogue of Recommended Products for Procurement".

We believe that our diverse product portfolio allows us to optimise our production capacity and gives us the flexibility to cope with market changes, thereby reduces our reliance on single product type and broadens our customer base and sources of revenue.

We have adopted a stringent quality control system over our LED products

Our Directors believe that the quality and reliability of our products is vital in upholding the reputation of our Group in the LED industry. We have established stringent quality control procedures to ensure the quality of our LED products.

Our quality control process starts at the point of product design and is carried all the way through to the manufacture and storage of finished goods. Quality control officers are involved in the product design process. Comprehensive procedures are adopted for the selection and approval of new suppliers and raw materials. Product samples are produced and tested thoroughly before mass production begins. For further details, please refer to the paragraphs headed "Quality Control" below in this section of the prospectus.

In order to enhance our quality control, our Group has purchased a series of advance equipment for production and testing. We have been awarded various certifications, including ISO 9001:2008 and ISO 14001:2004 for our quality and environmental management systems.

We have strong research and development ability

The LED backlight and LED lighting industries are characterised by rapid technological advancements. We place great emphasis on developing and improving our LED backlight and LED lighting products in order to remain competitive in the LED industry.

Our Group consistently allocates resources to independent technological innovation through research and development. We have our own research and development centre in our factory in Huizhou. As of 30 June 2014, our research and development department consisted of 67 members who were dedicated to research and development in LED backlight products and LED lighting products. We have registered a number of patents in respect of inventions and works by our research and development department in the PRC and Hong Kong. Please refer to the paragraphs headed "Intellectual property" under Appendix V to this prospectus for details of our patents registered in the PRC and Hong Kong.

In recognition of our research and development effort, our energy saving LED street light, LED ceiling light, and LED light tube have been recognised by the Shenzhen Science Industrial Technology and Information Commission (深圳市科技工貿和信息化委員會) as "Independently Innovated Products of Shenzhen". In addition, during the Track Record Period, we entered into several LED lighting research and development projects sponsored by government authorities which included the research and development of LED fishing lights and LED plant-grow lights. Acknowledging the increasing demand and popularity of LED lighting products in supermarkets and shopping malls, we also produced special LED lighting products such as LED fresh lights that were tailored to render the true colours of foods to make them more appetising. For further details of the aforesaid research and development projects, please refer to the paragraph headed "Research and Development" below in this section of the prospectus.

Owing to our advanced research and development capabilities, our subsidiary, Shenzhen Wai Chi, was approved as a High-Tech Enterprise by Shenzhen government authorities. Accordingly, Shenzhen Wai Chi enjoyed a reduced tax rate of 15.0% for the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, as compared with the standard income tax rate of 25.0% for enterprises in the PRC.

OUR BUSINESS STRATEGIES

With the view of intensifying our strength and success in the LED industry to become an industry leader, our Directors have developed the following strategies to pursue further development and expansion of our business:

1. We plan to enhance our production capacity in automobile, smartphone and TV LED backlight segments

a. Automobile and smartphone LED backlight segments

According to the Euromonitor Report, the overall manufacturing sales value of LED backlight units in the PRC is expected to reach RMB50,707.4 million in 2018 representing a CAGR of 11.7% over the period from 2014 to 2018. It is estimated by Euromonitor that the annual sales value of automobile LED backlight products will grow at a CAGR of 10.6% over the period from 2014 to 2018 and the increasing penetration of LED backlight application in automobile on-board monitors is one of the key drivers. We therefore believe that it is crucial for us to enhance our production capacity in order to capture more opportunities in the growing market.

To capture the opportunities in the growing market, we plan to set up an automobile LED backlight production team in our Huizhou Production Plant in the second half of 2014. The production team will comprise six production lines, each dedicated to production for a specific major customer. We plan to recruit around 40 production staff for each of the production lines, totaling an additional 240 production staff to our factory in Huizhou. We also plan to purchase new production machinery for the automobile LED backlight production team. In addition, we believe that our core metal-plastic integration production technology can enhance our production efficiency and quality for automobile LED backlight products. We intend to further strengthen our competitive metal-plastic integration production technology by purchasing extra machinery to increase our production capacity and improve our delivery lead time.

Further, given the expected growth in sales value of smartphone LED backlight units in the near future, we plan to enhance our smartphone LED backlight products production capacity by (i) purchasing new machinery for our factory in Huizhou to further increase the level of automation; and (ii) increasing the number of night shifts to increase our production capacity. With the enhanced production capacity and increased level of automation in the production process, coupled with our research and development effort, our Directors believe that we can (i) maintain a higher profit margin by selling more high-end smartphone LED backlight products, and (ii) fulfill our clients' increasing demand for high-end smartphone LED backlight products in the PRC such that we can maintain a long and stable business relationships with our major clients.

b. TV LED backlight segment

According to the Euromonitor Report, the Large LED backlight product segment, mainly comprised of TV LED backlight, realized the fastest development over the past few years and became the main engine fuelling the overall LED backlight unit market from 2009 to 2013. Such growth was largely attributed to the increase in sales value of LED TV. By 2018, the Large LED backlight product segment in the PRC is expected by Euromonitor to attain a total sales value of approximately RMB24,944.8 million, which accounts for nearly half of the whole LED backlight market.

Our Directors believe that the more advanced laser cutting system of the LGP engraving machines can significantly increase the production efficiency and provide better accuracy over the traditional silk-print technology. We ordered five additional LGP engraving machines in the first half of the year 2014, to cope with the increasing demand for TV LED backlight products from our customers. We plan to use the LGP engraving machines for the production of high-end TV LED backlight products with high resolutions and contrast ratio. With the benefit of lower production costs, the traditional silk-print technology will be used to satisfy the purchase orders for low-end TV LED backlight products such that we can set a competitive price for our TV LED backlight products while maintaining profitability.

c. *Machinery to be purchased by the Group by 2016*

Our Group plans to spend HK$75.4 million to purchase a number of LGP engraving machines, v-cut machines and injection moulding machines in the second half of 2014, 2015 and 2016, depending on both estimated and actual production needs arising from business transactions with customers. We plan to use HK$67.6 million of the proceeds from the Share Offer, representing approximately 45% of the net proceeds, and HK$7.9 million from our Group's internal resources to finance the capital expenditure.

Our Group plans to spend HK$5.1 million in 2014 on purchasing new machinery for the production of Small LED backlight products. The purchase of such new machinery shall, in turn, increase our Group's annual production capacity of Small LED backlight products by 10.8 million pieces, representing 7.1% of our Group's production capacity of Small LED backlight products as of 30 June 2014.

Our Group plans to spend HK$37.2 million in 2015 on purchasing new machinery for the production of Small LED backlight products and Large LED backlight products. The purchase of such new machinery shall, in turn, increase our Group's annual production capacity of Small LED backlight products by 26.9 million pieces and annual production capacity of Large LED backlight products by 1.3 million pieces, representing 17.7% of our Group's production capacity of Small LED backlight products and 49.8% of Large LED backlight products as of 30 June 2014.

Our Group plans to spend HK$33.1 million in 2016 on purchasing new machinery for the production of small and Large LED backlight products. The purchase of such new machinery shall, in turn, increase our Group's annual production capacity of Small LED backlight products by 26.9 million pieces and annual production capacity of Large LED backlight products by 1.3 million pieces, such increase represented 17.7% of our Group's production capacity of Small LED backlight products and 49.8% of Large LED backlight products as of 30 June 2014.

The machinery to be purchased with the proceeds from the Share Offer will all be placed in the Huizhou Production Plant. The machinery to be purchased include:

	Type of machinery to be purchased	Reason for the purchase of the machinery	Estimated time of purchase of the machinery
1.	4 injection moulding machines	For the production of Small LED backlight products	second half of 2014
2.	5 LGP engraving machines	For the production of Large LED backlight products	2015
3.	4 v-cut machines	For modification of moulds	2015
4.	10 injection moulding machines	For production of Small LED backlight products	2015
5.	5 LGP engraving machines	For the production of Large LED backlight products	2016
6.	10 injection moulding machines	For production of Small LED backlight products	2016

In light of the projections indicated in the Euromonitor Report, our Directors are of the view that there will be sufficient demand for Small LED backlight products and Large LED backlight products, and as such, it is necessary for our Group to purchase the machinery to increase production capacity to capture more opportunities in the growing market.

2. We plan to upgrade the level of skillset in our production process

To improve our LED backlight research and development capability, and technological know-how, we intend to recruit more technical and expert staff to join our production and research and development departments. We also intend to establish cooperative research and development relationships with some existing LED backlight product manufacturers, to jointly develop new LED backlight products, improve production technologies and facilitate the engineering application of technologies. As at the Latest Practicable Date, we have not entered into negotiation with nor entered into any legally binding agreements with any manufacturers for cooperative research and development arrangement.

We also intend to upgrade and expand our ERP system to enhance the management information systems. We intend to focus on developing an advanced system for our production chain management, which would enable us to connect the key stations in our production process in one integrated management information system platform, improve the efficiency of our business operations and lower our management costs. We believe that the enhanced ERP system will enable us to record the details of purchases, facilitate the communication and coordination between workstations, and track our inventories in a more effective manner.

3. We plan to develop a cooperative business development model for the sales of our LED lighting products

We plan to pursue strategic partnership opportunities to expand our product portfolio and coverage. We plan to develop a cooperative business development model for the sales of our LED lighting products through cooperating with certain business partners in the PRC. We intend to enter into cooperative business development arrangements with reputable customers with established experience and relevant expertise in specific LED lighting fields, e.g. supermarket lighting, hospital lighting, etc. Through such strategic partnership, we believe that we can gain more insights from our customers on the specific needs and requirements of their end consumers, and we will be able to manufacture LED lighting products to suit the preference and specifications of the end consumers in these specific LED lighting fields. Our Directors believe that through such strategic cooperation arrangements, our reputation in the LED lighting industry will be enhanced, and we will be able to have a better understanding of the consumers' needs and preference and extend our penetration into niche LED lighting markets.

During the Track Record Period, we have entered into cooperation sales agreement with Guangzhou Waichi for the sales and development of supermarket LED lighting products. For further information relating to the arrangements with Guangzhou Waichi, please refer to the paragraph headed "Customers" of this section of the prospectus. We also plan to explore opportunities to cooperate with business partners for the sales and development of hospital LED lighting products in public hospitals in the PRC. As at the Latest Practicable Date, our Group had not enter into any memorandum of understanding or letter of intent with any potential partners in relation to the sales of hospital LED lighting products in public hospitals.

4. We plan to expand into new overseas markets

We plan to expand into new overseas markets. To strengthen our overseas presence, we intend to:

(i) establish sales teams, marketing networks, operation centres or maintenance centres in countries with high penetration rate of LED lighting products, such as Japan and Korea;

(ii) localise our overseas sales teams by recruiting local hires with suitable industry and marketing experience in our target overseas markets; and

(iii) increase our strategic cooperation with overseas licensors, contractors and suppliers, thereby enabling us to make more competitive bids for new overseas projects.

In addition, to keep abreast of the increasing usage of LED lighting products in emerging markets, we plan to increase our research and development investment on LED lighting to improve our existing technologies and production efficiency. We also intend to promote our LED street light products in cities through cooperation with local contractors for the tendering of energy-saving street light projects overseas.

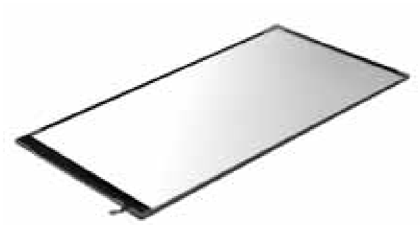
OUR BUSINESS MODEL

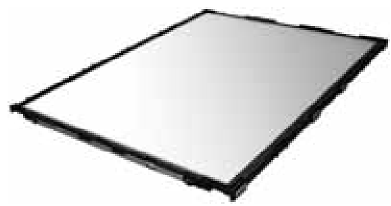
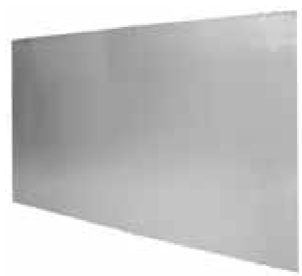
We derive turnover from selling our (i) LED backlight products and (ii) LED lighting products produced on an OEM and ODM basis to our customers.

Our LED backlight products

Our Company mainly produces LED backlight products. For the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, we derived 97.7%, 92.8%, 90.0% and 93.1% of our total revenue from the selling of our LED backlight products respectively. A backlight acts as the light source for LCDs. As LCDs do not produce light themselves, they need to be illuminated at the bottom by a light source through the light guide plate. Our LED backlight products can principally be classified into three categories, namely: (i) Small LED backlight products with size of 7 inches or less, which are mainly applied on smartphones, automobile displays, equipment displays, digital cameras, etc.; (ii) Medium LED backlight products with size between 7 inches to 26 inches, which are mainly applied on notebook computers, tablets, computer monitors, equipment displays etc.; and (iii) Large LED backlight products with size larger than 26 inches, which are mainly applied on televisions. Our LED backlight products are manufactured in our Shenzhen Production Plant and Huizhou Production Plant. According to Euromonitor Report, we ranked second in 2013 among all PRC LED backlight manufacturers producing Small LED backlight products, contributing an individual share of 4.3% with a sales value of approximately HK$670.9 million.

The full range of our LED backlight products are set out below:

Product Series	Dimensions	Areas of Applications
Small LED backlight products		
	Below 7″	• Smartphones • Automobile displays • Display dashboards • Equipment displays • Digital cameras

Product Series	**Dimensions**	**Areas of Applications**
Medium LED backlight products		
	7″ to 26″	• Notebook computers • Tablets • Computer monitors • Equipment displays
Large LED backlight products		
	Above 26″	• Televisions

The LED backlight products produced by our Group are sold to various reputable brands including Biyadi, Varitronix, Truly and Tianma.

The following tables set forth the breakdown of sales by different product categories in relation to LED backlight products during the Track Record Period:

Breakdown of sales by products during the Track Record Period:

LED backlight products	Year ended 31 December						Six months ended 30 June			
	2011		2012		2013		2013		2014	
	HK$'000	%	*HK$'000*	%	*HK$'000*	%	*HK$'000* (unaudited)	%	*HK$'000*	%
Small dimension	668,586	91.6	625,849	89.4	670,905	83.3	324,167	84.6	451,595	84.8
Medium dimension	19,837	2.7	11,262	1.6	29,055	3.6	8,336	2.2	19,822	3.7
Large dimension	41,351	5.7	62,706	9.0	105,202	13.1	50,510	13.2	61,171	11.5
Total	729,774	100.0	699,817	100.0	805,162	100.0	383,013	100.0	532,588	100.0

Breakdown of sales by application during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2011		2012		2013		2013		2014	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Smartphone	435,021	59.6	407,484	58.2	452,351	56.2	218,637	57.1	328,304	61.7
Automobile displays	22,128	3.0	40,898	5.8	54,512	6.8	24,601	6.4	59,365	11.1
Equipment displays	231,274	31.7	188,729	27.0	193,052	24.0	89,099	23.3	83,748	15.7
Televisions	41,351	5.7	62,706	9.0	105,247	13.0	50,676	13.2	61,171	11.5
Total	729,774	100.0	699,817	100.0	805,162	100.0	383,013	100.0	532,588	100.0

During the Track Record Period, a substantial amount of our revenue were generated from the sale of Small LED backlight products, in particular Small LED backlight products used in smartphones, to our customers. For the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, our revenue generated from the sale of Small LED backlight products accounted for approximately 91.6%, 89.4%, 83.3% and 84.8% of our total LED backlight revenue respectively.

Our LED lighting products

We have developed a wide spectrum of LED lighting product series for indoor and outdoor uses. Our major indoor LED lighting products include light bulbs, candle lights, light tubes, down lights, MR bulbs, ceiling panels, PL tubes and track lights. Our major outdoor LED lighting products include flood lights, high bays, street lights and gas station lamps. Our environmental and quality LED lighting products are recognised and being recommended by the Guangzhou government authorities in the "Guangdong Province Green Lighting Model City Catalogue of Recommended Products for Procurement". Our LED lighting products are mainly being used in supermarkets like CP Lotus, and by local governments in their lighting improvement and energy saving projects.

Our LED lighting products are manufactured in our Huizhou Production Plant and Yichang Production Plant. Examples of our major LED lighting products and their brief descriptions are set out below:

Product Series | **Name of products and description**

Indoor Lighting Series

Light Bulb

- Direct replacement of existing screw type light bulb from 40W to 60W
- With omnidirectional light distribution up to 280 degree
- High efficacy and durability design

Candle Light

- Direct replacement of existing screw type dimmable and non-dimmable light bulb from 25W to 35W
- Incandescent like light distribution to provide high lighting quality of the existing luminaires
- Extra light weight design to avoid overloading existing chandelier

Down Light

- Light source and aluminum luminaire integrated design for better and direct heat dissipation and simple installation
- Diffused optical design to provide low lighting glare
- Various dimensions to fulfill different application areas, such as corridors, lobbies and offices

Product Series | **Name of products and description**

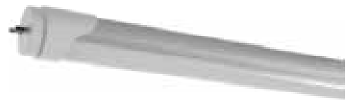
Indoor Lighting Series

MR Bulb

- Power consumption coverage from 4W to 6W
- Selection of LED light source to give high efficacy, colour rendering and color consistency
- Magnesium-aluminum lamp body with teflon coating to optimize heat dissipation performance in a limited lamp size

Ceiling Panel

- Lighting product that makes use of backlight technology to give high uniformity illuminating surface and ultra slim and rigid lamp body
- Three different installation methods: suspended, surface mounted and recessed
- Various size from 300x300mm to 600x1200mm and power consumption from 18W to 72W for different applications, such as corridors, offices, schools and hospitals



Light Tube

- Light tube series includes T5 replacement, T8 replacement and radar sensor integrated T8
- High quality design with precise selection on aluminum grading, LED type and efficient power supply to give high and reliable performance
- Various versions with different luminous efficacy that can be used depending on the lighting requirements of the areas

Product Series | **Name of products and description**

Indoor Lighting Series

Track Light

- Magnesium-aluminum spot light that can fit conventional, existing tracks
- It consists of three different beam angle for different application purposes
- Power consumption coverage from 15W to 36W

PL Tube

- Direct replacement of traditional PL lamps
- Rotatable base thread design with arbitrary light direction
- Design allow high colour rendering, anti-glare and uniform light level to avoid any cause of eye discomfort and sublimation of item colour for better visual effect

Outdoor Lighting Series

Floodlight

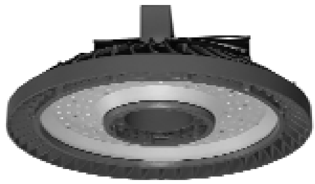
- Heat sink design using magnesium-aluminum alloy to maintain light weight, anti-salt corrosion and waterproof design
- Power covers from 120W to 600W with narrow and wide beam angles
- Application areas include stadium, football or tennis courts etc.

Street Light

- Modular design to give easy maintenance and system upgrade
- Each module contains optics, UV protection and waterproof
- Adjustable pole holder is launched as an option for different pole types around the world

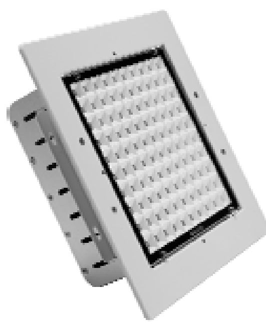
Product Series	Name of products and description

Outdoor Lighting Series



High Bay

- Ultra slim and light weighted modern design using magnesium-aluminum alloy to optimize heat dissipation and to minimize shipping cost and maintenance cost
- Available in different power in narrow and wide beam angles: 60W to 200W
- Application areas include warehouses, exhibition centers and any high ceiling areas



Gas Station Lamp

- Two different installation methods: recessed and surface mount
- Consist of two types of lighting distribution to fulfill different application areas
- Can be applied in gas station and any semi-outdoor areas

The following tables set forth the breakdowns of sales by different product categories in relation to LED lighting products during the Track Record Period and for the six months ended 30 June 2013:

Breakdown of sales by products during the Track Record Period:

LED lighting products	For the year ended 31 December						For the six months ended 30 June			
	2011		2012		2013		2013		2014	
	HK$'000	%	*HK$'000*	%	*HK$'000*	%	*HK$'000* (unaudited)	%	*HK$'000*	%
Indoor	7,907	46.0	43,611	81.0	52,693	59.3	27,170	79.8	27,309	69.5
Outdoor	9,297	54.0	10,227	19.0	36,178	40.7	6,894	20.2	11,978	30.5
Total	17,204	100.0	53,838	100.0	88,871	100.0	34,064	100.0	39,287	100.0

Breakdown of sales by the nature of LED lighting during the Track Record Period and for the six months ended 30 June 2013:

	For the year ended 31 December						For the six months ended 30 June			
	2011		2012		2013		2013		2014	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Public lighting	2,508	14.6	21,757	40.4	63,265	71.2	17,144	50.3	18,247	46.4
Commercial lighting	14,696	85.4	32,081	59.6	25,606	28.8	16,920	49.7	21,040	53.6
Total	17,204	100.0	53,838	100.0	88,871	100.0	34,064	100.0	39,287	100.0

OUR PRICING POLICY

Our Group can manufacture LED backlight and LED lighting products in accordance with our customers' specification requirements. We usually fix the price of our LED products on a cost plus profit margin basis. We determine the pricing of our LED products by taking into account various factors, including but not limited to: (i) dimensions, (ii) technological requirements, (iii) volume of purchase, (iv) production costs, (v) quality control requirements, (vi) market prices, and (vii) product type.

The following table sets forth the sales volume by products and the corresponding average selling price per unit ("ASP") for the Track Record Period:

	For the year ended 31 December						For the six months ended 30 June	
	2011		2012		2013		2014	
	Volume	*ASP HK$*	*Volume*	*ASP HK$*	*Volume*	*ASP HK$*	*Volume*	*ASP HK$*
LED backlight products								
– Small	112,213,601	6.0	104,576,575	6.0	112,622,829	6.0	74,577,133	6.1
– Medium	909,564	21.8	795,970	14.1	1,745,518	16.6	1,192,557	16.6
– Large	638,809	64.7	1,018,913	61.5	1,497,671	70.2	789,198	77.5
LED lighting products								
– Indoor	36,459	216.9	147,666	295.3	239,081	220.4	120,256	227.1
– Outdoor	12,609	737.3	8,917	1,146.9	32,750	1,104.7	10,441	1,147.2

The average selling price of our small and Large LED backlight products have remained relatively stable during the Track Record Period. The average selling price of our Medium LED backlight products, and our indoor and outdoor LED lighting products have been subject to fluctuation during the Track Record Period. Please refer to "Financial Information — Key Factors Affecting the Result of Operations — Changes in our product mix" for reasons of changes in the average selling price of our LED products during the Track Record Period.

MARKET AND COMPETITION

LED Backlight Unit Market

Driven by the rapid proliferation of smartphones, automobile on-board monitors and LED backlight based TV's manufactured in mainland China, the LED backlight unit market in PRC has been growing robustly at a CAGR of 31.6% over the period from 2009 to 2013, reaching an overall manufacturing sales value of approximately RMB27,767 million in 2013. The small segment took the largest share of the overall backlight unit market in 2013, which was about 45.2%, while the large segment realised the fastest development over the past five years and became the main engine fuelling the overall LED backlight unit market from 2009 to 2013.

As of 2012, there were over 5,000 enterprises in PRC engaged in the manufacturing of LED backlight units. There are nearly 1,000 new entrants each year and hundreds of existing players are being eliminated every year. Currently, most of the enterprises stand at the band, with sales revenue falling in the range of less than RMB10.0 million. We believe that small enterprises may struggle in obtaining purchase orders from the clients, ending up being pushed out of the market. Due to the increasing demand for high-quality products, optical design and research and development capability pose technical barriers on new entrants. As leading players continue to expand rapidly while small players get easily washed out, this market will soon become consolidated. With a Small LED backlight product revenue of HK$670.9 million, we ranked second in the Small LED backlight product market in the PRC in 2013.

As encouraged by "The 12th Five-Year Plan for the Electronic Information Manufacturing Industry" (電子信息制造業十二五規劃) issued by the Ministry of Industry and Information Technology in 2012 and "China's Electronic Information Industry Restructuring and Revitalization Plan" (電子信息產業調整和振興規劃) issued by the State Council in 2009, together with the increasing popularization of 4G smartphone, wider application of LED automobile displays on vehicles and increasing penetration rate of LED TV manufactured in China, it is estimated that China's manufacturing of LED will increase to approximately RMB50,707 million in 2018. We believe that the economy of scale of our Group and the ability to provide a comprehensive production process enhance our competitiveness over our competitors in the future.

LED Commercial Lighting Market

The LED commercial lighting market is booming in PRC, achieving a sales value of approximately RMB43,250 million in 2013 and attaining growth at a CAGR of 39.4% over the period from 2009 to 2013. LED commercial lighting for outdoor use formed the main body of the LED commercial lighting market, accounting for a share of 68.4% in 2012.

There are over 10,000 LED commercial lighting manufacturers in the PRC, witnessing a very fragmented market. Shenzhen is the most important industry base for the LED commercial lighting industry, both in terms of manufacturing and consumption. As LED lighting manufacturing requires strong research and development capabilities in lighting design, heat dissipation and directional luminance control, patents are predominantly created by leading companies with adequate research and development resources. These patents might become a key entry barrier for the entrants with limited technologies.

The National Economic and Social Development during the Twelfth Five-year Plan outlined the future development path for mainland China, and defined energy saving and environmental friendliness as the primary goals to achieve sustainable future growth. Under such circumstances, LED commercial lighting came into service, and was put into wide use in government projects. Furthermore, government documents and policies such as "China's Route Chart of Gradually Eliminating Incandescent Lamps" also defined it as the most prioritised energy-saving lighting to replace incandescent lamps. The vast market of public lighting and the vigorous efforts made by city-level governments will be the two key driving forces for LED commercial lighting. With our experience in developing LED fishing lights and LED plant-grow lights in government projects, we believe that our Group would be able to benefit from the growing market trend.

PRODUCTION

Operation flows

Our LED backlight products are produced in accordance with the requirements of our customers. Most of our LED backlight products are applied in electronic products and accordingly, the size and luminosity of each of the LED products are tailored to meet the specific requirements as requested by each customer.

For illustration purposes, the operation flow of a purchase order within our Group in relation to our LED backlight products is outlined below:

	Step	Description	Department Involved
1.	Product Enquiry	Customer contacts our marketing department to inquire about the feasibility of producing the products in accordance with the specifications and for use in the specified product.	Marketing department

	Step	Description	Department Involved
2.	Provision of Fee Quote	Our marketing department then provides a fee quote to customer for designing the product and producing the mould and the product. For new customer, we will charge a fee for mould production. For existing customer, whether the fee for mould production will be charged is dependent on the total quantities intended to be placed by customer.	Marketing department
3.	Placing of Order	Customer accepts our fee quote and places the purchase order with our marketing department.	Marketing department
4.	Product Design	Our research and development department designs and provides the product drawing to customer for confirmation. Customer confirms and approves the design by signing on the drawing and e-mailing a copy to us.	Our research and development department, and the research and development department of our customer
5.	Mould Production	After the product drawing has been approved, our marketing department instructs research and development department for mould production. Our research and development department then designs and prepares the mould and places order for mould production with our plastic factory or hardware factory through the purchasing department.	Marketing department, research and development department and purchasing department
6.	Sample Production	Our factory produces the sample based on the product drawing approved by customer using the mould produced.	Production factories in Shenzhen and Huizhou
7.	Sample testing	Tests on the appearance, functions, reliability, security, dimensions, packaging, transportability and environmental friendliness on the sample are performed.	Manufacturing department and Quality Centre
8.	Sample delivery	Deliver the sample to customer for confirmation before mass production.	Marketing department

	Step	Description	Department Involved
9.	Sample Confirmation	Obtain confirmation from customer on the sample or amend the sample in accordance with the requirements of customer.	Marketing department
10.	Mass Production Order	Obtain a confirmation from the customer for mass production and issue an invoice to customer.	Marketing department
11.	Planning for Mass Production	Plan for the type and total amount of raw materials to be purchased for mass production. Set the timeline for production and product delivery.	Production and material planning division of our marketing department
12.	Purchase of raw Materials	Purchase of raw materials in accordance with the quantities of products to be produced.	Purchasing department
13.	Checking Raw Materials	Conduct preliminary check on whether the quantities of raw materials delivered match with the order requested.	Warehouse department
14.	Control on Raw Materials (IQC)	Perform the IQC procedures to test the appearance, dimensions, functions, performance, reliability, level of hazardous substances, and packaging of the incoming raw materials from the suppliers on a sampling basis.	IQC Quality Centre
15.	Raw Materials Storage	If the raw materials are found in order, the raw materials will be stored and ready for mass production.	Warehouse department
16.	Production	Please refer to the heading "Production Process" of each product of our Group for the production process.	Manufacturing department and engineering department
17.	In-Process Quality Control	Perform tests on the appearance, dimensions, functions and performance during the production process.	Quality Centre
18.	Production Quality Control	Perform tests on the appearance, dimensions, functions, performance and environmental friendliness on the final products.	Quality Centre

	Step	Description	Department Involved
19.	Product Quality Assurance	The customer itself, or a third party instructed by the customer, comes to our factories to perform quality tests on the final products.	Quality Centre
20.	Product Packaging	Pack the final products.	Manufacturing department
21.	Warehouse Entry	Store the final products in the warehouse and arrange for delivery.	Warehouse department and manufacturing department
22.	Product Delivery	Deliver the final products to customers.	Warehouse department

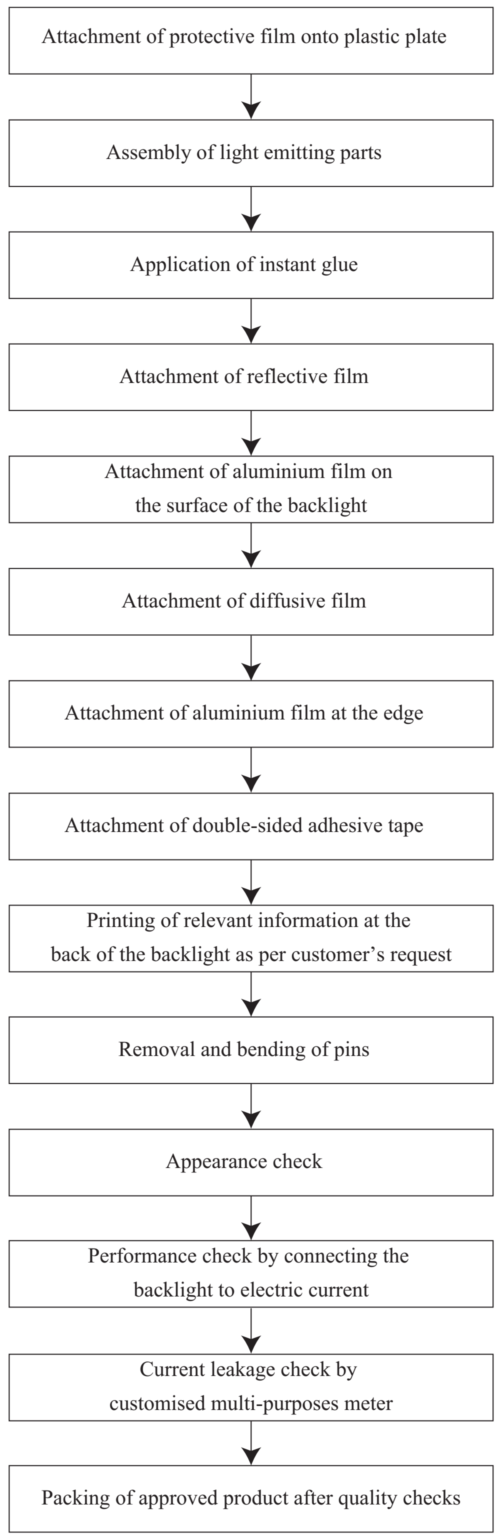
The above operation procedures are conducted with the assistance of the ERP system which is a cross-functional software system that provides a real-time view of the core business process of our Group such as production, order processing and inventory management. This system helps our management in tracking resources (such as raw materials and production capacity) no matter which department has entered the date into the system and helps us achieve cost savings and increase productivity, better control for materials purchased and reduce lead time. This system facilitates information flow between all business functions inside the organization and manages connections among different departments within our Group.

PRODUCTION PROCESS

The production process for different types of our products varies. The most significant type of products of our Group is the LED backlight products. Our Group has developed a full series of LED backlight products with different sizes, dimensions, usage, applications, colours and brightness.

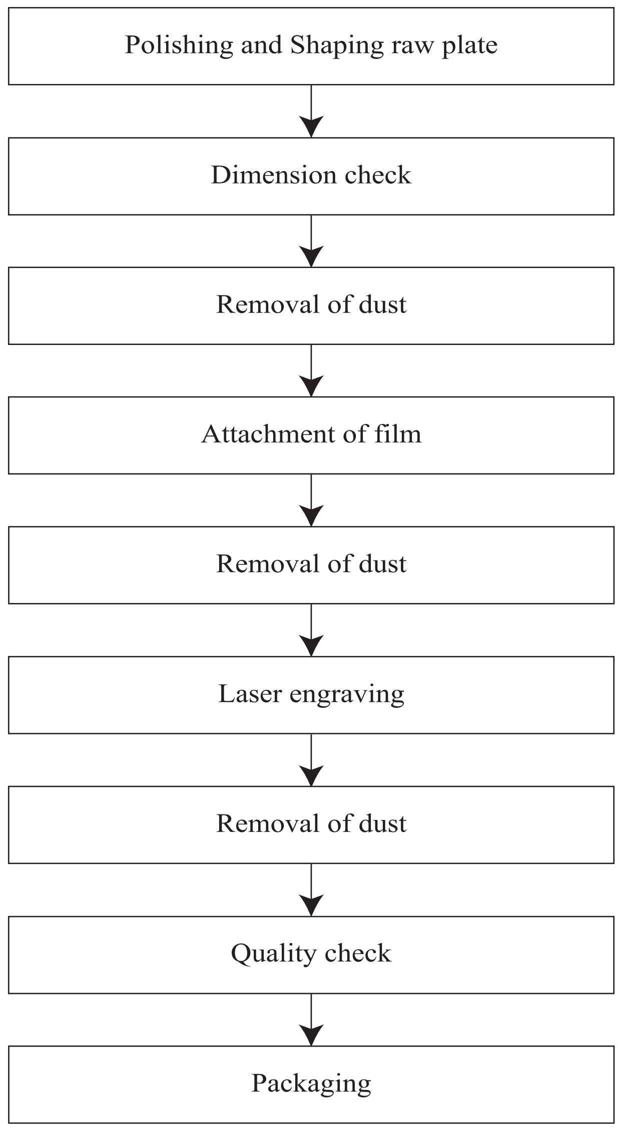
Production process of small and Medium LED backlight products

For illustration purposes, the process flow of manufacturing small or Medium LED backlight products is outlined below:



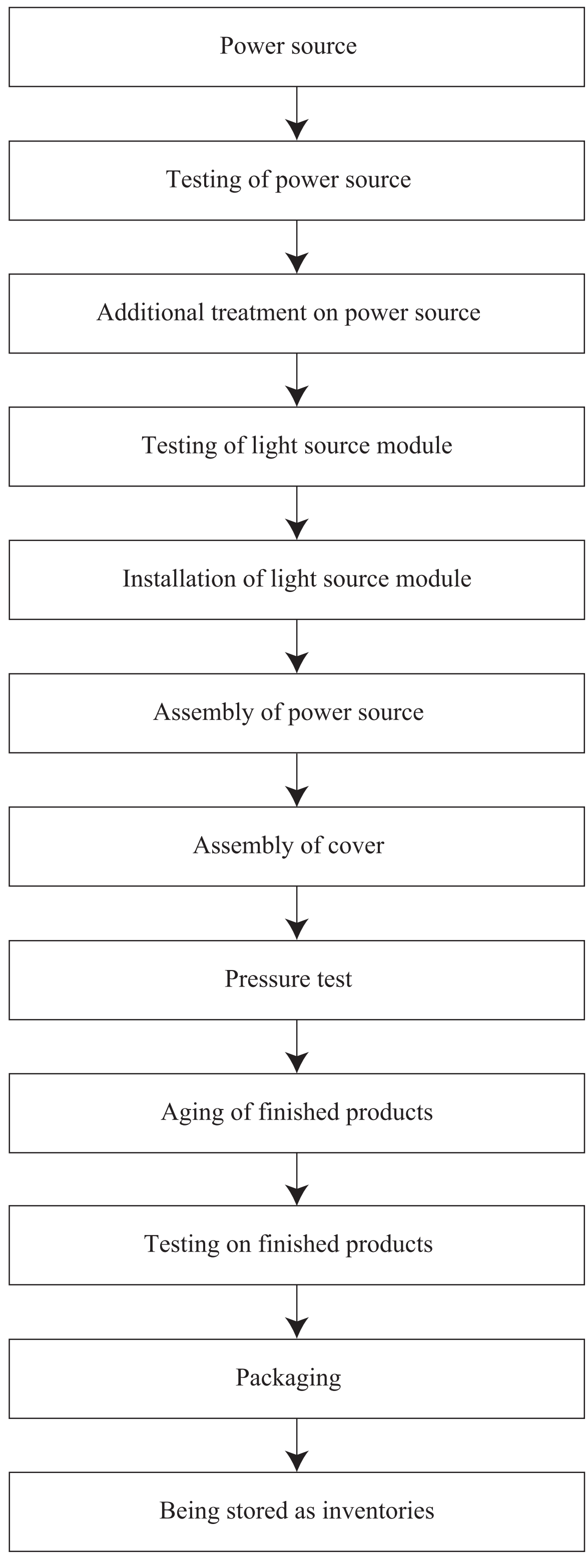
Production process of Large LED backlight products (including large LED TV backlight products)

For illustration purposes, the process flow of manufacturing a Large LED backlight products (including large LED TV backlight products) is outlined below:



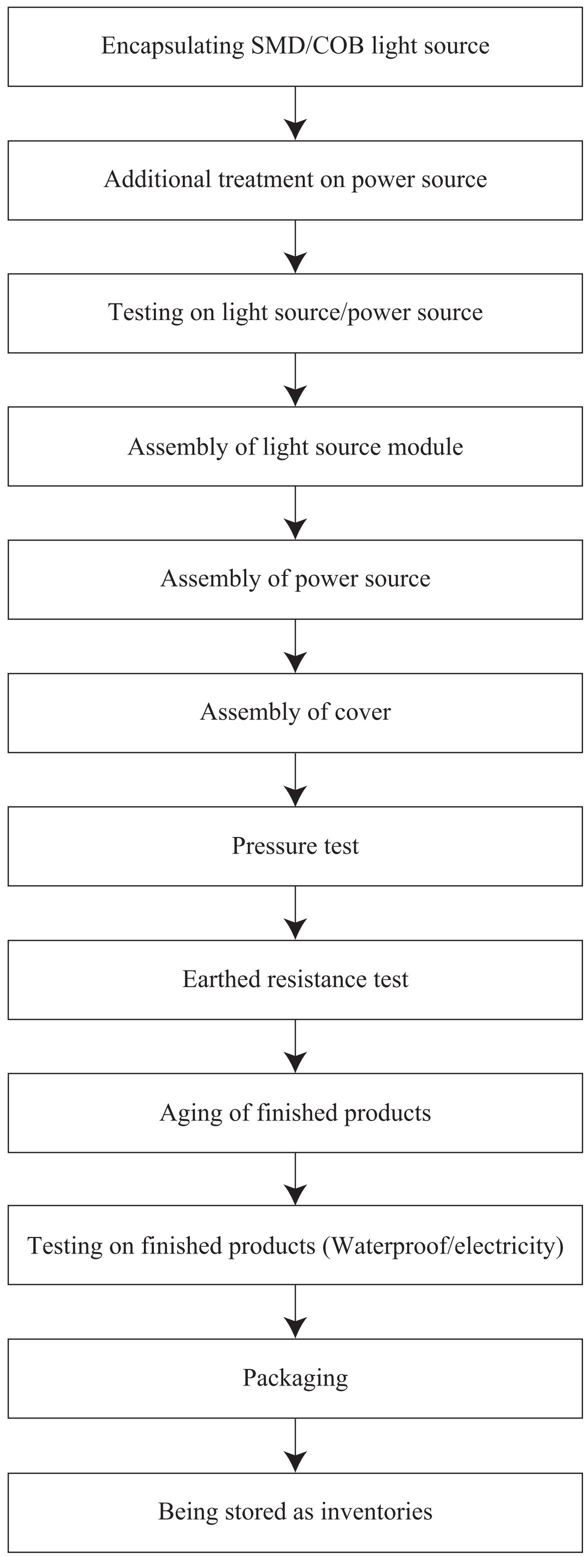
Production process of indoor lighting products

For illustration purposes, the process flow of manufacturing indoor LED lighting products is outlined below:



Production process of outdoor lighting products

For illustration purposes, the process flow of manufacturing outdoor LED lighting products is outlined below:



PRODUCTION FACILITIES

The production centres of our Group are at Huizhou, Shenzhen and Yichang, PRC. The Huizhou Production Plant has an area of approximately 96,890 square metres and is mainly for the production of LED backlight and LED lighting products. For the purpose of production, there are v-cut machine, LGP engraving machines, automatic cutting machine and SMT machine in this centre. The Huizhou Production Plant is equipped with important testing equipment, such as 6-in-1 safety test systems, earth continuity tester, GO-2000 goniophotometer and integrating sphere.

The Shenzhen Production Plant has an area of approximately 26,190 square metres and is mainly for the production of Small LED backlight products and Medium LED backlight products. For the purpose of production, there are automatic silver bonder, automatic high-speed LED aluminum welder, reflow soldering machine, automatic filming machine, CNC machine and automatic photoresist laminator in this centre. The Shenzhen Production Plant is also equipped with important testing equipment like BM-7+ luminance colorimeter, CA2500 2D color analyzer, 2.5D projector, X-ray fluorescence spectrometer (RoHS test equipment) and high-low temperature shock test chamber.

The Yichang Production Plant has an area of approximately 2,574 square metres and is solely for the production of LED lighting products. For the purpose of production, there are compressor, pneumatic cutting machine and ultrasonic welding machine in this centre. The Yichang Production Plant is also equipped with insulation testers and earth resistance testers for testing purpose.

The following table sets out a brief summary of our Group's production facilities as of 30 June 2014:

Location	Number of production lines	Description and gross floor area as of 30 June 2014
Sanxu Village and Meihua Village, Luoyang Town, Boluo County, Huizhou, Guangzhou Province, the PRC	21	The industrial buildings comprises mainly a 6-storey industrial building, a 9-storey industrial building and two 6-storey dormitories and have a total gross floor area of approximately 96,890 sq.m.
Sanwei Industrial Zone, Xixiang Town, Bao'an District, Shenzhen, Guangdong Province, the PRC	48	The property comprises industrial area regarding levels 1 to 3 of Block A, level 2 of Block B, levels 1 to 4 of Block C, levels 1 to 2 of Block D, a whole block of industrial building and various dormitories with a total gross floor area of approximately 26,190 sq.m.

Location	Number of production lines	Description and gross floor area as of 30 June 2014
Phase II, Sanxia Yimin Jiuye Base, Yiling Economic Development Zone, Yichang, Hubei Province, the PRC	2	The property comprises a 3-storey workshop with a total gross floor area of approximately 2,574 sq.m.

The tables below set forth our estimated production capacity, actual production volume and utilization rate of our production lines during the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014:

Breakdown of estimated production capacity for our LED backlight products by production plant for the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014:

	Estimated production capacity$^{(1)}$ for the			
	Year ended 31 December			Six months ended 30 June
LED backlight products	**2011**	**2012**	**2013**	**2014**
	('000 pieces)	*('000 pieces)*	*('000 pieces)*	*('000 pieces)*
Shenzhen Production Plant				
Small	86,454	81,801	99,050	50,865
Medium	4,900	3,471	3,341	1,670
Total:	91,354	85,272	102,391	52,535
Huizhou Production Plant				
Small	59,475	49,406	29,342	25,327
Medium	392	392	313	470
Large	2,088	2,088	2,392	1,304
Total:	61,955	51,886	32,047	27,101

Note:

(1) The estimated production capacity is calculated for illustration purpose only, based on 348 working days per year and 10 working hours per day.

Breakdown of estimated production capacity, actual production volume and utilization rate of our production lines for our LED backlight products during the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014:

LED backlight products	Estimated production capacity				Actual production volume				Average utilization rate(1)(2)			
	For the year ended 31 December			For the six months ended 30 June	For the year ended 31 December			For the six months ended 30 June	For the year ended 31 December			For the six months ended 30 June
	2011	2012	2013	2014	2011	2012	2013	2014	2011	2012	2013	2014
	('000 pieces)	*('000 pieces)*	*('000 pieces)*	*('000 pieces)*	*('000 pieces)*	*('000 pieces)*	*('000 pieces)*	*('000 pieces)*				
Small	145,929	131,206	128,392	76,192	112,214	104,577	111,598	70,327	77%	80%	87%	92%
Medium	5,291	3,863	3,654	2,140	910	796	1,490	1,253	17%	21%	41%	59%
Large	2,088	2,088	2,392	1,304	639	1,019	1,526	879	31%	49%	64%	67%
	153,308	137,157	134,438	79,636	113,763	106,392	114,614	72,459	74%	78%	85%	91%

Notes:

(1) The average utilization rate is calculated by dividing the total production volume of a year by the estimated production capacity of the year.

(2) The average utilization rate for the years 2011, 2012, 2013 is calculated by dividing the total production volume of a year by the estimated production capacity of the year. The average utilization rate for the six months ended 30 June 2014 is calculated by dividing the total production value of the period by the estimated production capacity of a half year, based on 174 working days.

Breakdown of estimated production capacity for our LED lighting products by production plants for the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014:

LED lighting products	**Estimated production capacity(1)**			
	Year ended 31 December			**Six months ended 30 June**
	2011	**2012**	**2013**	**2014**
	('000 pieces)	*('000 pieces)*	*('000 pieces)*	*('000 pieces)*
Huizhou Production Plant				
Indoor lighting	118	230	254	169
Outdoor lighting	78	97	170	93
Total:	196	327	424	262

	Estimated production capacity(1)			
	Year ended 31 December			Six months ended 30 June
LED lighting products	**2011**	**2012**	**2013**	**2014**
	('000 pieces)	*('000 pieces)*	*('000 pieces)*	*('000 pieces)*
Yichang Production Plant				
Indoor lighting	70	63	35	17
Outdoor lighting	28	25	14	7
Total:	98	88	49	24

Note:

(1) The estimated production capacity is calculated for illustration purpose only, based on 348 working days per year and 10 working hours per day.

Breakdown of estimated production capacity, actual production volume and utilization rate of our production lines for our LED lighting products during the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014:

	Estimated production capacity				Actual production volume				Average utilization rate (%)(1)(2)			
	For the year ended 31 December			For the six months ended 30 June	For the year ended 31 December			For the six months ended 30 June	For the year ended 31 December			For the six months ended 30 June
LED lighting products	2011	2012	2013	2014	2011	2012	2013	2014	2011	2012	2013	2014
	('000 pieces)	*('000 pieces)*	*('000 pieces)*	*('000 pieces)*	*('000 pieces)*	*('000 pieces)*	*('000 pieces)*	*('000 pieces)*				
Indoor lighting	188	292	289	186	36	148	242	126	19%	51%	84%	68%
Outdoor lighting	106	122	184	100	13	9	33	11	12%	7%	18%	11%
	294	414	473	286	49	157	275	137	17%	38%	58%	48%

Notes:

(1) The average utilization rate is calculated by dividing the total production volume of a year by the estimated production capacity of the year.

(2) The average utilization rate for the years 2011, 2012, 2013 is calculated by dividing the total production volume of a year by the estimated production capacity of the year. The average utilization rate for the six months ended 30 June 2014 is calculated by dividing the total production value of the period by the estimated production capacity of a half year, based on 174 working days.

The average utilization rate of our production lines is affected by a number of factors such as the number of orders received from our customers, the types of products manufactured and our production schedule.

In respect of our LED backlight products, the primary factor resulting in the decrease of our production capacity during the years from 2011 to 2013 was the phasing out of certain obsolete production equipment for LED backlight products of size below 3.5 inches. This also formed the primarily reason for the increase in our LED backlight average utilization rate from the years 2011 to 2012. In the year 2013, our average utilization rate increased primarily due to an increase in total production volume for our Small LED backlight products and Large LED backlight products to meet the sales growth.

In respect of our LED lighting products, the increase in our production capacity from the years 2011 to 2013 was primarily due to the increase in the number of production lines coupled with the increase in manpower in our Huizhou Production Plant. The increase in the average utilization rate during the same period was primarily attributable to the increase in number of orders we received from local governments for lighting improvement and energy saving projects, as well as from Guangzhou Waichi for our lighting products to be used as supermarket lightings.

The replacement cycle of our production machinery ranges from five to 10 years which is roughly the same as their estimated service life. Given that the production technology for LED backlight and LED lighting products has not undergone any radical change, our production machinery can be fine-tuned to cope with our customers' specific requirements during the life span of their service life. However, in case there is any significant change in production technology or emergence of any new innovative methods in production, we will have to review the capability and efficiency of our production machinery to determine whether we need to purchase new and more advanced machinery to replace our existing machinery.

QUALITY CONTROL

We believe that our commitment to quality which has been consistently reflected in our production processes and our products is one of our competitive strengths. As at the Latest Practicable Date, we had not received any material claim or complaint about the quality of our products.

As of 30 June 2014, we had 225 quality control personnel, of whom 92 are located in Shenzhen, 131 are located in Huizhou and 2 are located in Yichang. Our quality control department is designed to maintain and operate our quality control system. The quality control department works with our customers closely to set targets, policies and plans for quality management in order to comply with our customers' quality assurance model and the requirements specified by each customer. The rate of return of defective products by our customers is consistently below maximum tolerance levels specified in their contracts. Our objective is to achieve as low a defective rate as possible by imposing the following quality control standards.

Our Group has adopted quality control policies and imposes quality control procedures on the selection and testing of raw materials, work-in-progress, and the finished goods throughout the production process to ensure the quality of our products adheres to customers' specifications. We also adopted the Advanced Product Quality Planning ("APQP"), Production Part Approval Process ("PPAP"), Statistical Process Control ("SPC"), Measurement System Analysis ("MSA"), Failure Mode Effect Analysis ("FMEA"), Six Sigma ("6Sigma") and Lean Production to monitor the quality of our products. We have obtained ISO 9001:2008 and ISO 14001:2004 for our efforts in quality management system.

Our Group's major quality control procedures are as follows:

(1) Incoming Quality Control (IQC)

Based on the part drawings, bills of materials, parts samples and the incoming quality control standards, IQC tests the appearance, dimensions, functions, performance, level of hazardous substances, packaging and the submitted quality information of the incoming raw materials from the suppliers on a sampling basis. IQC also uses (i) the environmental XRF spectrometer to test and confirm whether the level of hazardous substances in incoming raw materials is within the acceptable range; (ii) the X-Ray machine to test the thickness of the PCB and FPC coating; (iii) the 2.5D measuring instrument to measure the dimensions of the raw materials; (iv) the slice tester to test the thickness of copper in hole in PCB and FPC; and (v) the tensile tester to test the tension and adhesion of the membranes and double-sided adhesive. Sub-standard or defective raw materials will be repaired, selectively used or returned to the suppliers, depending on the level of defectiveness and the amounts. To effectively monitor the quality and environmental friendliness of our raw materials, we perform monthly evaluations on and continuously hold meetings with our suppliers.

(2) Process Quality Check

To ensure the quality of our production process and to fulfill our customers' requirements on quality control, we place IPQC, QC and QA officials between each production vehicle for monitoring the quality of the production process. Our manufacturing department performs tests on the specification, materials, quality and environmental friendliness of the raw materials in the production process line before mass production of the products. Our manufacturing department also produces product samples for our officials in the quality control department for inspection and determination on the suitability of mass production. During the mass production process, the IPQC periodically inspects and supervises our staffs, manufacturing facilities, raw materials, production methods, environmental friendliness and test methods at the production sites. Any problems identified would be directed to the manufacturing department for ratification. Once any abnormalities on the quality of products arise, our quality control department produces a corrective action table for the engineering department to diagnose and ratify the abnormalities before the deadlines, such that our raw materials, work-in-progress and finished goods meet the required standards and customers' specifications. If the defective rate exceeds the internal standard, the manager of our quality control department may halt the production process until any improvements made is up-to-standard.

(3) Final Quality Control

Our quality control department inspects, tests and produces products shipment reports on the appearances, specifications, dimensions, functions, performances, level of hazardous substances, packaging and labeling of all the final backlight products in accordance with the quality control guidelines for backlight products. This is to ensure that the finished goods comply with all the customers' specifications and quality control regulations. If the inspection lot is found to be defective, the manager of our quality control department may halt the production process until any improvements made is up-to-standard. The defective products are dealt with in accordance with the Non-conformities Control Procedure and the Product Quality Level Regulation Products. The re-worked products or re-furnished products are stored in the warehouse.

(4) Final Appraisal

Our quality control department periodically performs reliability tests to our products to ensure that they comply with our customers' standard on reliability. Our quality control department also conducts inspections on the models, packaging, labels, shipping information and the number of products to ensure compliance with our customers' shipping orders.

Product Warranty

We provide product warranties to our customers for our LED lighting products. As our LED backlight products are used by our customers immediately upon delivery as components for production of final products adopting LED technology, we do not provide any warranty for our LED backlight products. We typically provide a warranty period of one to five years for our LED lighting products commencing from date of the delivery of the products to our customers. If a problem with our LED lighting products arises during the warranty period, we either replace or repair the defective parts, or reimburse our customers the repair costs incurred. Our customers would only be responsible for the transportation fees. The warranties we provide to our customers are covered by similar warranties given to us by our suppliers under the production material procurement framework agreements. In the event that a claim under a warranty comes to light, we may recoup any losses incurred by us from our suppliers pursuant to the suppliers' warranties granted to us. Following the expiration of the warranty, we continue to be responsible for the maintenance of our LED lighting products but would collect costs of spare part/materials, transportation fees as well as dismantling and installation fees. During the Track Record Period, we did not make any provision for the warranties given to our customers.

Product Returns

We offer product returns for our LED backlight products under certain conditions. Our customers may return our LED backlight products if the products do not conform to the customers' specifications, are not of merchantable quality, are delivered earlier than contracted, or the defective rates exceeded the agreed rates. If products are returned to us due to quality issues, we may have to indemnify our customers the costs of inspection, repair, storage and transportation incurred, and any subsequent loss of business. During the Track Record Period, we have not issued any product recalls due to defects during the Track Record Period.

Product Liability

We do not carry product liability insurance for operations with respect to our Group companies. During the Track Record Period, no material defects have been found in products manufactured and sold by our Group.

CUSTOMERS

For the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, our Group's total revenue amounted to approximately HK$747.0 million, HK$753.7 million, HK$849.0 million and HK$571.9 million respectively. During the Track Record Period, the PRC was the largest market of our Group, accounting for approximately 77.2%, 80.8%, 83.3% and 85.2% of our Group's turnover for the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014. Our Group's customers are mainly located in Hong Kong and the PRC. In aggregate, they represented approximately 96.4%, 95.4%, 96.9% and 99.5% of our Group's total turnover for the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014. During the Track Record Period, our Group also received purchase orders from various regions, including South Korea, Malaysia, Germany, England and Japan. According to the Company, there were 296 active customers in 2012 as these customers had conducted business transactions with the Group during that year. As at 31 December 2013, there were 310 active customers in the sense that such customers had conducted business transactions with us in 2013 and as at 30 June 2014, there were 242 active customers.

Our customers include smartphones, automobile displays, equipment displays and television manufacturers, who apply our Group's LED backlight products to their respective products. Our LED backlight customers are principally reputable brands including Biyadi, Varitronix, Truly, Tianma, Shenzhen Lead and Wuxi Booyi, who buy and use our LED backlight products in their own products and sell them to their respective clients under their own brand. Our LED lighting products are mainly being used in supermarkets like CP Lotus, and by local governments in their lighting improvement and energy saving projects.

We typically enter into framework sale and purchase agreements with our major customers. These framework agreements generally contain the following terms that are legally binding:

(i) *Term:* the framework agreements are generally for a term of one to three years;

(ii) *Priority in purchase:* in relation to projects and medium to high-end LED backlight products, the customers will preferentially purchase from our Group if the terms offered by us are similar to those of the other competitors;

(iii) *Order forecasting:* our customers should duly provide us with periodic forecasts on the intending order volumes;

(iv) *Quality assurance:* the quality and product standards must comply with the specifications required by our customers; and

(v) *Intellectual property:* any intellectual property right we created during our production and research and development processes belong to us. We are also required to indemnify any losses suffered by our customers in the event that the products supplied by us breached the intellectual property rights of any third parties unless the customers provided the infringing intellectual property in question.

These customers may invoke additional requirements on subsequent purchase orders to meet their needs. There is no minimum purchase commitment under these framework agreements between our Company and its major customers. For the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, the sales to the major customers who have signed framework agreements with us amounted to approximately HK$459.9 million, HK$423.4 million, HK$308.7 million and HK$304.4 million, representing approximately 61.6%, 56.2%, 34.5% and 53.2% of the total turnover of our Group respectively.

In addition, to strengthen the presence and penetration of our LED lighting products in the supermarket lighting market in the PRC, we entered into a cooperative sales agreement (the "Cooperative Sales Agreement") on 24 April 2012 with Guangzhou Waichi, who is an Independent Third Party. The directors of Guangzhou Waichi are acquaintances of Mr. Yiu and conduct business in LED backlight and LED lighting products with Mr. Yiu from 2000 onwards. They subsequently established Guangzhou Waichi in 2012 to concentrate on placing orders for and purchasing LED commercial lighting products from our Group. The Cooperative Sales Agreement contains the following material terms:

(i) *Term of agreement:* since we anticipate the development and penetration of the supermarket LED lighting market would take a considerable amount of time, we decided to enter into a long term contract with Guangzhou Waichi. Accordingly, the Cooperative Sales Agreement is valid until 1 May 2022 and is automatically renewable for another 3 years unless we terminate it by advance notice;

(ii) *Supplier-customer relationship:* Guangzhou Waichi is a customer of our Group who buys the LED lighting products exclusively from us in which we have manufactured in accordance with their specifications and requirements;

(iii) *Usage of products supplied:* Guangzhou Waichi will sell the LED lighting products to its customers who are the end users of our LED lighting products, namely hypermarkets, supermarkets and shopping malls in the PRC;

(iv) *Pricing policy:* we are required to fix the price of our LED lighting products at a competitive price and the quotation we provide to Guangzhou Waichi for our LED lighting products must not be higher than those we provide to other customers;

(v) *Product Warranty:* we provide product warranties to Guangzhou Waichi for the LED lighting products supplied. For details of the product warranty policy, please refer to the section headed "Business – Product Warranty" of this Prospectus;

(vi) *Use of trademark:* we have granted Guangzhou Waichi the right to use our trademarks for sales and marketing purposes;

(vii) *Promotion of products supplied:* Guangzhou Waichi should use its best endeavor to promote our LED lighting products and enhance our reputation in the supermarket lighting market in the PRC;

(viii) *Communications:* Guangzhou Waichi should duly furnish our Group with market information and comments from the end users in relation to the LED lighting products supplied by us; and

(ix) *Settlement:* we will issue the corresponding VAT invoice to Guangzhou Waichi within 30 days of delivery of our products to Guangzhou Waichi, and then Guangzhou Waichi is required to settle the outstanding purchase price within the next 15 days.

Reasons for the long term arrangement with Guangzhou Waichi under Cooperative Sales Agreement

Since Guangzhou Waichi is obliged under the Cooperative Sales Agreement to use its best endeavor to promote our LED lighting products and enhance our brand and reputation in the PRC supermarket lighting market, our Group has granted Guangzhou Waichi the right to use our Group's trademarks for sales and marketing purposes at nil consideration, which include the right to use the word "Waichi" in its company name, although our Group has intellectual property rights over "Waichi".

Further, under the Cooperative Sales Agreement, Guangzhou Waichi is not allowed to use the Group's trademark in the promotion of products unless as in accordance with the terms of the Cooperative Sales Agreement and shall unconditionally collaborate with the Group's legal action for claim in case any third party has acted in violation of the intellectual property rights of the Group.

Guangzhou Waichi is prepared to undertake to the Group to protect and assist the Group in protecting the Group's intellectual property rights and to indemnify the Group in case of any violation of the Group's intellectual property rights in respect of Guangzhou Waichi's use of the same in accordance with the terms of the Cooperative Sales Agreement.

In light of the above, our Directors are of the opinion that such long term arrangement with Guangzhou Waichi is a justifiable commercial decision in the present circumstances, especially given the fact that (i) no financial support for the business of Guangzhou Waichi is provided by our Group; (ii) we are the sole supplier to Guangzhou Waichi and Guangzhou Waichi is not entitled to source LED lighting products from other suppliers; and (iii) the development and penetration of the PRC supermarket LED lighting market would take a considerable amount of time. Furthermore, since our Group has not sold and does not intend to sell LED lighting products to the hypermarkets, supermarkets and shopping malls in the PRC in the future, other than through Guangzhou Waichi, there is no direct competition between our Group and Guangzhou Waichi.

Reasons for the Group to grant Guangzhou Waichi the right to use the Group's trademarks including the use of the name "Waichi"

Since Guangzhou Waichi is obliged under the Cooperative Sales Agreement to use its best endeavor to promote the Group's LED lighting products and enhance the Group's brand and reputation in the PRC supermarket lighting market, the Group has granted Guangzhou Waichi the right to use the Group's trademarks for sales and marketing purposes, which include the right to use the word "Waichi" in its company name, although the Group has intellectual property rights over "Waichi". The Directors are of the opinion that the granting of the right to use our trademarks to Guangzhou Waichi is a justifiable commercial decision in the present circumstances, since the sale by Guangzhou Waichi of the Group's LED lighting products bearing the word "Waichi" helps the Group to promote its brand name and reinforce the branding effect of the Group's name and products in the long run, particularly in the PRC supermarket sector.

The Company has designated Mr. C. P. Chen to monitor the use of trademarks by Guangzhou Waichi. Mr. C. P. Chen will keep close liaison and make enquiry with Guangzhou Waichi from time to time regarding the use of the Group's trademarks by Guangzhou Waichi. He will meet with Guangzhou Waichi on a monthly basis to review and exchange views on Guangzhou Waichi's use of the Group's trademarks and to ascertain if there may be or is any violation of the Group's trademarks by Guangzhou Waichi or any third party.

We begin manufacturing the LED lighting products upon the receipt of purchase orders placed by Guangzhou Waichi and the finished goods will be delivered to Guangzhou Waichi according to the terms of the purchase orders which are similar to other customers of our Group. Pending the delivery of the finished goods to Guangzhou Waichi, the inventory of such finished goods may be stocked up for Guangzhou Waichi up to one month. There is minimal return of goods by Guangzhou Waichi to the Group in the years of 2012 and 2013 and the six months ended 30 June 2014. For the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, the sales to Guangzhou Waichi amounted to approximately nil, HK$1.2 million, HK$18.8 million and HK$7.2 million, representing approximately 0.0%, 0.2%, 2.1% and 1.3% of the total turnover of our Group respectively. We believe that through such strategic cooperation with Guangzhou Waichi, our Group may gain a better understanding of the end users' requirements and work to enhance our products in the LED lighting industry and our penetration in the supermarket LED lighting market.

Additional information on the corporation history between the Company/Mr. Yiu and Guangzhou Waichi

Non-involvement of Mr. Yiu in Guangzhou Waichi's business commencement and operation

First of all, Mr. Yiu has confirmed that he does not have any involvement in Guangzhou Waichi, except the supplier and customer relationship. Mr. Yiu was not involved in the incorporation of Guangzhou Waichi. Except for the consideration paid for the acquisition of 40% equity interest in Guangzhou Waichi (which has been wholly returned) mentioned below, Mr. Yiu or the Group did not provide any start-up capital to Guangzhou Waichi for its commencement of business or any funding for Guangzhou Waichi's continuous operation thereafter. Mr. Yiu does not own any equity interest in Guangzhou Waichi and is not involved nor participate in any way in the management of Guangzhou Waichi. Mr. Yiu has also confirmed that none of the shareholders of Guangzhou Waichi is his relative. Further, Mr. Yiu has not made any undertaking, pledge, charge or guarantee nor provided any security in favour of Guangzhou Waichi to enable Guangzhou Waichi to obtain any loan financing.

History of relationship with Mr. A/Guangzhou Waichi

In the year 1992, Mr. Yiu established Zhongtai Xianghe Trading (Shenzhen) Limited* (眾泰祥和貿易(深圳)有限公司) (formerly known as 偉志電子(深圳)有限公司 (Wai Chi Electronics (Shenzhen) Company Limited)) ("Zhongtai"), which is not a company of our Group, to manufacture LED backlight and LED lighting products. Since then, Mr. Yiu had been looking for business opportunities to expand the LED backlight and LED lighting business opportunities in various cities in the PRC. In 2000, Mr. Yiu was informed by his friend that there might be business opportunities in Qingdao. During the Qingdao trip, Mr. Yiu was introduced by his friend to Mr. A, an Independent Third Party, who was then a merchant trading in electrical goods such as electric condenser, resistor and socket. Mr. A introduced business to Mr. Yiu. Zhongtai then started supplying LED backlight and LED lighting products to customers in Qingdao. Zhongtai did not sell LED backlight and LED lighting products during the Track Record Period and its business operation had ceased on 22 September 2012.

As the LED backlight and LED lighting markets saw considerable growth in the PRC, the Company launched series of LED lighting products in 2008 and commenced mass production of LED lighting products at the Huizhou Production Plant in 2011. In 2012, Mr. A and Mr. B, Mr. A's business partner, an Independent Third Party, who was familiar with the supermarket lighting industry in Shenzhen approached Mr. Yiu about the development of the LED lighting business in supermarkets. After some arm's length negotiations with Mr. Yiu, Mr. A and Mr. B established Guangzhou Waichi on 21 March 2012 with the view of entering into the Cooperative Sales Agreement with Shenzhen Wai Chi and be authorised to use the word 'Waichi' in its Company name to develop the LED business to provide LED lighting products used in supermarkets in the PRC and Shenzhen Wai Chi supplied Guangzhou Waichi with custom-made LED lighting products. Subsequently, Shenzhen Wai Chi and Guangzhou Waichi entered into a Cooperative Sales Agreement. As the details of the Cooperative Sales Agreement were not finalised and agreed upon between the two parties on the date of establishment of Guangzhou Waichi (i.e. 21 March 2012), the Cooperative Sales Agreement was delayed and was eventually entered into by the two parties on 24 April 2012.

Having carried on business with Guangzhou Waichi for a few months, Mr. Yiu was in discussion with Mr. A and Mr. B in relation to a business plan to sell LED lighting products in supermarkets and through internet. Mr. Yiu, having regard to the potential growth of LED lighting business in the supermarket sector, initially considered it might be beneficial for Shenzhen Wai Chi to acquire certain equity interest in Guangzhou Waichi so as to capitalise on the marketing and sales capability and network of Guangzhou Waichi in the supermarket sector.

On 23 September 2012 and 26 October 2012, Mr. A and Shenzhen Wai Chi entered into an equity interest transfer agreement and supplemental agreement (the "Supplemental Agreement") respectively, whereby Mr. A agreed to sell and Shenzhen Wai Chi agreed to purchase 40% equity interest (the "Relevant Equity Interest") in Guangzhou Waichi for a consideration of RMB2 million, provided that, among other things, Shenzhen Wai Chi was entitled, within 6 months from the date on which the Supplemental Agreement took effect, to appoint a third party to conduct due diligence review on the financial conditions, the sales strategies and current position, and prospects of Guangzhou Waichi, including but not limited to the financial report for the period ended September 2012 and the profit forecast for a period of 24 months after September 2012.

According to the Supplemental Agreement, Shenzhen Wai Chi would first act as the nominee shareholder of Mr. A to hold the Relevant Equity Interest for him and on his behalf, and Shenzhen Wai Chi paid a consideration of RMB2 million. Then, Shenzhen Wai Chi could decide to become the beneficial owner of the Relevant Equity Interest subject to Shenzhen Wai Chi's satisfaction with the due diligence review conducted by a third party.

Shenzhen Wai Chi appointed an independent certified public accounting firm (the "CPA Firm") to conduct the due diligence review which covered, among other things, a feasibility study of the proposed acquisition of equity interest in Guangzhou Waichi. The findings of the due diligence review contained in the due diligence report of the CPA Firm dated 25 November 2012 showed that the financial position and the financial forecast of Guangzhou Waichi did not meet the expectations of Shenzhen Wai Chi. The due diligence report pointed out the fact that more capital contribution would be required for further development of the LED lighting business. Having considered the due diligence report of the CPA Firm, the directors of Shenzhen Wai Chi were of the view that the additional capital contribution to be provided by our Group would lengthen the period of time required to recover the investment in Guangzhou Waichi. Hence, Shenzhen Wai Chi decided that it would be in the best interest of Shenzhen Wai Chi to not complete the acquisition in accordance with the terms of the Supplemental Agreement but to maintain a supplier and customer relationship with Guangzhou Waichi. The transfer of the Relevant Equity Interest to Shenzhen Wai Chi was not effected and Shenzhen Wai Chi ceased to hold the Relevant Equity Interest for and on behalf of Mr. A. All the arrangements under the equity interest transfer agreement and Supplemental Agreement had been unwound, and the consideration of RMB2 million was returned to Shenzhen Wai Chi.

Independence of Mr. Yiu from Guangzhou Waichi's shareholders

Since Guangzhou Waichi's incorporation, Guangzhou Waichi has been the customer of Shenzhen Wai Chi up to this date. Apart from Guangzhou Waichi's business relationship with our Group, none of Mr. A's business partner and the directors of Guangzhou Waichi conducted any business or had any business relationship with our Group. Other than holding the Relevant Equity Interest for and on behalf of Mr. A during the due diligence review, our Group, as well as Mr. Yiu, did not own any equity interest in Guangzhou Waichi. In March 2014, Mr. B transferred his entire equity interest in Guangzhou Waichi to Ms. C, who is an Independent Third Party. Mr. A and Ms. C, the existing shareholders, and Mr. B, the former shareholder, of Guangzhou Waichi, have confirmed that they are not connected persons of Mr. Yiu. In light of the above, our Company is of the view that Mr. Yiu is not connected to and is independent of the shareholders of Guangzhou Waichi.

Our customers mainly settle payments in RMB, HK$ or US$. We generally require our new customers to settle payments by way of cash on delivery or telegraphic transfer payment in advance. For our major customers, we generally grant an average credit period of 30 to 180 days and they can settle the payments by way of banker's acceptance bill, cash, draft and telegraphic transfer.

To achieve the delivery deadlines set by our customers, we established an inter-departmental delivery team to coordinate and monitor the delivery progress of different departments. Furthermore, our Group would increase our production capacity to ensure that we can meet the urgent needs of our key customers.

Our major customers include Biyadi, Varitronix, Truly, Tianma, Shenzhen Lead and Wuxi Booyi. For the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, the sales to our Group's largest customer amounted to approximately HK$265.0 million, HK$195.3 million, HK$180.5 million and HK$118.7 million, representing approximately 35.5%, 25.9%, 20.2% and 20.8% of the total turnover of our Group respectively. For the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, the sales to our Group's top five largest customers amounted to approximately HK$540.2 million, HK$470.6 million, HK$436.6 million and HK$310.3

million, representing approximately 72.3%, 62.4%, 48.8% and 54.3% of the total turnover of our Group respectively. None of our Directors, their respective close associates or our Company's existing shareholders, who will be interested in more than 5% of our Company's issued share capital immediately following the completion of the Placing and the Capitalisation Issue, has any interest in any of our Group's five largest customers for each of the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014.

Our Group has established long term relationships with our top five customers, ranging from five to 16 years, and become a consistent supplier to them. To the best knowledge and belief of our Directors, our top five customers are principally manufacturers of electronic products in the PRC who apply our LED backlight products in their LCD monitors and display panels. For the years ended 31 December 2011, 2012, 2013 and the six months ended 30 June 2014, our Group's top five customers applied our Group's small LED backlight products mainly in mobile phones, automobile and equipment displays. One of our top five customers, Tianma, is a listed company in Shenzhen and Biyadi, another top five customer, is dually listed in both Hong Kong and Shenzhen. The parent companies of another two of our top five customers, namely Truly and Varitronix, are listed companies in Hong Kong. Our Directors believe that such close relationships helps to preserve the loyalty of our customers and reinforce commitment from our customers to place further orders with our Group.

CREDIT POLICY AND CREDIT MANAGEMENT

A great portion of our Group's sales are made on an open account basis. Our sales department and finance department are responsible for determining the credit terms of our customers. The settlement and credit terms granted to our customers are determined with reference to, among other things, (i) financial position, (ii) credit history, (iii) length of business relationship, and (iv) market share and prospect of our customers.

During the Track Record Period, we generally grant an average credit period of 30 to 180 days to our major customers. They are required to settle the payments by way of bank's acceptance bill, cash, draft and telegraphic transfer. Our Group's trade receivables for the three years ended 31 December 2011, 2012, 2013 and the six months ended 30 June 2014 were approximately HK$242.9 million, HK$256.4 million, HK$393.2 million and HK$481.3 million respectively. In addition, our Group's bills receivables for the three years ended 31 December 2011, 2012, 2013 and the six months ended 30 June 2014 were approximately HK$141.2 million, HK$131.3 million, HK$54.8 million and HK$97.1 million respectively.

As a matter of policy, we do not grant any credit term to our new customers. We generally require our new customers to settle payments by way of cash on delivery or telegraphic transfer payment in advance. We only deliver the products after they have paid the whole balance. Be that as it may, we still adopt a policy of "know your customer" and require our sales and marketing personnel to conduct a series of market researches and credit reviews before commencing business with potential customers.

Our sales and finance personnel are responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. One of the control measures that our Group has generally adopted is that if customers have overdue payments for more than 60 days, delivery of finished products for orders on hand will temporarily be halted until confirmation of settlement has been received from respective customers. Additionally, as a general guideline, our Group will terminate the business relationship with and file lawsuit against the customer if it has overdue payments for more than 6 months. Our Group also performs ongoing credit evaluations of our customers on a quarterly basis and adjusts credit limits based on the customer's payment history and current credit worthiness. In addition, our Group reviews the recoverable amount of each individual trade debt annually to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, our Directors consider that our Group's credit risk is significantly reduced.

During the Track Record Period, our Group has individually assessed all receivables and provided in full for all receivables that are considered not recoverable. In determining the recoverability of a trade receivable, our Group considers annually any change in credit quality of the trade receivable since the date credit was initially granted, taking into account factors such as our customers' financial position and credit history. For the three years ended 31 December 2011, 2012, 2013 and the six months ended 30 June 2014, our Group had made impairment loss on trade receivables of approximately HK$2.2 million, HK$2.2 million, HK$9.4 million and HK$8.1 million respectively.

The following table is an aged analysis of trade receivables net of impairment presented based on the invoice date during the Track Record Period:

	As of 31 December			**As of 30 June**
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 to 90 days	229,847	230,403	330,337	441,274
91-180 days	7,407	8,037	22,919	30,751
181-365 days	1,996	13,903	11,936	841
Over 365 days	1,410	1,818	18,583	285
	240,660	254,161	383,775	473,151

SUPPLIERS

The production materials purchased by our Group mainly comprised LED lights, film materials, PCB and plastic. In order to maintain the quality and stability of the production materials procured, our Group has developed a number of long-term relationships with our top five suppliers ranging from two to six years.

During the Track Record Period, our Group intends to source production materials from various suppliers which can meet the standards of our Group so as to reduce our reliance on any single supplier. During the Track Record Period, our major suppliers are located in the PRC and Hong Kong. We generally enter into framework sale and purchase agreements with our major suppliers which contain guidelines for purchases. The framework agreements generally contain the following principal terms that are legally binding:

(i) *Quality assurance:* the quality and product standards must comply with our specifications and product drawings;

(ii) *Delivery:* the supplier must deliver the production materials within the agreed delivery period, and they bear the risk of any loss during transportation to our warehouse;

(iii) *Warranty:* after we have sold our products to our customers, in case an issue concerning the quality of our products arises, we may recoup any losses suffered by our Group from the supplier; and

(iv) *Intellectual property:* the supplier would indemnify any losses suffered by our Group in the event the production materials provided by the supplier breached the intellectual property rights of any third parties.

For the three years ended 31 December 2011, 2012, 2013 and the six months ended 30 June 2014, purchase from these suppliers with whom our Group has entered into framework agreements amounted to approximately HK$102.3 million, HK$186.1 million, HK$175.2 million and HK$112.8 million respectively, representing approximately 17.6%, 32.3%, 26.2% and 26.2% of our Group's total purchases for the same period.

During the Track Record Period, our Group had not encountered any substantial difficulties in the procurement of production materials from our suppliers and there had been no material legal dispute between our Group and our suppliers. Our Directors do not foresee that our Group will encounter any difficulty in the sourcing of production materials in the future.

Our Group has implemented procedures in selecting and monitoring our suppliers so as to ensure the quality and lead time of production materials procured. When choosing a new supplier, apart from the quality of the sample production materials supplied by the new supplier, we also take into account the commercial viability of the terms of supply such as the cost of purchase and the principle of proximity. Our Group also conducts physical examination on the factories of the new suppliers before orders are placed. In addition, to ensure the production materials and services provided by the suppliers comply with our standards and the relevant laws and regulations, and the delivery of production materials on time, we require the suppliers to undergo our monthly assessments. We examine our suppliers on four aspects: the quality of the materials supplied, the cost of purchase, the delivery lead time and the services provided. We will then allocate the purchase shares in accordance with the rating on the suppliers' performances.

The payments made to our PRC suppliers are primarily in RMB and the payments made by our Group to the other suppliers are primarily in RMB, HK$ or US$. Our Group settles our purchases with our suppliers by way of banker's acceptance bill, cheque, letter of credit and online remittance with generally 30 to 90 days credit terms.

For the three years ended 31 December 2011, 2012, 2013 and the six months ended 30 June 2014, our Group's largest supplier of production materials accounted for approximately 10.0%, 16.1%, 12.1% and 14.0% of our Group's total cost of sales and our Group's five largest suppliers accounted for approximately 25.2%, 31.3%, 30.8% and 32.0% of our Group's total cost of sales respectively.

During the Track Record Period, aside from Wai Chi Electronics Limited, which the transactions between our Group and Wai Chi Electronics Limited had been discontinued since 2011, our Group's five largest suppliers are all Independent Third Parties. None of our Directors or any of their respective close associates or any Shareholder (who or which owns more than 5% of the issued share capital of the Company immediately following completion of the Placing and the Capitalisation Issue) has any interest in our Group's five largest suppliers, other than Wai Chi Electronics Limited, during the Track Record Period.

PRODUCTION MATERIALS

The production materials purchased by our Group mainly comprised brightness enhancement film, LED lights and double-sided adhesive tape. The cost of production materials is the major component for our total cost of sales. For the three years ended 31 December 2011, 2012, 2013 and the six months ended 30 June 2014, the cost of materials used accounted for approximately 71.8%, 74.3%, 73.5% and 73.5% of our Group's cost of sales respectively.

The table below sets forth the historical price range of the costs of our major materials used during the Track Record Period:

	For the year ended 31 December			For the six months ended 30 June
	2011	**2012**	**2013**	**2014**
	HK$	*HK$*	*HK$*	*HK$*
Brightness enhancement film *(note 1)*	483.88/m^2 – 719.74/m^2	489.79/m^2 – 742.61/m^2	469.82/m^2 – 758.23/m^2	483.60/m^2 – 705.73/m^2
LED light *(note 2)*	0.50/unit – 0.71/unit	0.25/unit – 0.92/unit	0.23/unit – 0.35/unit	0.24/unit – 0.38/unit
Double-sided adhesive tape *(note 3)*	56.75/m^2 – 67.96/m^2	56.76/m^2 – 69.15/m^2	56.28/m^2 – 69.58/m^2	54.89/m^2 – 59.00/m^2

Notes:

1. The price ranges of brightness enhancement film were selected based on the prism angle specification of 7 degree.

2. The price ranges of LED light were selected based on the millicandela ("mcd") specification of our LED light used which fall within the defined mcd range. The defined mcd range for years 2011, 2012 and 2013 and the six months ended 30 June 2014 were 2450 mcd to 2550 mcd, 2450 mcd to 2550 mcd, 3050 mcd to 3150 mcd and 3050 mcd to 3150 mcd respectively.

3. The price ranges of double-sided adhesive tape were selected based on thickness specification of 0.06 millimetre.

During the Track Record Period, our Group derived the majority of our revenue from the sale of Small LED backlight products. Hence, our Group's major cost materials were mainly used for the manufacture of Small LED backlight products. Our Group's top three types of materials used were brightness enhancement film, LED light and double-sided adhesive tape. Our Group had identified the historical unit purchase price ranges for brightness enhancement film, LED light and double-sided adhesive tape for the year ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014.

Brightness enhancement film was mainly applied in the production of small and Medium LED backlight products. During the Track Record Period, the unit purchase price range of brightness enhancement film was HK\$483.9/m^2 to HK\$719.7/m^2 in 2011, HK\$489.8/m^2 to HK\$742.6/m^2 in 2012, HK\$469.8/m^2 to HK\$758.2/m^2 in 2013 and HK\$483.6/m^2 to HK\$705.7/m^2 in the six months ended 30 June 2014. The wide unit purchase price range of brightness enhancement film represented the different thickness of the brightness enhancement film. The thickness of the brightness enhancement film will slightly increase in line with the size of brightness enhancement film, which in turn led to increase in unit cost of procurement of thicker brightness enhancement film. The unit purchase price range of brightness enhancement film was stable during the Track Record Period. The slight increase in the upper bound of the unit purchase price range of brightness enhancement film primarily reflected the increase in the size of the Group's Small LED backlight products sold.

LED light was mainly applied in the production of our Group's small and Medium LED backlight products and LED lighting products. During the Track Record Period, the unit purchase price range of LED light was HK$0.5/unit to HK$0.7/unit in 2011, HK$0.3/unit to HK$0.9/unit in 2012, HK$0.2/unit to 0.4/unit in 2013 and HK$0.2/unit to HK$0.4 unit in the six months ended 30 June 2014. The fluctuation of the unit purchase price range of LED light was mainly due to the change of procurement from overseas suppliers to domestic suppliers. In 2012, our Group began to procure LED light for Small LED backlight products and Medium LED backlight products mainly from a domestic supplier who offered lower unit price with similar specifications as compared to overseas suppliers, and therefore, the lower bound unit purchase price of LED light dropped significantly. In 2013, the further decrease in unit purchase price range of LED light was mainly due to the decrease in the unit cost of LED light and bulk discounts from the large purchase volume.

Double-sided adhesive tape was mainly applied in the production of the Group's Small and Medium LED backlight products. During the Track Record Period, the unit purchase price range of double-sided adhesive tape was HK\$56.8/m^2 to 68.0/m^2 in 2011, HK\$56.8/m^2 to 69.2/m^2 in 2012, HK\$56.3/m^2 to 69.6/m^2 in 2013 and HK\$54.9/m^2 to HK\$59.0/m^2 in the six months ended 30 June 2014. The unit purchase price range of double-sided adhesive tape was stable during the Track Record Period. The slight difference in the unit purchase price range of double-sided adhesive tape was mainly due to the difference unit prices in difference procurement volume.

Our Group has implemented cost control procedures to minimise costs expenses such that our Group can set a competitive price for our LED products while maintaining profitability. After receiving quotation on our LED products from our customer, we draw up a production plan with the highest value-money ratio and source the suitable production materials in accordance with it. To lower the costs of purchasing production materials, our purchase department quotes the purchase prices from a number of suppliers. Where the quotations on the production materials given by our suppliers exceed the market price, we negotiate with these suppliers for reduction of the purchase price of production materials. Since the purchase volume by our Group is significant, our Group could secure a more competitive position in bargaining with these suppliers, and hence the costs for purchasing production materials could often be reduced.

Where our suppliers refuse to lower the price of production materials or give a quotation higher than acceptable quotes range, our Group intends to shift the burden of purchase of costs of materials to customers by adjusting the selling prices of our products upwards. Please refer to the paragraph headed "Price Risk" in the section headed "Financial Information" in this prospectus for the sensitivity analysis illustrating the sensitivity of our gross profit and profit before taxation during the Track Record Period.

INVENTORY CONTROL

Our inventory mainly comprises production materials, work in progress and finished goods. Our Group considers that controlling the level of inventory is important for minimising the financial risks. Our Group has set up internal control policies in controlling and monitoring our inventory level. Our Group adopts different inventory policies for our commonly used production materials and non-commonly used production materials. For commonly used production materials, our Group adopts a minimum-maximum inventory policy, whereby production materials are ordered to replenish our inventory when the inventory level of the commonly used materials fall below a pre-specified minimum level. In setting the pre-specified minimum level, our Group takes into account the number of current orders we received, the forecasted demand on our products, and the delivery time and daily depletion rate of the production materials. Our Group adopts a demand flow inventory policy for our non-commonly used production materials. Our Group generally maintains a minimum inventory level of non-commonly used production materials. Orders for replenishment of non-commonly used production materials are placed upon receipt of purchase orders from our customers. The non-commonly used production materials ordered are generally scheduled to be delivered to our warehouses 3 to 5 days before production begins. The inventory level of raw materials is closely monitored through our ERP system complemented with continuous consumption record and physical stock-take, thereby reducing the risk of excessive stock or under stock. We retrieve our inventory on a first-in-first out basis and proper approvals are required for inventory retrievals. We conduct weekly, monthly, half-yearly and annual stocktakes.

For each of the three years ended 31 December 2011, 2012, 2013 and the six months ended 30 June 2014, our inventories, comprising production materials, work in progress and finished goods, amounted to HK$146.6 million, HK$166.3 million, HK$197.7 million and HK$224.6 million respectively and the inventory turnover days of our Group were approximately 63, 76, 74 and 68 days, respectively.

SALES AND MARKETING

As of 30 June 2014, our Group's sales and marketing department consists of 67 staff members, of whom 45 are located in the Shenzhen office, 8 are located in the Hong Kong office, 10 are located in the Huizhou office and 4 are located in the Yichang office. Our sales and marketing department is responsible for sales and promotion of our Group's products and gathering up-to-date information concerning market trends and customers' preferences.

Our Group leverages our relationship with existing clientele network for referrals of new customers. Our Group's websites also serve as an effective promotional platform for our services and products as well as a communication channel with our customers. The information provided in our Group's websites includes our profile, service and management, capabilities and information about products of our Group's businesses. We have also obtained authorization in February 2014 from an internationally renowned company ("the Entity") to use their LED badge on our LED products to evidence the genuine nature and high quality of such products. This will work to strengthen the confidence of existing and potential customers in our LED products and enhance our image of being a supplier of genuine and legitimate goods. We are also authorized to use the badge on our website, products, advertising and other marketing materials. This will also help to reinforce our marketing efforts in promoting our sale to potential customers. In addition, we market our products to potential customers through participating in exhibitions in places such as in Dubai, Germany, PRC and Hong Kong.

The Entity is one of the suppliers of LED lights to the Company for the production of the Company's LED lighting products.

During the Track Record Period, our Group's purchase from the Entity amounted to HK$25,890 in 2011, HK$1,045,668 in 2012, HK$3,970,309 in 2013 and HK$381,420 in the six months ended 30 June 2014, accounting for approximately 0.004%, 0.18%, 0.59% and 0.10% of our Group's total purchase for the three years ended 31 December 2011, 2012, 2013 and the six months ended 30 June 2014 respectively. There are no material arrangements, terms or restrictions whatsoever regarding our Group's use of the Entity's LED badge, except that the LED badge used must be larger than the minimum size as set by the Entity. According to the Euromonitor Report, customers of LED lighting products now focus on product quality more because the life span and functioning of LED lighting defines its energy-saving capability. Manufacturers who do not meet the requirements are quickly eliminated. In addition, our Group's customers indicated to the Company during previous dealings that they would feel more confident with our Group's LED lighting products if such products bear the Entity's LED badge. The Directors believe that given the well established reputation of the Entity in the LED lighting market and the renowned high quality of its products, our Group can leverage the reputation of the Entity and let customers know that our Group's LED lighting products comprise high quality genuine and legitimate components, thus strengthening the confidence of existing and potential customers in LED lighting products.

Our Group also received government subsidy from the Hong Kong Trade and Industry Department under the SME Export Marketing Fund ("EMF") for the participation in several exhibitions. The EMF provides grants for small and medium enterprises ("SMEs") to participate in trade fairs/exhibitions and business missions outside Hong Kong, as well as local trade fairs and exhibitions which are "export-oriented".

RESEARCH AND DEVELOPMENT

We believe that successful research and development is crucial for us to stay competitive in the industry. The LED backlight and LED lighting industry are characterised by rapid technological advancements. We place great emphasis on developing and improving our LED backlight and LED lighting products in order to remain competitive in the ever-changing LED industry.

Our research and development centre is located in our Huizhou Production Plant. We engage in various research and development activities, including (i) concurrent development of new product designs with our customers; (ii) improvement of product quality, efficiency and functions of existing products; (iii) in-project calibration and optimization of the production processes and equipment; (iv) introduction and promotion of the use of new production technologies and new production materials; and (v) assessment of the future prospect and development trend of the LED industry. As of 30 June 2014, our research and development department consisted of 67 members which were dedicated to research and development in LED backlight products and LED lighting products. All our research and development employees have entered into confidentiality agreements which provide, among other things, that all trade secrets and intellectual property rights they create during the course of their employment with us shall vest in our Group.

During the Track Record Period, our research and development department successfully developed 1,214 new LED backlight products, and 128 new LED lighting products. As of 30 June 2014, apart from the normal research and development efforts, we are also conducting several innovative LED lighting research and development projects sponsored by Guangdong government authorities. Our key sponsored projects that are in progress include but are not limited to:

- research, development and production of high power LED fishing lights, sponsored by the Huizhou Science and Technology Bureau (惠州市科學技術局); and

- research and development of LED plant-grow lights, sponsored by the Boluo Science, Technology and Information Bureau (博羅縣科技工業和信息化局).

Pursuant to the signed written agreements with the relevant government authorities with respect to the above research and development projects, we were required to use the government funding on a project-by-project basis for specified purposes. We were required to follow the application requirements and criteria set forth in the guidelines issued by the relevant government authorities for the specific research and development project. We must also fulfil the research work within the specified timeframe and submit regular reports to the relevant government authorities for review. Any intellectual property rights arising from such research projects can be agreed upon among the parties. In case we breached the terms of agreements, the relevant government authorities may, among others, terminate the contract, require refund of previously allocated funding and compensation of 20% of the agreed funding. The high power LED fishing lights project is expected to be completed by mid-2015, and the LED plant-grow lights project has been completed in early 2014.

Due to our advanced research and development capabilities, our subsidiary, Shenzhen Wai Chi was approved as a High-Tech Enterprise by Shenzhen government authorities in September 2009 and was renewed in September 2012, and enjoyed a reduced tax rate of 15.0% for the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, as compared with the standard income tax rate of 25.0% for enterprises in the PRC.

The amount we incurred in research and development for the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014 was approximately HK$31.1 million, HK$33.2 million, HK$33.8 million and HK$27.1 million, respectively. We recognised such expenditure on research activities as expenses. Such costs mainly include employee benefit expenses and consumables used for research and development. In the event that research and development is to be conducted in order to produce certain product in accordance with the specific requirements of an individual customer, the costs of research and development will be included in the sale price of such product quoted to that customer. During the past years, we achieved various technological achievements as evidenced by the obtaining of 25 patents registered in the PRC and 1 patent registered in Hong Kong. Furthermore, as of the Latest Practicable Date, our Group has registered 2 computer software copyrights in the PRC. In addition, as of the Latest Practicable Date, our Group has filed application for registration of 11 patents in the PRC.

ENVIRONMENTAL PROTECTION

Our Huizhou Production Plant, Shenzhen Production Plant and Yichang Production Plant are subject to the environmental protection laws and regulations of the PRC as set out in the section headed "Regulatory overview" in this prospectus.

During the production and assembly process of our products, there are certain wastage generated including wastewater, waste products, noise and polluted air. Our Group has in place an effective environmental management system ("**EMS**") to manage and review emission of wastage. As at the Latest Practicable Date, we have obtained ISO 14001:2004 certification issued by DQS GmbH accrediting our EMS for having followed the international standards on the operation of EMS. In addition, we have obtained QC080000 certificate accrediting our system of managing hazardous substances.

Our Group has in place effective environmental procedures to reduce the pollution, treat and dispose of all of our wastage in accordance with national and local environmental laws and regulations. Our Group has also implemented comprehensive procedures in managing and minimizing the use of environmentally harmful substances and dangerous chemicals. In addition, our Group has published an environmental manual to assign responsibilities of the senior management in relation to environmental protection, and to facilitate the cooperation between departments in minimizing wastage generation. Our Group has appointed Ms. Yong, an executive Director of our Group, to be the management representative of our EMS to formulate our environmental policies, monitor and review the implementation of our EMS, and to ensure the compliance with the requirements of ISO 14001:2004.

Our Group periodically reviews and audits the implementation of our EMS. In addition, during the Track Record Period, we engaged an independent external assessment body to annually review whether our Group's emission of wastages complied with national and local environmental laws and regulations.

To ensure compliance with the latest environmental laws and regulations, our Group has also published internal compliance manuals to ensure that our Group can identify the relevant environmental national and local law and regulations.

In addition to environmental laws and regulations in the PRC, the production materials purchased by our Group must comply with certain international environmental regulations and standards applicable to our suppliers and products. In particular, the production materials which are imported from the European Union must fully comply with the European Union's directive on the RoHS that they do not contain lead, mercury, cadmium, or other hazardous substances. Our Group has established standard procedures on the management of hazardous substances to be implemented to ensure the production processes complied with the RoHS and other relevant laws and regulations on hazardous substances in the European Union and the PRC, and produce green products for the customers.

We believe that we have adopted adequate pollution prevention measures for the effective maintenance of environmental protection standards which are in line with the industry practice and that we are in compliance in all material respects with applicable environmental laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we have complied with all applicable environmental laws and regulations of the jurisdictions in which we have operations in all material respects, have not been subject to any material claims or penalties in relation to environmental protection and have not been involved in any environmental accidents or fatalities.

OCCUPATIONAL HEALTH AND SAFETY

Our Group is subject to the PRC occupational health and safety laws and regulations. Please refer to the section headed "Regulatory Overview" in this Prospectus for summaries of the applicable occupational health and safety laws and regulations of the PRC.

Our Group is committed to providing a safe and healthy working environment for the benefit of our employees. We believe that our Group has taken the necessary measure to protect our PRC staff's safety at work. All levels of our management have a primary responsibility for the safety and health of our employees. Our Group has set up a safety management committee which is responsible for: (i) establishing and continually reviewing our safety policies; (ii) implementing procedures and systems whereby our safety policies are put into practice; and (iii) providing and reviewing the effectiveness and adequacy of safety trainings. Our Group has also in place operational safety guidelines and manuals such as the fire safety manual, production safety guideline, industrial accident handling manual and dangerous chemicals management manual, to prevent occupational accidents and provide guidance in case of emergency situations.

In addition, our Group has established an emergency rescue committee to formulate emergency rescue plans, organize emergency response simulation exercises, review our emergency response procedures and communicate with the local governments in case of major accidents. Furthermore, our human resources department is responsible for identifying and informing our employees the latest relevant occupational safety laws and regulations of the PRC to ensure the compliance by our Group.

We have also taken further measures to ensure that our employees are aware of our safety protocols. For example, our employees involved in production process are required to attend training courses on workplace safety and to wear protective devices for their safety. We did not experience any workplace accidents causing death or serious bodily injury in our business operations during the Track Record Period and up to the Latest Practicable Date.

INTELLECTUAL PROPERTY

Our Group's intellectual property rights are important to its business and as of the Latest Practicable Date, the Group has 48 trademarks registered in the PRC, 6 trademarks registered in Hong Kong, 25 patents registered in the PRC and 1 patent registered in Hong Kong. Furthermore, as of the Latest Practicable Date, our Group has registered 2 computer software copyrights in the PRC. In addition, as of the Latest Practicable Date, our Group has filed application for registration of 11 patents in the PRC.

Further details of our intellectual property portfolio, including trademarks and patents under application, are provided in the sub-paragraph "Intellectual property" under sub-section headed "Further information about our business" in Appendix V to this prospectus.

Our Group has devised guidelines and manuals to ensure the proper access and usage of the intellectual property rights and confidential technical and commercial information of our Group. These measures include (i) categorizing confidential information and restricting personnel being able to access each category; (ii) limiting and/or forbidding the use of notebook computers and mobile phones during work; (iii) restrictions on the use of email; (iv) restrictions on photocopying, faxing and scanning of documents; and (v) penalization of the staff concerned in case of leakage of confidential information.

As of the Latest Practicable Date, we are not involved in any proceedings with regard to, and we have not received notice of any claims of infringement of any intellectual property rights that may be threatened or pending in which we may be involved either as a claimant or respondent.

EMPLOYEES

As of 30 June 2014, we had 3,724 full-time employees, of which a total of 1,125 were engaged through 8 employment agencies, each an Independent Third Party. Most of our employees are located in the PRC. The following tables provide a breakdown of our employees (including those of our subsidiaries) by function and by location as of 30 June 2014:

Employees (by function)	**Number of employees**
Management	75
General and administration	104
Production	2,912
Sales and marketing	50
Engineering	90
Quality control	218
Finance	32
Research and development	67
Warehouse	79
Information and Technology	13
Human resources	51
Others	33
Total	3,724

Employees (by location)	
Hong Kong	23
Huizhou	1,385
Shenzhen	2,256
Yichang	60
Total	3,724

During the Track Record Period, we engaged a substantial number of employees through employment agencies in PRC to cope with the high demand for labour in our production processes. According to the agency agreements entered into between the employment agents and us, we are responsible for: (i) paying a monthly management fee ranging from approximately RMB100 to RMB400 for each employee we engaged through such agents; (ii) making monthly payments of salaries for the dispatched employees and

(iii) providing the same induction trainings for the dispatched employees as we provide for our own employees. Pursuant to these agency agreements, the employment agents are responsible for: (i) entering into labour contracts with the dispatched employees in accordance with the PRC labour laws and regulations; (ii) providing us with suitable workers; and (iii) making contributions to social insurance and housing funds for the dispatched employees. Furthermore the employment agents are not entitled to replace or withdraw any dispatched employees without our agreement.

The remuneration package of our full-time employees includes basic salary, overtime pays and bonuses. Generally, our employees' basic salaries are determined based on the employee's rank, position, qualification, experience and performance. The discretionary bonuses are paid every month, depending on the performance and contribution of the individual staff to our Group. We assess our employee remuneration scheme on an annual basis to determine whether any salary or bonus adjustment should be made. For the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, our total staff costs were approximately HK$151.3 million, HK$140.4 million, HK$149.5 million and HK$98.4 million, accounting for 20.3%, 18.6%, 16.7% and 17.2% of our total sales over the same period respectively.

We are committed to employee training and development. We provide trainings for our employees to enhance their technical and product skills and knowledge of industry quality standards and work safety standards. New employees are required to participate in a one-month mandatory induction training program to ensure that they have the necessary safety trainings to work safely so as to reduce risks. Only employees who passed the examination after the induction training program are allowed to start working. In addition, any employee who has been promoted, transferred to another department, or absent from work for more than 3 months are also required to attend mandatory trainings. In-service trainings are also provided to all employees on a continuing basis. Other than internal courses presented by our managers, we also engage outside professionals and speakers to organize seminars and training courses for our employees. In addition, ISO 9001:2008, ISO 14001:2004 and QC080000 certificate training courses are provided to the relevant staff to equip them with the necessary knowledge for operation of our quality and environmental management system.

As required by the relevant laws and regulations in the PRC, we contribute to several insurance and employee welfare scheme. We make contribution to our employees' social insurance, housing fund, basic pension insurance fund, basic medical insurance fund, unemployment, maternity and work-related insurance funds and the retirement benefits scheme in accordance with applicable laws and regulations in the PRC. No contribution of the retirement benefits scheme forfeited by the Company on behalf of its employees who leave the scheme prior to vesting fully in such contribution may be used by the Company to reduce the existing level of contributions. During the Track Record Period, we have not been subject to any penalties in relation to any violation of PRC labour laws and regulations.

We enter into separate labour contracts with our employees in Huizhou and Yichang. Our employees in Shenzhen negotiate their terms of employment through a labour union by way of collective bargaining. We believe that we maintain good relationships with our employees. During the Track Record Period, we have not experienced any strikes, work stoppage or material labour disputes which affected our business operations.

PROPERTIES

Owned properties

Huizhou

As at the Latest Practicable Date, we owned two properties in the PRC. Among these two properties, one is located in Boluo County, Huizhou, Guangdong Province, the PRC, comprising a parcel of land with a site area of approximately 71,049 square metres on which various industrial buildings and dormitories are erected thereon for our industrial use. The land use rights of the property have been granted for a term expiring on 5 March 2058.

The Huizhou Production Plant, which is located in our Huizhou property, has a total gross floor area of approximately 15,000 sq.m. and 8,500 sq.m. that are free for production and office uses respectively. The total gross area of approximately 23,500 sq.m. of free space is approximately 24% of the total gross floor area of approximately 96,891 sq.m. of the Huizhou Production Plant.

Our Group does not plan to lease out the free space to any person for the purpose of obtaining additional economic benefit for the following reasons:

1. our Group wants to keep the available space free for the development of our own businesses, including the construction of more workshops and dormitories; and

2. our Group is not allowed to lease out any space of the Huizhou Production Plant to another person without the permission of the relevant PRC authority and it is difficult to obtain such permission because the land had been granted to the Group for the specific purpose of the development and operation of our LED backlight and LED lighting business and not for leasing out the freely available space to other persons for rental purposes.

Yichang

The other property is located in Yichang, Hubei Province, comprising a parcel of land with a site area of approximately 55,332 square metres (the "Yichang Land Parcel"). The Yichang Land Parcel is a bare site and pending for future development. The land use rights of the Yichang Land Parcel have been granted by the Land and Resources Bureau, Yiling District, Yichang City (宜昌市夷陵區國土資源局) (the "Yiling District Bureau") for a term expiring on 12 April 2062 for industrial use.

Regarding the Yichang Land Parcel and in accordance with the building covenant of the relevant land grant agreement, the deadline for completion of construction on the Yichang Land Parcel shall be 13 April 2015. Under the land grant agreement, if Sanxia Wai Chi fails to complete the construction on or before the agreed completion date under such land grant agreement, for each day of delay in completion, Sanxia Wai Chi shall pay a penalty to the Yiling District Bureau at the amount of 0.1% of total land grant premium for the state-owned land use right. As confirmed by the Yiling District Bureau, it agreed that Sanxia Wai Chi may proceed first with the construction work of a block of factory building ("No. 3 factory") as set out in the planning and design plan, which will require prior approval from the Yiling District Bureau before the commencement of the construction work. If the construction work of No. 3 factory can be completed by 13 April 2015, Sanxia Wai Chi will not be deemed contravening the building covenant under the relevant land grant agreement. Even if Sanxia Wai Chi fails to complete the aforesaid construction work by 13 April 2015, the Yiling District Bureau agreed not to penalise Sanxia Wai Chi on the ground of violation of the building covenant under the relevant land grant agreement, and agreed to extend the completion date to 13 April 2016. The Yiling District Bureau will not order Sanxia Wai Chi to pay any penalty fee on or after the original completion date being 13 April 2015. Our Group may incur construction cost of around HK$5.0 million in 2014 and HK$10.0 million in 2015, which will be financed by our internal resources. As of the Latest Practicable Date, our Group has submitted the updated planning and design plan and is now in the process of review by Yiling District Bureau. Furthermore, our Group has began obtaining quotes from various construction companies. As confirmed by our Directors, it is expected that the construction work of No. 3 factory will commence by the end of November 2014 and will complete by December 2015.

According to the PRC legal advisers:

(a) the PRC legal advisers enquired with the Yiling District Bureau which has confirmed that it has the authority to handle the matters concerning the extension of specified period of time for completion of construction works;

(b) the PRC legal advisers enquired with the Land and Resources Bureau, Yichang City (宜昌市國土資源局) which has confirmed that the matters concerning the extension of specified period of time for completion of construction works shall be referred to and dealt with by the Yiling District Bureau;

(c) the PRC legal advisers enquired with the Department of Land and Resources of the Hubei Province (湖北省國土資源廳) and that department has confirmed that the matters concerning the extension of the specified period of time for completion of construction works in a certain locality should be the responsibility of and handled by the land and resources authority of that locality.

In the light of the above, the PRC legal advisers take the view that the probability of the aforesaid confirmation being challenged by higher land administrative department is extremely low.

Reasons for the Group's acquisition of the Yichang Land Parcel and erection of the Yichang Production Plant

The acquisition of the Yichang Land Parcel is for the purpose of business expansion on a regional basis in order to capture the business opportunity arising from the economic development and growth of the different cities and districts in the Hubei province. The Hubei provincial government has encouraged investment and development in high and new technology enterprise with tax incentive, financial subsidy and funding award schemes. The main customers in the Hubei province consist of the Hubei government authorities which promote the use of LED lighting devices in street lighting for the purpose of saving energy and energy costs and the corporate entities such as commercial enterprises and hospitals that use LED lighting products mainly to save energy costs.

It is also not practicable for the Group to serve its customers in Hubei province from the Huizhou Production Plant since the distance from the Huizhou Production Plant to Hubei province is over 1,200 kilometres and the transportation or travel time is at least 15.5 hours by highway. The transportation cost for the LED lighting products from Huizhou Production Plant to Hubei province is therefore high and even commercially inhibiting. The Company therefore has to choose another location to erect its production plant in order to develop the business opportunities in Hubei province.

In this regard, the Company has erected the Yichang Production Plant to operate as the centre of production and supply of LED backlight and LED lighting products commencing with and spreading from Yichang City which being the second largest city in the Hubei province serves as the economic hub of western Hubei province by way of a major transit port and distribution centre of goods in the region, and where the municipal government is promoting energy-saving with the use of LED lighting devices in street lighting projects. This will allow the Yichang Production Plant to focus on the production of LED lighting devices for government street lighting projects as a basis and foothold for the development of its LED backlight and LED lighting business in the Hubei province.

In this respect, the Huizhou Production Plant focuses on the production of LED lighting products and produces the relevant parts for the LED backlight products for assembling at the Shenzhen Production Plant. The LED backlight and LED lighting products are primarily sold to the Group's customers in different areas within the PRC. As such, the Yichang Production Plant, the Huizhou Production Plant and the Shenzhen Production Plant produce different LED backlight and LED lighting products for sale to different customers in different areas in the PRC.

Reasons for the Group's need to build No. 3 factory only in the present circumstances

Regarding the construction plan for the Yichang Land Parcel, according to the land sale confirmation letter, the land is for industrial use and the plot ratio for industrial building should not be below 30%. The total area of the land is 55,332.2 sq.m.; the total area for construction is 103,837.7 sq.m., of which the area for construction of factory is 77,280.7 sq.m.; construction of office building is 7,410.6 sq.m.; construction of dormitory is 14,434.9 sq.m., with a large car park which has 9 car park spaces for small vehicles and 21 car park spaces for goods vehicles. According to the design plan, the office building will have 9 storeys and there will be 3 factory buildings. In this respect, as mentioned above, the Yichang Land Parcel was acquired and the Yichang Production Plant was built to cater for the Group's actual and estimated business and production needs at the time and in the days ahead.

In this respect, the construction plan for the Yichang Land Parcel does take into account the expansion of the Group's business in LED backlight and LED lighting products with the erection of 3 factory buildings. The construction plan has been delayed mainly because the government street lighting projects took a rather long period of time for business negotiation with the relevant government authorities (the "Relevant Authorities), preparing the samples according to their specifications and testing of the samples by the Relevant Authorities, which may take 12 months or above. If the testing of the samples satisfies the requirements of the Relevant Authorities and the findings of such tests are accepted by them, they may then choose to place purchase order(s) with the Group for the LED lighting products. But the time taken for such government project is too long to enable any quick expansion of the LED lighting business and the facilities for such business. In addition, since the LED lighting devices are relatively more expensive than the other types of lighting devices, corporate entities may have reservation and may hesitate to switch to the use of LED lighting devices with respect to the relative value in terms of the amount of energy cost saved in proportion to the relatively high amount of expenditure of buying LED lighting devices. Thus, the expansion in the Group's LED backlight and LED lighting business in Hubei province has slowed down and only No. 3 factory needs to be built for the production of LED lighting products in the present circumstances with due regard to the trend of demand and the mode of conducting business transactions with the government authorities.

Leased properties

Hong Kong

As at the Latest Practicable Date, we are leasing one property in Kwun Tong, Hong Kong with a gross floor area of approximately 790 square meters for our office use.

The PRC

As at the Latest Practicable Date, we are leasing three properties in the PRC:

(i) a property comprises an industrial block and various dormitories located in Bao'an District, Shenzhen, the PRC with a total gross floor area of approximately 26,190 square metres for our industrial uses;

(ii) a property comprises a 3 storey workshop located in Yichang, Hubei Province, the PRC with a gross floor area of approximately 2,574 square metres for our industrial uses, including the production of LED backlight and LED lighting products; and

(iii) a property comprises an office unit in Hai Dian Area, Beijing City, the PRC with a total gross profit area of approximately 10 square metres for our office uses.

For further details of our property interests, please refer to Appendix III to this prospectus. Please refer to "Legal Compliance" of this section of the prospectus for non-compliance issues in relation to our leased properties.

LICENSES & PERMITS

Save as disclosed in the paragraph headed "Legal Compliance" in this section of this prospectus, we had obtained all material requisite licences, permits and approvals for the operations of our business in the PRC during the Track Record Period and up to the Latest Practicable Date.

AWARDS AND ACCREDITATIONS

The following table sets out the selected awards and accreditations received by our Group from relevant PRC authorities and organizations in relation to our operation and products in recent years:

(i) Accreditations

Award or recognition	Award/grant/issuing organization
ISO 9001:2008 Quality Management System Certificate	IQNet and DQS GmbH
ISO 14001:2004 Environmental Management System Certificate	DQS GmbH
ISO/TS 16949:2009 Quality Control System Certificate	DQS GmbH
IECQ QC 080000:2005 IECQ Certificate of Conformity — Hazardous Substance Process Management	SAI Global Co., Ltd and Australian Industry Group
GMC — Global Manufacturer Certificate	GlobalMarket Group (Asia) Ltd.

(ii) Corporate awards

Year	Award or recognition	Award/grant/issuing organization
2013	Most Innovative Brand of China LED Industry (中國LED行業最具創新性品牌)	Guangdong Province Semiconductor Lighting Industry Allied Innovation Centre (廣東省半導體照明產業聯合創新中心) and "Guangdong LED" Magazine (廣東LED雜誌社)
2012	Elite Environmental Supplier (優秀環保供應商)	Truly Semiconductors Ltd. (信利半導體有限公司)
	International Gold Customer 2012 (2012年度國際黃金客戶)	China Construction Bank (中國建設銀行)
	Shenzhen Provincial Bao'an District Enterprise Technology Centre (深圳市寶安區企業技術中心)	Economic Development Bureau of Shenzhen Provincial Bao'an District (深圳市寶安區經濟促進局)
	High-Tech Enterprise (高新技術企業)	Shenzhen Provincial Technology Innovation Committee (深圳市科技創新委員會); Shenzhen Provincial Treasury Committee (深圳市財政委員會); Shenzhen Provincial Office of State Administration of Taxation of the PRC (深圳市國家税務局); and Administration of Local Taxation of Shenzhen Municipality (深圳市地方税務局)
2011	Executive Director of Shenzhen Flat Panel Display Industry Association (深圳市平板顯示行業協會常務理事)	Shenzhen Flat Panel Display Industry Association (深圳市平板顯示行業協會)
	Corporate Vice Chairman of Shenzhen Provincial Science Expert Service Centre and Specialist Accreditation Working Committee (深圳市科聯專家服務中心、專家評審工作委員會副事長單位)	Shenzhen Provincial Science Expert Service Centre (深圳市科聯專家服務中心) and Specialist Accreditation Working Committee (專家評審工作委員會)

Year	Award or recognition	Award/grant/issuing organization
	Shenzhen Provincial Independent Innovative Product Accreditation Certificate (深圳市自主創新產品認定證書)	Science, Industry, Trade and Information Technology Commission of Shenzhen Municipality (深圳市科技工貿和信息化委員會)
2010	Third Member Group of China Solid State Lighting Alliance (國家半導體照明工程研發及產業聯盟第三屆成員單位)	China Solid State Lighting Alliance (國家半導體照明工程研發及產業聯盟)
	Corporate Vice Chairman of World Eminence Chinesebusiness Association (世界傑出華商協會副理事單位)	World Eminence Chinesebusiness Association (世界傑出華商協會)
	First Batch of National-grade Credit Checking Enterprises (全國第一批國家級征信企業)	China Product Quality Association (中國產品質量協會)
	Civilized and Honest Enterprise (文明誠信企業稱號)	Bao'an Substation of Market Supervision Administration of Shenzhen Municipality (深圳市市場監督管理局寶安分局) and Bao'an District Private Enterprise Association of Shenzhen Province (深圳市寶安區私營企業協會)
	Strategic Partners (戰略合作夥伴)	Shenzhen Development Bank (深圳發展銀行)
2009	Business Integrity Commitment Unit (誠信經營承諾單位)	Shenzhen Province Bao'an District Consumer Council (深圳市寶安區消費者委員會)
	Core Member Unit of Shenzhen LED Industrial Standard Alliance (深圳LED產業標準聯盟核心會員單位)	Shenzhen LED Industrial Standard Alliance (深圳LED產業標準聯盟)

Year	Award or recognition	Award/grant/issuing organization
	Vice President Unit of Shenzhen Light Emitting Diode Industry Association (深圳市LED產業聯合會副會長單位)	Shenzhen Light Emitting Diode Industry Association (深圳市LED產業聯合會)
2008	Bao'an District Top 100 Tax Paying Enterprise (寶安區納稅百強企業)	Bao'an People's Government (寶安區人民政府)
2007	Best Business Partner (最佳合作夥伴)	Shenzhen Lead Optoelectronic Technology Company Limited (深圳市立德通訊器材有限公司)

The above accreditations and awards are not necessary for the manufacture or sale of any specific type of our products to any particular market; however, our Directors believe that they could enhance our Group's existing and potential customer's confidence towards our Group and recognise our Group's quality standards and management system as conforming to international standards.

INSURANCE

In accordance with the regulatory requirements of the PRC, our Group maintains insurance for equipment, inventory and self-owned properties, including offices, warehouses and inventories in the PRC. Our Group also maintained social insurance and housing provident fund contributions for our PRC employees. Our Group has maintained a life insurance for Mr. Yiu. In Hong Kong, our Group has also taken out employees' compensation and medical insurance for our staff, property all risks insurance, business interruption insurance, money and personal assault insurance, and public liability insurance for Wai Chi Opto.

Our Directors consider our Group's insurance coverage is adequate and in line with industry practices in the PRC. Our Group is subjected to the PRC's social insurance system, and is required to make contributions for our employees towards five categories of insurance, including the basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance. For each of the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, our Group has paid an aggregate of approximately HK$170,000, HK$180,000, HK$250,000 and HK$142,000 respectively as insurance premium payment for our various insurance policies (excluding social insurance and housing provident fund contributions). During the Track Record Period, our Group was not subject to any insurance claims that were material to our Group.

Social insurance and housing provident fund contributions

As advised by the PRC Legal Advisers, our Group is required to make contributions, by way of employee's welfare and benefits, to various social insurance funds and a housing provident fund as described below:

Social insurance contributions

Our Group's social insurance contributions for each of the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014 amounted to approximately HK$5.5 million, HK$9.6 million, HK$9.8 million and HK$5.9 million respectively.

Pursuant to Article 14 of the Regulation on Work-Related Injury Insurance (工傷保險條例), the work-related injury insurance may cover various situations, including but not limited to:

- injuries due to work-related accidents at the employee's workplace during working hours; and
- injuries suffered when engaging in work-related preparations and winding-up work at the employee's workplace.

Housing provident fund contributions

Our Group is also required to make housing provident fund contributions for its employees. Our Group's housing provident fund contributions for each of the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014 amounted to approximately HK$0.3 million, HK$1.5 million, HK$1.3 million and HK$0.9 million respectively.

As such, our Directors believe that our insurance coverage is sufficient and adequate. During the Track Record Period, there were no incidents of serious employee injury reported. However, we will continue to review and assess our risk portfolio and make necessary and appropriate adjustments to our insurance practice.

LEGAL COMPLIANCE

As most of the operations of our Group are in the PRC, our Group is required to conduct our business in compliance with the relevant PRC laws and regulations. As advised by the PRC Legal Advisers and as confirmed by our Directors, during the Track Record Period, save as disclosed below in the paragraph headed "Regulatory non-compliance" in this section, our Group has obtained all the requisite licenses, permits and certificates to conduct our business and complied with the applicable laws and regulations in the PRC in all material aspects.

To the best knowledge of our Directors, as of the Latest Practicable Date, no member of our Group was engaged in any litigation, arbitration or claim of material importance, and our Directors were not aware of any pending or threatened litigation, arbitration or claim of material importance against our Group that would have a material adverse effect on our results of operations or financial condition.

Regulatory non-compliance

	Location	Number of buildings, gross floor area and usage of the properties	Summary of title defects	Reasons for non-compliance	Legal consequences and potential and maximum penalties and other financial losses (where applicable)	Remedial measures taken/ to be taken	Enhanced/Implemented internal control measures to prevent recurrence
1.	Bao'an District, Shenzhen, the PRC	Several industrial block and various dormitories for industrial uses with a total gross floor area of approximately 26,190 sq.m.	No proof of ownership could be obtained. The relevant tenancy agreements have not been registered in the relevant government department.	The properties were leased to us from third parties, and such third parties failed to provide any valid building ownership certificates of the leased properties.	According to Regulations of Shenzhen Special Economic Zone on Lease of Houses, the lessee which is proven at fault is subject to a fine up to RMB1,976,945.6.	In the event of relocation so forced, Shenzhen Wai Chi can transfer all of its equipment, personnel and other assets in Shenzhen to our factory in Huizhou at an estimated cost of not exceeding HK$9.5 million. The relocation is estimated to take 21 days. The Directors are of the view that the relocation to Huizhou Electronics will not cause material disruption to the Group's business operation. Please refer to the section headed "Business – Regulatory non-compliance – Relocation Plan of the Shenzhen Production Plant" for further details.	Policy and procedures for leasing arrangement has been established. It provides a formal mechanism on the flow of initiating, approving, executing and monitoring the leasing of properties. It also states the timeframe and requirements of registering the tenancy agreement in relevant government department and the corresponding responsible person, that is, the CEO of the Group. The above policy and procedures is signed by the directors as evidence of approval. Furthermore, a formal mechanism has been established to govern the relocation progress (if any) in the future.

	Location	Number of buildings, gross floor area and usage of the properties	Summary of title defects	Reasons for non-compliance	Legal consequences and potential and maximum penalties and other financial losses (where applicable)	Remedial measures taken/ to be taken	Enhanced/Implemented internal control measures to prevent recurrence
2.	Yiling Economic Development Zone, Yichang, Hubei Province, the PRC	A property comprises a 3-storey workshop for industrial uses with a gross floor area of approximately 2,574 sq.m.	The tenancy agreement has not been registered in the relevant government department.	Because the registration system of the district where the leased property is situated had not been fully operated, the application for registration submitted by Sanxia Wai Chi was not accepted.	According to Administrative Measures for Commodity House Leasing (商品房屋租賃管理辦法) if, after ordered by the relevant governmental agency, the parties to the tenancy agreement fail to file a registration of the tenancy agreement within a prescribed period so ordered by such governmental agency, a maximum penalty of RMB10,000 may be imposed on the party at fault. As confirmed by Yi Chang Municipal Bureau of Real Estate Management, the risk of Sanxia Wai Chi being ordered to be penalised in such situation is remote.	As soon as registration system of such district is in full operation, Sanxia Wai Chi will re-submit the application for registration of the tenancy agreement to the competent governmental agency.	Policy and procedures for leasing arrangement has been established. It provides a formal mechanism on the flow of initiating, approving, executing and monitoring the leasing of properties. It also states the timeframe and requirements of registering the tenancy agreement in relevant government department and the corresponding responsible person, that is, the CEO of the Group. The above policy and procedures is signed by the directors as evidence of approval. Last but not least, Company Secretary is assigned to responsible for monitoring the progress of registration system establishment. Once it is in full operation, Company Secretary will submit the documents for registering the tenancy agreement in the relevant government department.

	Location	Number of buildings, gross floor area and usage of the properties	Summary of title defects	Reasons for non-compliance	Legal consequences and potential and maximum penalties and other financial losses (where applicable)	Remedial measures taken/ to be taken	Enhanced/Implemented internal control measures to prevent recurrence
3.	Hai Dian Area, Beijing City, the PRC	A property comprises an office unit with a total gross floor area of approximately 10 sq.m. for office uses.	The tenancy agreement has not been registered in the relevant government department.	The lessor did not provide the original copy of the building ownership certificate, which was required to be produced for verification by the governmental registration agency.	In according to Several Provisions of Beijing Municipality on House Lease Administration (北京市房屋租賃管理若干規定), if, after ordered by the relevant governmental agency, the parties to the tenancy agreement fail to file a registration of the tenancy agreement within a prescribed period so ordered by such governmental agency, a maximum penalty of RMB500 shall be imposed on the party at fault.	According to the relevant judicial interpretation of the Contract Law of the PRC, the absence of registration of the tenancy agreement in the relevant governmental agency will not affect the validity of such tenancy agreement. If the lessor does not apply for or facilitate in registration of the tenancy agreement in the event of either party thereto being penalised according to the relevant regulations, it is convenient for Beijing Senhuan to relocate its business without interrupting our Group's normal operation because there is no special requirement with regard to location, area or structure of the venue of Beijing Senhuan which is not a manufacturing company and currently does not employed any staff.	Policy and procedures for leasing arrangement has been established. It provides a formal mechanism on the flow of initiating, approving, executing and monitoring the leasing of properties. It also states the timeframe and requirements of registering the tenancy agreement in relevant government department and the corresponding responsible person. The above policy and procedures is signed by the Directors as evidence of approval. Furthermore, a formal mechanism has been established to govern the relocation progress (if any) in the future.

Regarding the leasing of properties and registration of leases on timely basis, to prevent recurrence of occupying properties with defective titles, our Company has designated Mr. C. P. Chen, executive Director and Chief Executive Officer or Mr. Chen Wei Wu ("Mr. W. W. Chen"), executive Director and Financial Controller to be responsible for updating relevant rules and regulation regularly. Our Company will also engage external legal adviser to provide training on the updated rules and regulation to Mr. C. P. Chen and Mr. W. W. Chen from time to time. Besides, the Company has established a compliance checklist for processing leases and registration of leases. The compliance checklist includes the timeframe for leasing and registration procedures, due diligence procedures to be performed on the landlord and documents to be obtained/inspected from the landlord. Mr. C. P. Chen and Mr. W. W. Chen are responsible for performing due diligence on the title of any property in question, to require relevant landlord to undertake to register the lease (if it has not yet been registered) and to monitor the progress of registration with the relevant landlord. In addition, the external legal adviser will also be engaged to perform due diligence on relevant landlord to confirm the title of the property. The external legal adviser will also assist the Company to confirm the validity of the documents obtained from the landlord. Mr. C. P. Chen or Mr. W. W. Chen will report to the Board on the due diligence and monitoring work as to the validity of title and registration of lease in respect of the property in question and is authorized to enlist the professional assistance such as external legal advisers and consultancy firm to render professional advice so as to comply with statutory requirements as applicable to our Group from time to time, to prevent any recurrence of any similar non-compliance.

To prevent purchasing properties with defective titles, our Company has designated Mr. C. P. Chen, executive Director and Chief Executive Officer or Mr. W. W. Chen, executive Director and Financial Controller to be responsible for updating relevant rules and regulation on a regular basis. Our Company will also engage external legal adviser to provide training on the updated rules and regulation to Mr. C. P. Chen and Mr. W. W. Chen from time to time. Besides, the Company has established a compliance checklist for purchasing properties. The compliance checklist includes the timeframe for registration procedures, due diligence procedures to be performed on the seller and documents to be obtained/inspected from the seller. Mr. C. P. Chen and Mr. W. W. Chen are also responsible to require the seller to undertake to register the ownership certificate of Real Estate in relation to the property. In addition, prior to the purchasing of properties, the external legal adviser will also be engaged to perform due diligence on the relevant landlord to confirm the title of the property. The external legal adviser will also provide legal advice to the Company regarding the legality, validity and enforceability of the documents obtained from the seller. Mr. C. P. Chen or Mr. W. W. Chen will report to the Board on the results of the due diligence, work progress and registration progress. Each of Mr. C. P. Chen and Mr. W. W. Chen will be authorised to enlist the external professional assistance such as external legal advisers and consultancy firm to render professional advice and service so as to comply with statutory requirements as applicable to our Group from time to time, and to prevent purchasing properties with defective titles. Our Company further clarifies that we will only lease/purchase properties without defective title in the future.

Regarding the relocation progress, the Company has designated Mr. W. W. Chen to oversee the relocation plan and its execution (in the event that relocation has to be implemented at the request of the relevant government authority). Mr. W. W. Chen is authorised to request support from the relevant personnel for such monitoring work. Mr. W.W. Chen will report to the Board with regard to the monitoring of the relocation plan and (if and whenever applicable) the progress of its execution.

Furthermore, the following entity-level control measures have been designed in order to prevent the occurrence of any of the previous non-compliance matters in the future:

(i) A clear line of communication was established to report potential non-compliance exposure identified and detect problems so that corrective actions can be undertaken by responsible person.

To ensure the Company's compliance with applicable laws, regulations and rules, the Company has designated Mr. C. P. Chen, executive Director and Chief Executive Officer to be responsible for all compliance matters pertaining to the Group and has informed the Group's staff to report any non-compliance or potential non-compliance matters to him as soon as reasonably practicable. Mr. C. P. Chen has relevant experience in compliance since he has been responsible for overseeing compliance matters in relation to the Group for over 3 years. Mr. C. P. Chen will report to the Board on all matters of compliance or non-compliance and is authorised to enlist the professional assistance and advice of external professional advisers if and whenever Mr. C. P. Chen deems appropriate or necessary.

When Mr. C. P. Chen served as branch manager with the Bank of China (Hong Kong), he was responsible for the operation of the branch as being, among other things, in compliance with the relevant laws, regulations and codes which are applicable to the banking business in Hong Kong. Mr. C. P. Chen had attended the training session of the Directors conducted by the Company's legal advisers as to Hong Kong law in March 2014. In July 2014, Mr. C. P. Chen attended a number of courses organized by the Hong Kong Institute of Directors on the role and duties of company directors, including finance for directors and the role of company director: overview of legal and regulatory framework.

Each staff within the our Group is able to report any problem found or non-compliance identified to the management through any one of the channels set out below:

(1) the supervisor for each production line team for production problem;

(2) the location/factory director for production problem/non-compliance of any regulations or laws/staffing issue;

(3) our Director/senior management for all problems or non-compliance incidents identified through individual email address; and

(4) the audit committee for all problems or non-compliance incidents identified through individual email address.

The company secretary should keep record of any problem or non-compliance incident identified as mentioned above and reported the same to our Director(s), senior management or audit committee as soon as reasonably practicable.

(ii) External independent professional will be engaged to perform regular internal review on an annual basis.

The Group will appoint an independent internal controls consultant to review and test the effectiveness of the Group's material internal control measures. The independent internal controls consultant to be appointed shall be a professional firm specialising in corporate governance, internal audit and internal control review services and which has the relevant experience in providing internal control review services to listed companies for not less than 7 years.

The scope of review by the independent internal controls consultant include mainly the scrutiny of our Group's internal control systems and the internal control measures implemented by our Group and checking and evaluating as to the effectiveness of such internal control systems and measures and recommending any improvement or modification if necessary.

The independent internal controls consultant will conduct such review and evaluation once per half year for at least 3 years after the Listing.

To facilitate and coordinate the work with the independent internal controls consultant, our Company has decided to designate Mr. Cheung Wai Hung ("Mr. Cheung"), Chief Financial Officer, to be responsible for monitoring and liaising with the independent internal controls consultant with regard to our Group's compliance matters. Mr. Cheung will review our Group's compliance on a monthly basis and will have half-yearly, yearly or ad hoc meetings with the independent internal controls consultant to discuss all relevant matters relating to our Group's compliance. The independent internal controls consultant will review and assess our Group's internal control measures and report to the audit committee and the Board the results of the review and assessment after each review. In case the independent internal controls consultant has identified or been made aware or become aware of any non-compliance, the independent internal controls consultant will approach the Board without any delay and provide its views and advice to the Board for consideration.

Mr. Cheung had undertaken audit work on listed company in Hong Kong with focus on internal control in his past work as audit manager in his previous employment with the accounting and auditing firm. In the process of conducting audit for internal control part, Mr. Cheung had interviewed our Company's management, reviewed our Company's internal control manual, performed substantive test to ensure our Company properly enforce relevant control according to the internal control manual, continually updated and reviewed the internal control systems and measures to ensure compliance with applicable laws, regulations and rules. Mr. Cheung also continually updated relevant accounting and auditing standards as well as the Companies Ordinance for audit program and reporting content as audit manager of that accounting and auditing firm. Apart from actual experience in internal control and compliance matters, Mr. Cheung had attended a number of seminars organised by the ACCA, HKICPA and Accounting Development Foundation Limited on various subjects, including listing process and requirements and updates, internal control system for an organization, insider dealing, disclosure of price-sensitive information and corporate governance, listed company: directors' responsibilities, and update on COSO (Committee of Sponsoring Organizations) internal control framework 2013 in the period from September 2012 to March 2014. In July 2014, Mr. Cheung attended the course organised by the Hong Kong Institute of Directors on the role of company director: overview of legal and regulatory framework.

Our Directors shall have the right to consult our Company's professional advisers and, if necessary, or if they are not satisfied with the advice received, seek independent professional advice at our Company's expense in the furtherance of their duties as Directors of the company. A Director shall give prior notice to our Group's chairman, the chairman of the audit committee, and the company secretary of his or her intention to seek independent professional advice under this procedure and shall provide the name(s) of any professional advisers he/she proposes to instruct together with a brief summary of the subject matter. Any advice obtained under this procedure shall be made available to the other members of the Board, if the Board so requests.

(iii) We have appointed the company secretary to oversee and monitor the Proposed Listing Group's future compliance with various applicable laws and regulations and take follow-up actions when required.

Our Group's company secretary, Ms. Lee Ming Yin Faith ("Ms. Lee"), has acquired experience in monitoring compliance with applicable laws and regulations on PRC properties when she served, from May 2011 to March 2012, as assistant company secretarial manager at a property development company which is listed on the Main Board of the Stock Exchange. While serving in such capacity at that listed company, Ms. Lee was responsible for monitoring the lease and purchase of PRC properties in case such event occurs and reviewing the relevant documentation in respect thereof. Ms. Lee worked closely with the property department of the company and, if necessary, visit and inspect the PRC properties on site together with the company's relevant personnel. If Ms. Lee considers it necessary and appropriate, Ms. Lee can report to the Board and request the Board's consent to consult with and obtain professional assistance and advice from the PRC lawyer appointed by our Company. Alternatively, whenever the Board or our Company considers it fit and appropriate, it can appoint PRC lawyer to provide professional assistance and advice to Ms. Lee in respect of monitoring compliance with applicable laws and regulations on PRC properties.

Ms. Lee had attended various courses and seminars organised by the Hong Kong Institute of Chartered Secretaries on corporate and regulatory matters, including, among others, the governance of corporate acquisitions (in October 2013), company ordinance updates (in November 2013), understanding the new no-par value share capital regime and share buy-back under the new companies ordinance (in January 2014), case study on mergers and acquisitions (in February 2014), updates on corporate and regulatory matters concerning the Stock Exchange, the SFC, and the Companies Registry and the new companies ordinance (in June 2014), and the differences between the Hong Kong and PRC company law (in July 2014). Ms. Lee had also attended the training session of the Directors conducted by the Company's legal advisers as to Hong Kong law in March 2014.

(iv) Upon Listing, an audit committee will be set up to ensure proper internal control.

(v) The Group has established a formal mechanism on seeking independent professional advice.

(vi) We will continue to arrange various trainings to update the Board, senior management and relevant employees on the relevant laws and regulations. In addition, training session will be held when new employees join the relevant departments to explain the non-compliances resulting from previous practices and to enhance their understanding of the remedial actions.

In view of previous non-compliance incidents, an independent control consultant (the "Internal Control Consultant"), has been appointed to, inter alia, review the adequacy and effectiveness of our enhanced internal control measures to prevent the recurrence of such non-compliance. The Internal Control Consultant is a professional firm specializing in corporate governance, internal audit and internal control review services. It has been providing pre-IPO internal control review services to listing applicants and listed companies since 2007.

The Internal Control Consultant was engaged for a general internal control review and a specific review on enhanced internal control measures set out in the above paragraphs. The Sponsor had reviewed the Internal Control Consultant's scope of review. The Sponsor had also discussed with the Internal Control Consultant their findings and recommendations and understood that our Group had put in place measures to prevent the recurrence of the identified non-compliance incidents set out in the aforesaid paragraphs. Our Directors consider that the current internal control measures implemented can prevent the recurrence of those identified non-compliance incidents. The Sponsor and the Internal Control Consultant concur with the view of our Directors that our Group's enhanced internal control measures have been properly designed to prevent the recurrence of those identified non-compliance incidents. Our Sponsor and the Internal Control Consultant are satisfied that the design of our Group's enhanced internal control measures on non-compliance incident of the nature of those set out in the above paragraphs are adequate and effective.

Regulatory Non-compliance in relation to the Shenzhen Production Plant

Regarding the issue of regulatory non-compliance in relation to the Shenzhen Production Plant, our Directors confirmed that our Company has leased the Shenzhen Production Plant for over 10 years and has always been able to renew the Shenzhen Production Plant lease agreements without any obstacle in the past. According to the legal opinion provided to us by our Group's PRC legal adviser regarding the property interest in the Shenzhen Production Plant, the likelihood that our Company will be forced to move out from the Shenzhen Production Plant is low. Our Directors confirmed that our Group has requested the landlords to rectify the defective property titles in the past and have continued to liaise and negotiate with the landlords to undertake and complete the rectification of the defective property titles. Given that the landlords cannot produce the proof of ownership, our PRC legal adviser is of the view that despite our effort, the chance that the landlords can rectify the defective property titles is remote.

Relocation plan of the Shenzhen Production Plant

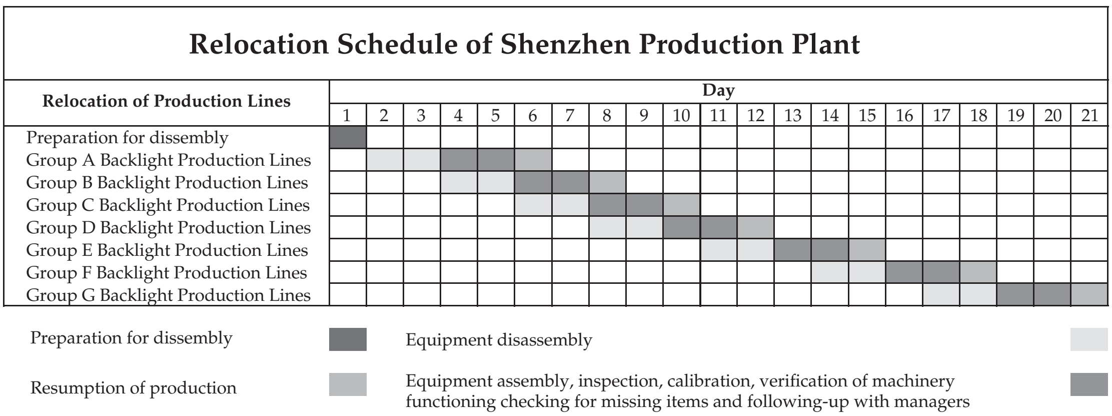
In the event that our Group receives notice from the relevant governmental authorities and is required to move out from the Shenzhen Production Plant, our Group will implement a relocation plan to the Huizhou Production Plant instead.

The Shenzhen Production Plant is responsible for producing Small LED backlight products and Medium LED backlight products. Our Group currently occupies approximately 11,240 sq.m. and 6,500 sq.m. of the Shenzhen Production Plant for production and office uses respectively. The estimated annual production capacity of Small LED backlight products was 85.8 million pieces and that of Medium LED backlight products was 3.3 million pieces. Accordingly, for Small LED backlight products, the estimated annual production capacity of each group of production lines in the Shenzhen Production Plant is approximately 14.3 million pieces.

The Huizhou Production Plant has a total gross floor area of approximately 96,891 sq.m. As of the Latest Practicable Date, the Huizhou Production Plant has a total gross floor area of approximately 23,500 sq.m. which consists of approximately 15,000 sq.m. and 8,500 sq.m. that are free for production and office uses respectively. The Huizhou Production Plant therefore has sufficient spare space to accommodate the production lines and machinery from the Shenzhen Production Plant. In case the need to accommodate the production lines and machinery from the Shenzhen Production Plant does arise, our Group will make the relevant allocation of space out of the area of approximately 15,000 sq.m. as aforesaid for such accommodation in the Huizhou Production Plant.

The production lines in the Shenzhen Production Plant are categorised into seven groups, of which six are for the production of Small LED backlight products, and one is for Medium LED backlight products. In the course of any relocation, to avoid material disruption to our production, the seven groups of production lines will be moved to the Huizhou Production Plant in stages. It is estimated that approximately four days are required for the relocation of each group of the production lines, of which two days are for the disassembly of equipment in the Shenzhen Production Plant and transfer to the Huizhou Production Plant. Another two days are for the assembly of equipment, inspection, calibration verification of machinery functioning, checking for missing items and following-up with managers at the Huizhou Production Plant. The relocation of a given group of production lines will partially overlap with the next group of production lines to be relocated. A graphical presentation of the timeframe of the relocation is set out below to further illustrate the relocation of the production lines:

Relocation Schedule of Shenzhen Production Plant



Each round of transportation of machinery and staff by vehicle and highway from the Shenzhen Production Plant to the Huizhou Production Plant can be completed within two hours. Since the machinery had already been tested and calibrated for use at the Shenzhen Production Plant, there is no need for any extra run-in time required to set up the machinery for production at the Huizhou Production Plant, although there will be a need for recalibration after the installation of the machinery.

Our Group also intends to relocate our staff from the Shenzhen Production Plant to the Huizhou Production Plant during the relocation. Our dormitories in the Huizhou Production Plant have approximately 2,400 vacancies to accommodate the 2,280 employees that may be relocated from the Shenzhen Production Plant. As such, the Huizhou Production Plant has and will continue to have sufficient space to accommodate the operation of and the 2,280 employees from the Shenzhen Production Plant in the event that relocation to the Huizhou Production Plant is required. In case any employees at the Shenzhen Production Plant (the number of which is estimated to be relatively limited) are not willing to be relocated to the Huizhou Production Plant, our existing staff at the Huizhou Production Plant has the necessary ability and capacity to assume the LED backlight production work of such un-relocated employees and we can also employ such number of production and management staff locally at Huizhou to meet any need for supplementary manpower.

Recruitment of sufficient employees for the Huizhou Production Plant in the unlikely event of relocation

In the unlikely event that Shenzhen Wai Chi is forced to move out from the Shenzhen Production Plant, our Group believes that the number of core employees who are unwilling to relocate to the Huizhou Production Plant are limited and, in case some unskilled labour is not willing to move, it can recruit sufficient number of employees for the Huizhou Production Plant to continue the production operations. Our Group's belief was based on the following factors:

(1) The Huizhou Production Plant has more spacious workshops. The employees will also enjoy more spacious dormitory facilities, better medical and counselling services, and more recreational activities organised for the employees. Given the better working environment in the Huizhou Production Plant, it is likely that the employees will be willing to relocate to the Huizhou Production Plant.

(2) Based on its communications with the employees, our Group does not consider that the relocation would be a principal factor contributing to the resignation of employees. Instead, it would be the remuneration package and boarding arrangements that are more relevant for the employees in seeking new employments.

(3) Our Group's human resources records also indicate that, aside from 6 employees, all of the 2,372 Shenzhen employees are from outside of Shenzhen and the Guangdong Province. Given the lack of connection, there should be little reason for these out-of-province employees to refuse to move to the better facilities at the Huizhou Production Plant.

(4) Our Group also took into consideration the recent relocation experience in relation to the relocation of all the research and development personnel from Shenzhen Production Plant to the Huizhou Production Plant. Out of the 49 employees who were asked to relocate, 47 of them did relocate with only two employees quitting their jobs as a result. This yields a relocation rate of 96%.

(5) Given the sizable work force at Shenzhen Production Plant, turnovers are inevitable. Our Group's production workforce is composed of mostly unskilled labour, which roles require only two whole days of training. Thus far, our Group has had no difficulties in recruiting new employees to work in the production lines. Our Group estimated that out of those 2,280 employees in the Shenzhen Production Plant, about 100 employees are considered to be core employees. The core employees mainly include the senior and middle management, and those leaders of the production lines. As these personnel are of more senior management role and they already knew the intention of our Group of gradually moving the production lines to Huizhou Production Plant, our Group understands that most of these employees will remain in our Group if relocation really happens. Other employees are mostly unskilled labour, our Group considered that if they are willing to move, they can continue to enjoy the better benefit in the Huizhou Production Plan. Even if they are not, our Group believes that the workforce can be easily refreshed in Huizhou.

(6) In view of the eventuality of relocation, Huizhou Electronics had made a written enquiry with the Boluo County Bureau of Human Resources and Social Security (博羅縣人力資源和社會保障局) (the "Bureau") as to whether the Bureau would fully support our Group in the relocation of our Shenzhen production lines to Huizhou Production Plant and assist our Group in recruiting different personnel, expediting the registration procedures of our Shenzhen staff in Huizhou and making up the deficiency in labour force for the production lines. In the reply dated 5 June 2014 to Huizhou Electronics, the Bureau stated that it would, to its fullest ability, within its scope of duties and capabilities support our Group's relocation of our production lines from Shenzhen Production Plant to Huizhou Production Plant and would fully assist our Group in resolving our labour need through transfer of labour force from farm villages by holding recruitment meetings and widening labour channels, to ensure our Group's production process remained normal and orderly in the operation.

(7) According to the data from the Statistics Bureau of the Guangdong Province, the number of fully employed workers in the manufacturing sector in Huizhou was 570,500 for 2010, 596,600 for 2011 and 607,400 for 2012. This shows a steady growth in labour supply in Huizhou, and provides the foundation for growing manufacturing enterprises in Huizhou. As well, based on our own experience, our Group has not faced any difficulties in recruiting new employees for the Huizhou Production Plant.

Based on the above, our Group is confident that it will be able to recruit enough employees in the Huizhou Production Plant as and when needed, in the event that it is forced out of the Shenzhen Production Plant.

Registration of employees' social insurance and housing fund accounts with local authorities in Huizhou will not disrupt productions

If an employee in the Shenzhen Production Plant were to relocate to the Huizhou Production Plant, he would have to terminate his employment with Shenzhen Wai Chi and enter into an employment contract with the Group's subsidiaries in Huizhou. As a result, our Group's subsidiaries in Huizhou would be required to register the employee's social insurance and housing fund accounts with the relevant local authorities.

The Social Insurance Law of the PRC (《中華人民共和國社會保險法》) and the Administrative Regulations on the Housing Provident Fund (《住房公積金管理條例》) provide that an employer should register an employee with the local social insurance agency. The employer should also be responsible for opening or transferring housing provident fund accounts for an employee. According to the inquiries made by the Company's PRC legal advisers with the competent local authorities, registrations, together with the opening and transferring of the accounts, can typically be completed within 1 to 5 days if the required paperworks are submitted and in order. Based on the above, the Company expects that it will be able to complete the registrations on time.

Nevertheless, our Group maintains that the registrations are independent from the actual production operations. Upon the relocation of a production line, the relevant employees would immediately resume their production tasks and would not be required to wait for the administrative procedures to complete. As such, the registrations and other administrative procedures cause no interruption to productions, and are therefore not factored in or included in the 21 days required for the relocation.

Given that the registrations and other administrative procedures cause no interruptions, these procedures would result in no loss in revenue to our Group.

Estimated cost of relocation

Our Directors are of the view that the relocation cost would not exceed HK$9.5 million, of which includes approximately (i) HK$2.5 million for relocation and testing expenses relating to the relocation of machinery, production lines and office equipment; (ii) HK$0.3 million for the expansion of the staff restaurant in our Huizhou Production Plant; (iii) HK$0.2 million for the procurement of supplemental equipment and machinery; (iv) HK$74,000 for the training and recruitment costs; (v) HK$0.5 million (approximately RMB0.4 million) for the total payment in lieu of notice payable by our Group under the tenancy agreements with Shenzhen Sanwei Holding Limited and Shenzhen Lianfa Holding Limited; and (vi) HK$5.9 million (approximately RMB4.7 million) for the total payment to terminate the two tenancy agreements entered into between our Group and Rong Sheng Limited. In addition, HK$25,000 may be incurred for the purchase of relocation insurance. All the aforesaid relocation costs will be financed by our Group's internal resources. As of 30 June 2014, the cost, the accumulated depreciation and the net book values of our Group's property, plant and equipment located at the Shenzhen Production Plant were HK$107.6 million, HK$53.9 million and HK$53.7 million, respectively. The Directors consider that the plant and equipment in the Shenzhen Production Plant can be easily relocated and assembled in the Huizhou Production Plant. Hence, no written off of these plant and equipment is expected. However, the leasehold improvement in the Shenzhen Production Plant can't be relocated and will have to be written off. The cost, the accumulated depreciation and the net book values of the leasehold improvement as at 30 June 2014 that had to be written off were HK$0.4 million, HK$0.2 million and HK$0.2 million respectively.

Based on the experience of the relocation of research and development department, where only 4% of the research and development employees were not willing to relocate to Huizhou Production Plant, in the event of the relocation of the Shenzhen Production Plant to the Huizhou Production Plant, our Company estimates that the recruitment and training costs may be incurred in the following manner:

A. Training costs

1. Our Company estimates that approximately 4% of the existing labour force in the Shenzhen Production Plant (that is about 91 out of a total of 2,280 workers) will choose not to be relocated to the Huizhou Production Plant, and that according to the production plan of our Company for the years 2014 and 2015, an additional number of 46 workers will need to be recruited for the year 2014 and 52 workers for the year 2015.

2. Each of the new staff needs to be trained for two whole days and then will take up his/her work post at the production line to work for production. On the basis of Shenzhen's minimum wage being RMB1,650 for the year 2014, the daily wage of a worker for a typical month of 24 days is RMB69 (i.e. RMB1,650 divided by 24 days).

   In case our Company needs to employ 91 workers to fill up the vacancies left by those who choose not to be relocated to the Huizhou Production Plant, the total training costs for the 91 workers will amount to RMB12,558 (i.e. 91x69x2) for two days' training.

3. For each of the years 2014 and 2015, our Company estimates that we may need to employ 46 and 52 new workers respectively in order to increase production according to our Company's production plan. The total amount of training costs for the 98 (i.e. 46+52) new workers will be RMB13,524 (i.e. 98x69x2) for two days' training.

4. The total aggregate training costs for employing 189 (i.e. 91+98) new workers will be RMB26,082 (i.e. 12,558+13,524).

B. Recruitment costs

1. Our Group can recruit new staff through the following channels:

   (a) two recruitment websites on line, for which our Group pays a fixed annual fee of RMB2,500 for each of the websites (i.e., the total annual fee for the two websites is RMB5,000);

   (b) a recruitment forum to employ workers on actual location in a certain venue, of which our Group pays a fixed annual fee of RMB2,500;

   (c) the labour source service centre operated by the Huizhou Government, for which our Group does not need to pay for the use of the labour source service centre or the relevant recruitment service; and

   (d) our Group has entered into agreements with labour service companies to recruit labour for our Group. According to the labour service agreements, the labour service company will charge approximately RMB135 for each worker being recruited. Accordingly, for the recruitment of 91 new workers in the event of relocation, the total recruitment costs will be RMB12,285 (i.e. 135x91). For the recruitment of 98 (i.e. 46+52) new workers in terms of our Company's production plan for the year 2014 and 2015, the total recruitment costs will be RMB13,230 (i.e. 135x98).

2. Accordingly, the total aggregate costs for recruitment of 189 (i.e. 91+98) new workers in respect of relocation and increased production for the years 2014 and 2015 amount to RMB33,015 (i.e. 5,000+2,500+12,285+13,230).

In light of the above, our Company is of the view that the aggregate total amount of the training and recruitment costs which amount to RMB59,097 (i.e. 26,082+33,015), being equivalent to approximately HK$74,000, for relocation and increased production is considered minimal and insignificant and will not have any material impact on the relocation or production costs of our Group as a whole.

The Group does not expect any disruption or cessation of production nor any material impact on its financial performance in the unlikely event of relocation

Our Group is in the process of purchasing new machinery for the production of Small LED backlight products for the Huizhou Production Plant in 2014. This will increase the estimated annual production capacity in the Huizhou Production Plant by 21.5 million pieces Small LED backlight products. The new machinery is also adaptable to manufacture Medium LED backlight products. Our Group will use the relevant amounts out of the proceeds of the Share Offer to purchase the new machinery.

Based on the above reasons, in respect of small and Medium LED backlight products, and with the newly purchased production machinery entering into production, our Group will have spare capacity in the Huizhou Production Plant capable of catering for the additional production needs during the relocation.

As such, there will be no cessation in production and our Group can fulfill the small and Medium LED backlight orders accepted by the Shenzhen Production Plant with its Huizhou Production Plant throughout the duration of the relocation. Hence, with proper preparation, our Group does not expect any disruption to the production of LED backlight products or any stoppage time in the production.

Our Directors are of the view that even if our Group is required to vacate from our Shenzhen Production Plant, as a matter of administrative practice of the PRC government a reasonable period of time from approximately three months up to six months or more will be granted to our Group for the arrangement of relocation. Please refer to the section headed "Business — Legal Compliance — Regulatory Non-Compliance — Relocation plan of the Shenzhen Production Plant — Reasons why the Group may have a period of time from approximately three months up to six months or more for the relocation in the unlikely event of being forced out of the Shenzhen Production Plant" for explanations on the administrative practice. In addition, the LED backlight production lines in the Huizhou Production Plant have sufficient production capacity to fulfill the production need of the Shenzhen Production Plant during the process and continuance of the relocation. The relocation will therefore not have any material adverse impact on our Group's operation and will not result in any significant loss of revenue or adversely affect our Group's relationship with our customers.

Estimated loss in the unlikely event of production stoppage arising from and as a result of the relocation

For the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, the turnover derived from the Shenzhen Production Plant amounted to approximately HK$673.5 million, HK$567.9 million, HK$652.6 million and HK$457.5 million, representing approximately 90.2%, 75.4%, 73.0% and 80.0% of the total turnover of our Group during the same period respectively. Given that at any one time, there will be at most two groups of production lines being moved, the loss in revenue (if any) would only arise from the production stoppage of those two groups of production lines. In the event of any unforeseen circumstances during the relocation, our Directors estimate the loss of revenue due to stoppage of the two groups of production lines will not have any material adverse impact on our Group's financial performance.

If in the unlikely event that there is any production stoppage, the estimated loss would be as follows. The average daily turnover for the Shenzhen Production Plant is estimated to be approximately HK$2.2 million. This estimated daily turnover is based on the Shenzhen Production Plant's total turnover in 2013 of HK$652.6 million divided by 295 working days (i.e. 6 working days per week times 52 weeks less 12 public days and 5 extra days of leave for the Chinese New Year Holidays). On such basis, the maximum loss of revenue for the relocation period would be approximately HK$8.8 million. In this scenario, the potential loss of revenue would only amount to 1.0% of our Group's total revenue for the year ended 31 December 2013.

Indemnity by our Controlling Shareholders

Our Controlling Shareholders have entered into a deed of indemnity in favour of our Group whereby they have undertaken to indemnify our Group from and against all claims, damages, losses, costs, expenses, actions and proceedings (if any) arising out of or in connection with any non-compliance or alleged non-compliance by any member company of our Group or the owner/lessor of the leased site on which the Shenzhen Production Plant is located (the "Shenzhen Leased Site") with any applicable PRC rules, regulations and laws in relation to the Shenzhen Leased Site, including but not limited to, (a) the penalties that may be imposed on our Group in relation to such non-compliance or alleged non-compliance; (b) the costs, expenses and losses that may arise from our Group being forced to move out of the Shenzhen Production Plant as a result of such non-compliance (including without limitation) (i) the losses and damages that may be incurred and suffered by our Group due to the cessation of production during the period of relocation; and (ii) the costs and expenses that may arise from and be sustained by our Group in connection with the relocation of the production lines and equipment and personnel from the Shenzhen Production Plant to the Huizhou Production Plant.

Our Controlling Shareholders have further undertaken to indemnify the Group against the costs arising from or in connection with the relocation, including (i) relocation and testing expenses relating to the relocation of machinery, production lines and office equipment; (ii) expansion of the staff restaurant in our Huizhou Production Plant; (iii) the procurement of supplemental equipment and machinery; (iv) the training and recruitment costs; (v) any rental payable by the Group under such lease agreement(s) for the period after the relocation has taken place and until expiry of such lease agreement(s) in the event of any fixed term lease agreement(s) in respect of any part of the Shenzhen Leased Site that cannot be terminated prior to the expiry of the relevant term; and (vi) the relocation insurance (if any).

Reasons for low risk of Shenzhen Wai Chi being forced out of the Shenzhen Production Plant

Our Group would emphasize that the actual risk of Shenzhen Wai Chi being forced out of the Shenzhen Production Plant is low.

Our Group obtained a written reply issued by the Administrative Bureau of Bao'an under the Committee of Planning, Land and Resources of Shenzhen (the "Administrative Bureau") on 29 September 2013, the Administrative Bureau was of the view that the land on which the Shenzhen Production Plant was erected was not subject to repossession for the time being. As advised by the Company's PRC legal advisers, although the relevant PRC regulations stipulate that the government and its relevant land administration authorities may have the right to repossess the land, the government's decision on repossession will be subject to the city planning, without which the government and its relevant land administration authorities can not repossess the land. Without any city planning requirement for the landlord to move out, the local land administration authority shall have the right to decide not to repossess the land. Furthermore, before the local land administration authority repossesses the land, it will publish an announcement on its website or on the buildings of the land to be repossessed. As further advised by the Company's PRC legal advisers, upon their search on the official website of the local land administration authority, no city planning shows the government will repossess the land and no announcement regarding the repossession of the land has been published as at the Latest Practicable Date. Therefore, the Company's PRC legal advisers are of the view that the relevant PRC authorities re-entering the land, and Shenzhen Wai Chi being forced to move out from the Shenzhen Production Plant as a result, is low. Further, as advised by the Company's PRC legal advisers, the Administrative Bureau is the competent authority to issue such reply.

That said, even in the unlikely event that the local land administration authority publishes an announcement regarding repossession of the land, our Company's PRC legal advisers advised that the repossession procedures will usually take a further four months from the date of the announcement. Therefore, taking into account of the 21 days relocation schedule, our Directors are of the view that our Company should have sufficient time to finish the relocation during that period.

The Shenzhen Production Plant was situated on collectively owned lands. There could be various reasons for the Shenzhen Production Plant's landlord being unable to provide the relevant title certificates. However, it is out of the control of our Group as to whether the landlord is able to provide the relevant title certificates. So far, our Group has leased the Shenzhen Production Plant for over 10 years and has always been able to renew the lease agreement without any difficulties. Our Group does not expect to be forced out of the Shenzhen Production Plant in the foreseeable future.

Having said that, if in the unlikely event that Shenzhen Wai Chi were forced out, the administrative practice of the PRC government is such that the Company may have almost six months or more for the relocation.

Reasons why the Group may have a period of time from approximately three months up to six months or more for the relocation in the unlikely event of being forced out of the Shenzhen Production Plant

In the unlikely event that Shenzhen Wai Chi were forced out, the Company's PRC legal advisers are of the view that the Company may have a period of approximately three months up to six months or more for the relocation, after considering the following administrative procedures of the PRC government as stipulated under the Regulations of the Shenzhen Special Economic Zone on Supervision over Land Planning (《深圳經濟特區規劃土地監察條例》):

	Procedure	**Period**
1	Placing a case on file by the Organization of Supervision over Land Planning of the Shenzhen City (the "Competent Authority") after confirming such case meets the pre-conditions under the Regulations of the Shenzhen Special Economic Zone on Supervision over Land Planning (the "Regulations")	10 days
2	Investigation and concluding the case with a final decision	Up to 3 months, and extendable for 1 month with approval by a higher authority
3	Notice of decision served by the Competent Authority to the parties concerned	Maximum of 1 month by way of public announcement
4	The losing party(ies) applying for an administrative review or an administrative litigation	60 days or up to 3 months, respectively
5	The Competent Authority applying for a court order of compulsory dismantle	3 months after lapse of the statutory periods of application of an administrative review or an administrative litigation

The "statutory period" as referred to in procedure no.5 above means the relevant periods within which the affected parties may apply for an administrative review or an administrative litigation. Pursuant to the Law on Administrative Review of the PRC (《中華人民共和國行政覆議法》), citizens, legal persons or other organizations that consider that certain specific administrative acts infringe upon their lawful rights or interests may apply for administrative review within 60 days from the date when they come to know of such administrative acts, except where the time limit for application is more than 60 days as prescribed by law. Pursuant to the Law on Administrative Litigations of the PRC (《中華人民共和國行政訴訟法》), citizens, legal persons or other organizations that wish to institute proceedings directly with the People's Court shall do so within 3 months from the date on which they learnt of the performance of the specific administrative act in question, except where the law provides otherwise.

According to the Regulations, the Competent Authority shall perform the following duties:

(i) supervise, inspect and implement compliance with the laws and regulations of city planning and land management; and

(ii) investigate and prosecute the illegal actions violating the laws and regulations of city planning and land management.

The Competent Authority is independent from other governmental authorities and is entitled to enforce the Regulations. According to the Regulations, the local competent authority (such as the Office of Supervision over Land Planning of Bao'an District) has the authority to investigate and prosecute the illegal actions of land and construction within its jurisdictional locality, while the grave and complicated cases shall be subjected to the jurisdiction of higher level competent authority which is the Organization of Supervision over Land Planning of the Shenzhen City.

While the Office of Supervision over Land Planning of Bao'an District (i.e. the competent authority for the locality of the Shenzhen Production Plant) refuses to comment on the time allowance in the hypothetical situation of Shenzhen Wai Chi being forced out, the relevant authorities for a number of other nearby localities indicated time allowance of at least six months would be given in practice. According to enquiries made by the Company's PRC Legal Advisers, the Office of Supervision over Land Planning of Yantian District in Shenzhen and the Bureau of City Administration and Law Enforcement of Huizhou, confirmed the requisite procedures typically took at least six months, while the Office of Supervision over Land Planning of Pingshan New District in Shenzhen confirmed time allowance of 6 to 12 months in practice.

In view of the time allowance of a period of time of approximately three months up to six months or more, the Company should have sufficient time to devise the requisite preparations for the relocation, then to execute the relocation in 21 days.

Reasons for the non-relocation by the Group of its existing operations in the Shenzhen Production Plant to the Huizhou Production Plant

The reasons for not relocating its existing operations in the Shenzhen Production Plant to the Huizhou Production Plant are as follows:

(a) Shenzhen Wai Chi started to lease the Shenzhen Production Plant in 2002. As the Group has been operating at its Shenzhen site for over 10 years and there is no imminent risk of re-entry by the relevant PRC authority, it is not necessary for the Group to relocate its existing operation at the Shenzhen Production Plant to the Huizhou Production Plant at this time and in the foreseeable future;

(b) the Group conducts its business with its major customers at Shenzhen; if the Group relocates its operations from Shenzhen to Huizhou, the Group will lose the advantage of proximity and convenience in doing business with its major customers;

(c) the Group's LED backlight and LED lighting products (the "Products") are delivered to the major customers at Shenzhen and if the Group needs to deliver its Products to its customers at places outside Shenzhen, the Group can easily find efficient logistics service for delivery of the Group's Products at Shenzhen;

(d) nevertheless, the Group has plans to slowly phase-out the Shenzhen Production Plant depending on the Group's business needs and centralise the key operations in the Huizhou Production Plant, as evidenced by the recent relocation of the research and development department to the Huizhou Production Plant; and

(e) given that the Huizhou Production Plant has been designed and built with due consideration as to the growth of the LED backlight and LED lighting markets and the expansion of the Group's business in future, the Group plans to use the production and office capacities in the Huizhou Production Plant to fulfill its business and production needs as and when such needs arise from the demands of customers and changes in such demands and development of the business environment.

Our Directors take the view that the leased property at Shenzhen is crucial to the Group's operation since it accommodates the Shenzhen Production Plant which is responsible for producing Small LED backlight products and Medium LED backlight products that constitute over 80% of our sales by products for each of the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014. To the best of the Directors' knowledge and belief, notwithstanding or irrespective of whether the leased property at Shenzhen has defective titles or otherwise, the Group will be required and have to pay the amount of rent that it is paying presently (the "Rental Amount") pursuant to the relevant lease agreement. Even if the Group has rented a property without defective title, the amount of rent payable would not be materially different from the Rental Amount on the basis that the rent of the properties with proper title of similar size in the vicinity is not materially different from the Rental Amount.

Our Directors are of the opinion that as there is neither any property loss nor any human injury caused by the property conditions of the premises of the Shenzhen Production Plant since the beginning of the lease term, the safety conditions of the premises of the Shenzhen Production Plant are intact.

According to Shenzhen Real Estate Registration Regulations (《深圳經濟特區房地產登記條例》), the title certificate of the real estate shall be provided when applying for transfer or mortgage of such real estate. As a result, the lack of the title certificate will prevent the Shenzhen Production Plant being bought, sold or being accepted by banks as security for mortgages.

Long-term Relocation Schedule of the Shenzhen Production Plant

Given the available space in the Huizhou Production Plant to accommodate the production lines and machinery of the Shenzhen Production Plant, our Group has considered following the general direction and the long-term schedule of relocating the Shenzhen Production Plant to the Huizhou Production Plant. Our Group sets out the long-term schedule on a 5-year basis of relocation of the Shenzhen Production Plant to the Huizhou Production Plant below:

5-year Relocation Schedule of Shenzhen Production Plant

	2014	2014	2015	2015	2016	2016	2017	2017	2018	2018
	1st half	2nd half	1st half	2nd half	1st half	2nd half	1st half	2nd half	1st half	2nd half
Research and Development Department (note)										
Compliance Department										
HR and Training Department										
Administrative Department										
IT Department										
Finance Department										
Quality Control Department										
Purchasing & Inventory Department										
Production department										
– Group A Backlight Production Lines										
– Group B Backlight Production Lines										
– Group C Backlight Production Lines										
– Group D Backlight Production Lines										
– Group E Backlight Production Lines										
– Group F Backlight Production Lines										
– Group G Backlight Production Lines										
Set up representative and sales office in Shenzhen										

Note: The research and development department has been relocated to Huizhou Production Plant in Jan 2014.

In view of our Group's long term schedule to relocate the Shenzhen Production Plant to the Huizhou Production Plant, our Group has included in the long term schedule the following measures to maintain the advantage of proximity and retaining close ties with our clients in Shenzhen:

(i) our Group will establish and maintain an office in Shenzhen to act as representative and sales office (the "Shenzhen Office"). The Shenzhen Office will be managed by senior administration staff and the sales staff who are used to contact and conduct business with the Group's customers at Shenzhen (the "Shenzhen Customers") will station at the Shenzhen Office to maintain close contact with the Shenzhen Customers on a regular basis. Our Group's senior management will visit the Shenzhen Customers at Shenzhen from time to time to solidify the contact and reinforce the business relationship with the Shenzhen Customers; and

(ii) the existing expressway network between Shenzhen and Huizhou has significantly shortened the travelling time between them. At present, it only takes approximately 1.5 hours to travel from Shenzhen to Huizhou and vice versa. Hence, it is still quite convenient and cost-efficient for either our Group to deliver the LED products to the customers or the customers to visit the Huizhou Production Plant to check the quality of the products that they have ordered on site and deal with any problems concerning the products efficiently.

Even if our Group is not being forced out of the Shenzhen Production Plant by the relevant government authorities, our Group will still relocate our Shenzhen Production Plant to the Huizhou Production Plant in accordance with the 5-year relocation schedule as stated above. Our Group has already relocated the research and development unit of our backlight department from Shenzhen to Huizhou in January 2014 and will continue to adhere to the relocation schedule.

Early termination of the tenancy agreements in connection with the Shenzhen Production Plant will not give rise to any penalty or compensation to be payable by our Group

In the event of early termination by our Group of the tenancy agreements in connection with the Shenzhen Production Plant, our Group will not be subject to any losses or damages or penalty other than those stated in the tenancy agreements for the leased properties for the following reasons:

1. Pursuant to the tenancy agreement entered into between Shenzhen Sanwei Holding Limited* (深圳市三圍股份有限公司) and Shenzhen Wai Chi for the lease of a gross floor area of approximately 2,920 sq.m. and the tenancy agreement entered into between Shenzhen Lianfa Holding Limited* (深圳市聯發股份合作公司) and Shenzhen Wai Chi for the lease of a total gross floor area of approximately 5,530 sq.m. to Shenzhen Wai Chi, if there is a need to terminate the tenancy agreement due to special circumstances, the party terminating the tenancy agreement must give the other party notice three months before the termination of the tenancy agreement or pay to the other party three months' rental and total management fee. The total payment in lieu of notice payable in case of early termination of tenancy by our Group under the tenancy agreement with Shenzhen Sanwei Holding Limited is RMB109,500, and that payable by our Group under the tenancy agreement with Shenzhen Lianfa Holding Limited is RMB251,850. Our Directors are of the view that the two aforementioned tenancy agreement are expected to be renewed.

2. Pursuant to the tenancy agreement entered into between Shenzhen Bao'an Rong Sheng Limited* (深圳市寶安榮勝實業有限公司) ("**Rong Sheng**") and Shenzhen Wai Chi for the lease of a total gross floor area of approximately 16,940 sq.m. (the "**Leased Property A**") and the tenancy agreement entered into between Rong Sheng and Shenzhen Lighting for the lease of a total gross floor area of approximately 800 sq.m. (the "**Leased Property B**") to Shenzhen Wai Chi, neither party can unilaterally terminate the contract or amend the provisions or cancel, recall any accessory facilities. Considering that the relocation is scheduled to be completed in the second half of the year 2018 pursuant to the 5-year Relocation Plan of Shenzhen Production Plant, and since neither our Group nor Rong Sheng can unilaterally terminate the tenancy agreements even if our Group completed the relocation to the Huizhou Production Plant in December 2018 as scheduled, our Group shall continue to pay a total rental of approximately RMB4.5 million for the Leased Property A and approximately RMB0.2 million for the Leased Property B to Rong Sheng under the tenancy agreements, being the total rental payable by our Group for the period between January 2019 and March 2020 (the date of expiry of the tenancy agreements).

   The above total rental payments are calculated based on the rental charges of RMB298,144 and RMB14,080 per month for Leased Property A and Leased Property B respectively, representing the monthly rental payable by the Group for the period between January 2019 and March 2020 (the date of expiry both of the tenancy agreements).

   Each of our Controlling Shareholders has entered into a deed of indemnity in favour of the Group to indemnify the Group the rental payable in relation to the Leased Property A and Leased Property B for the period after the relocation has completed and until the expiry of the relevant tenancy agreements described above in the event such tenancy agreements cannot be terminated prior to the expiry of the relevant term.

In view of the aforesaid, our Directors consider that each of the four tenancy agreements above does not contain any provision that imposes penalty on or compensation payable by our Group for their early termination apart from the payment in lieu of notice in the tenancy agreements as set out in paragraph 1 above. Hence, early termination of the tenancy agreements will not give rise to any penalty or compensation to be payable by our Group.

Internal Control System

In order to enhance the effectiveness of our internal control system, we engaged Internal Control Consultant to perform a review on the internal control system of our Group. The Internal Control Consultant performed a first round on-site review from 14 June 2013 to 31 July 2013. After completion of such review, the Internal Control Consultant held discussions with our management to discuss the status of implementation of remedial measures recommended by the Internal Control Consultant. From 17 February 2014 to 21 February 2014, the Internal Control Consultant performed another round of on-site follow up review. The table below sets forth the Internal Control Consultant's major findings and recommendations and our status of implementation:

	Major findings	**Recommendations**	**Status of implementation**
1.	There had not been sufficient control measures in relation to the use and management of the ERP system, including the lack of restriction on the right of staff to alter accounting entries and insufficient approval system when making amendments to the financial figures.	Management should consider restricting the right to alter accounting entries according to the role and responsibility of the accounting staff. • Any amendment to the accounting entries should be verified and approved by relevant management.	Access right in the ERP system has been properly established. In addition, approval has been obtained prior to the amendment of the accounting entries.
2.	There had not been sufficient control in our book keeping and financial reporting procedures, including: (i) the lack of a sufficient system for the approval of vouchers; (ii) the lack of documentation showing the management's review of the financial reports; and (iii) the lack of control on the access right to the financial reports.	• Relevant management should sign on the vouchers as an evidence of approval. • Require management's signature on financial reports to evidence the approval. • Impose restriction on the access to the financial reports by setting password for access that is only known to our management.	• Relevant management signs on the vouchers after review and approval. • Our financial reports have been protected with password and only relevant managers may have access to such reports. • Relevant manager signs on the financial reports as an evidence of approval.

	Major findings	Recommendations	Status of implementation
3.	No proper procedure had been set up for cash management. Some of the received cash were kept in safe instead of deposited into the bank.	• Management should follow the "Interim Cash Control Regulations" (現金管理暫行條例) by depositing the received cash into the bank.	Cash income is deposited into the bank in accordance with the regulations under the Interim Cash Control Regulations.
4.	No proper payment approval system has been set up to grant the authority of approving payment to their subordinates.	• Proper approval system should be set up to grant authority to various levels of finance officers.	Our Group has established a payment approval process granting various approval authorities to different management.
5.	Management had failed to review the details of the tax return before online submission.	• The tax return shall be reviewed by the management before online submission.	The finance department would submit the draft tax return to the management for approval before submission.

We have adopted certain internal control policies to manage and minimise financial and other risks to ensure timely and accurate preparation and reporting of financial information and to monitor compliance with laws by the senior management personnel of our Group in the performance of their duties.

CONTROLLING SHAREHOLDERS

Immediately following completion of the Share Offer, Rexell Technology, which is wholly-owned by Mr. Yiu, will be legally and beneficially interested in 75% of the Shares in issue (assuming that the Over-allotment Option is not exercised and without taking into account Shares that may be allotted and issued upon the exercise of any options granted under the Share Option Scheme). Accordingly, Mr. Yiu and Rexell Technology will be our Controlling Shareholders within the meaning of the Listing Rules. The Controlling Shareholders confirmed that they and their respective close associates do not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with our business.

We believe that our Group is capable of carrying on its business independent of our Controlling Shareholders and their respective close associates (other than our Group) after Listing for the following reasons:

(i) as at the Latest Practicable Date, no executive Director had overlapping roles or responsibilities in any business operation which competes or is likely to compete, either directly or indirectly, with our business;

(ii) as at the Latest Practicable Date, none of our Directors had an interest in any business which competes or is likely to compete, either directly or indirectly, with our business;

(iii) as at the Latest Practicable Date, we had our own independent operation capabilities and independent access to customers and suppliers and, we had not entered into any non-exempt connected transactions with any connected person of our Company. We are also in possession of all relevant permits and licenses necessary to carry on and operate our business and we have sufficient operational capacity in term of capital and employees to operate independently; and

(iv) we are financially independent of our Controlling Shareholders and their respective close associates. All loans, advances and balances due to and from our Controlling Shareholders and their respective close associates have been fully settled. In addition, we have our own internal control and accounting systems, accounting and finance department, independent treasury function for cash receipts and payment and independent access to third-party financing.

Our Directors are satisfied that we are capable of carrying on our business independent of our Controlling Shareholders (including their respective close associates) after our Company is listed on the Stock Exchange.

Our Directors have confirmed that to the best of their knowledge, information and belief, our Controlling Shareholders and our Directors have no interest in businesses, other than our Group's businesses, which may directly or indirectly compete against the business of our Group.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Our Directors consider that our Group is capable of carrying on its business independent of, and does not place undue reliance on, our Controlling Shareholders and their close associates for the following reasons:

Management independence and operational independence

Although our Controlling Shareholders will retain a controlling interest in our Company after the Listing, our Company has full rights to make all decisions on, and to carry out, its own business operations independently. Our Company (through its subsidiaries) holds all relevant licences necessary to carry on the business, and has sufficient capital, equipment and employees to operate the business independently from our Controlling Shareholders. Except for our exempt continuing connected transaction described below, none of the Group members purchases from, or sells products or services to, the Controlling Shareholders.

Our Company's management and operational decisions are made by our executive Directors and senior management who have substantial experience in the industry in which our Company is engaged. Furthermore, our Company's independent non-executive Directors will bring independent judgment to the decision-making process of our Board.

Our Company has an independent work force to carry out its operations. Further, there will not be any non-exempt continuing connected transactions between our Group and our Controlling Shareholders or their close associates upon completion of the Listing. Based on the above, our Directors are of the view that our Company is independent of our Controlling Shareholders in terms of management and business operations.

Administrative independence

Our Group has its own capabilities and personnel to perform all essential administrative functions, including financial and accounting management, business management and development. Our senior management staff is independent of our Controlling Shareholders.

Financial independence

We have our own finance department and accounting system and we make our financial management decisions according to our own business needs.

During the Track Record Period, Mr. Yiu, the beneficial owner of Rexell Technology and one of our Controlling Shareholders, contributed sums of HK$10.2 million, HK$44.7 million, HK$36.9 million and nil for the years 2011, 2012, 2013 and the six months ended 30 June 2014 respectively. These contributions were mainly used for the support of our operation and capital expenditure.

The contributions were initially provided to us during the Track Record Period in the form of loans. The loans were interest-free, and were therefore provided for our benefit, and on better terms to us. If the loans were not available, we would have to finance our needs with alternative financing from financial institutions, and would incur additional interest expenses. As part of our Reorganisation, the loans were fully capitalised on 31 December 2013.

Upon completion of the Share Offer, all guarantees provided by the Controlling Shareholders will be fully released. We believe that we are able to raise funds on a stand-alone basis without any credit support from our Controlling Shareholders. Our Directors consider that we are financially independent from our Controlling Shareholders or their close associates upon Listing of our Company.

EXEMPT CONTINUING CONNECTED TRANSACTION

Details of the continuing connected transaction of the Company which is exempt from the reporting, announcement and independent shareholders' approval requirements set out in Chapter 14A of the Listing Rules are set out below:

*Lease of property from Maxtone Electronics Limited ("**Maxtone**")*

During the Track Record Period, Maxtone leased to our Group a property located at Unit A, 6th Floor, Liven House, Nos. 61–63 King Yip Street, Kowloon, Hong Kong (the "**Property**"). For the three years ended 31 December 2011, 2012 and 2013, and the six months ended 30 June 2014, the Group paid a total rental of HK$1,044,000, HK$796,000, HK$816,000, and HK$408,000 respectively. The term for the existing tenancy agreements in respect of the Property commenced from 1 April 2013, and will expire on 31 March 2015 at a monthly rent of HK$68,000 exclusive of rates, air-conditioning, management charges and other outgoings. During the three years ended 31 December 2011, 2012 and 2013, and up to 22 February 2014, Maxtone was wholly-owned by Mr. Yiu Chi To, one of the Controlling Shareholders and a director of the Company. On 22 February 2014, Maxtone allotted additional shares to Mr. Yiu Kwok Lok, the son of Mr. Yiu Chi To, and Ms. Yiu Kwan Wai, a member of our senior management and Ms. Yiu Kwan Yu, a director of the Company and on 11 March 2014 Mr. Yiu Chi To transferred his entire shareholding in Maxtone to Ms. Yiu Kwan Yu. As of the Latest Practicable Date. Maxtone was held as to 60% by Mr. Yiu Kwan Lok, as to 20% by Ms. Yiu Kwan Yu and as to 20% by Ms. Yiu Kwan Wai, and therefore it is a connected person of the Company.

The transactions under the lease fall within the de minimis threshold as stipulated under Rules 14A.76 of the Listing Rules. The transaction is not subject to any of the reporting announcement and independent shareholders' approval requirements applicable to continuing connected transactions under Chapter 14A of the Listing Rules.

RHL Appraisal Limited, independent professional property surveyors and valuers, has confirmed that the rents payable to Maxtone under the tenancy agreement is fair and reasonable, and consistent with the prevailing market rents for similar premises in similar location. The Directors are of the view that the tenancy agreement has been entered into in the ordinary and usual course of business of the Group, on normal commercial terms, is fair and reasonable and in the interests of the Shareholders as a whole.

NON-COMPETITION UNDERTAKING

Our Controlling Shareholders confirm that they are neither engaged, nor interested, in any business which, directly or indirectly, competes or may compete with our Group's business and would require disclosure under Rule 8.10 of the Listing Rules. Our Directors confirm that none of them is interested in any business which competes or is likely compete, either directly or indirectly with our business.

In order to ensure that our Controlling Shareholders will not engage in any business undertaking in competition with our Group, Rexell Technology and Mr. Yiu (each a "**Covenantor**" and collectively "**Covenantors**") have given an irrevocable non-competition undertaking in favour of our Company under the Deed of Non-competition pursuant to which, the Covenantors have irrevocably, unconditionally, jointly and severally undertaken with our Company that, among others, at any time during the Relevant Period (as defined below), the Covenantors shall, and shall procure that their respective close associates (excluding the Group) shall:

(i) not, and will use his best endeavours to procure any Covenantor and his close associates (as defined under the Listing Rules) and any company directly or indirectly controlled by the Covenantor (excluding our Group) ("**Controlled Company**") not to, either on his own or in conjunction with any body corporate, partnership, joint venture or other contractual agreement, whether directly or indirectly, whether for profit or not, carry on, participate in, hold, engage in, acquire or operate, or provide any form of assistance to any person, firm or company (except members of our Group) to conduct any business which, directly or indirectly, competes or is likely to compete with the business of our Company or any of our subsidiaries as our Company or any of our subsidiaries may conduct or carry on business from time to time, including but not limited to manufacturing of or other businesses related to LED backlight products and LED lighting products ("**Restricted Business**");

(ii) in case of any Covenantor and/or any Controlled Company is offered or becomes aware of any business opportunity directly or indirectly to engage in or own a Restricted Business ("**New Business Opportunity**"), (a) notify in writing and refer to our Company such New Business Opportunity for consideration within 10 days; and (b) not, and shall procure that his close associates or Controlled Companies not to, invest or participate in the New Business Opportunity unless it has been rejected by our Company and that the principal terms of the New Business Opportunity available to the Covenantor or his close associates or Controlled Companies are no more favourable than those made available to our Company. A Covenantor may only engage in New Business Opportunity if (a) our Company by notice confirms that the New Business Opportunity is not accepted and/or does not constitute competition with the Restricted Business ("**Non-acceptance Notice**"); or (b) a Non-acceptance Notice is not received by the Covenantor within 30 days after the New Business Opportunity has been referred to our Company. Our independent non-executive Directors will be responsible for the review and determination of whether to take up a New Business Opportunity and if a New Business Opportunity constitutes competition with the Restricted Business, taking into consideration, among other factors, the overall interests of our Shareholders.

For the above purposes, "**Relevant Period**" means the period commencing from the Listing Date and shall expire upon the earliest of the dates below:

(a) the date on which the Covenantors cease to be our controlling shareholders for the purpose of the Listing Rules;

(b) the date on which the Shares cease to be listed on the Stock Exchange or (if applicable) other stock exchange.

Under the non-competition undertaking, the Covenantors have also undertaken to our Group to allow our independent non-executive directors of our Group to have sufficient access to the records of the Covenantors and their respective close associates to ensure their compliance with the terms and conditions of the non-competition undertaking.

Notwithstanding the aforesaid, the non-competition undertaking as set out above shall, subject to the terms of the Deed of Non-competition, not prevent the Covenantors and their respective close associates from acquiring a direct or indirect shareholding interest of not more than 5% in a company listed on any recognised stock exchange (as defined under the SFO) that engages in any Restricted Business.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to manage the conflict of interests arising from our Controlling Shareholders and to safeguard the interests of our Shareholders:

(i) our independent non-executive Directors will review, on an annual basis, the compliance with the undertaking by the Covenantors under the non-competition undertaking set out in the paragraph headed "Non-competition undertaking" in this section;

(ii) we have appointed Changjiang Corporate Finance (HK) Limited as our compliance advisor, who will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to Directors' duties and internal controls;

(iii) the Covenantors undertake to provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors and the enforcement of the non-competition undertaking;

(iv) our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the undertaking of the Covenantors under the non-competition undertaking set out in the paragraph headed "Non-competition undertaking" in this section, in the annual reports of our Company;

(v) if our independent non-executive Directors consider it necessary or desirable, they may also engage professional advisors (including an independent financial advisor) at the costs of the Company to advise them on matters relating to the non-competition agreement or on any business opportunities which may be referred to us by our Controlling Shareholders; and

(vi) the Covenantors will make an annual declaration in compliance with their respective undertaking under the non-competition undertaking in the annual report of the Company.

NON-DISPOSAL UNDERTAKINGS

Each of the Controlling Shareholders has undertaken to the Stock Exchange that, each of them shall procure that the relevant registered holder(s) shall not, without the prior written consent of the Stock Exchange:

(a) in the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date on which the date which is six months from the Listing Date (the "**First Six-month Period**"), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those Shares or securities of our Company in respect of which he/it is shown by this prospectus to be the beneficial owner as at the Listing Date; and

(b) at any time during six months commencing on the date on which the First Six-month Period expires (the "**Second Six-month Period**"), dispose of, enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities referred to in the immediately preceding paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

Further details of undertakings given by our Controlling Shareholders are set out under the section headed "Underwriting".

BOARD OF DIRECTORS

Our Board currently has 8 Directors comprising 5 executive Directors and 3 independent non-executive Directors. The following table sets out the information about our Directors.

Name	Age	Position and description of role	Date of Appointment
Mr. Yiu Chi To (姚志圖)	52	Executive Director and Chairman (responsible for formulating corporate strategies and overseeing business development)	16 August 2013
Mr. Chen Chung Po (陳鐘譜)	37	Executive Director and Chief Executive Officer (responsible for day-to-day management including administration, procurement, production and financial management)	16 August 2013
Ms. Yiu Kwan Yu (姚君瑜)	30	Executive Director (responsible for sales and marketing, research and development of our LED lighting division)	16 August 2013
Mr. Chen Wei Wu (陳緯武)	51	Executive Director (responsible for the financial management and day-to-day financial operation in the PRC)	11 March 2014
Ms. Yong Jian Hui (雍建輝)	37	Executive Director (responsible for the sales and marketing of LED backlight products)	11 March 2014
Mr. Au Yeung Tin Wah (歐陽天華)	51	Independent non-executive Director (Chairman of our Audit Committee)	11 March 2014
Mr. Chen Kwok Wang (陳國宏)	51	Independent non-executive Director (Chairman of our Nomination Committee)	11 March 2014
Mr. Ho Chi Wai (何志威)	40	Independent non-executive Director (Chairman of our Remuneration Committee)	11 March 2014

Executive Directors

Mr. Yiu Chi To (姚志圖), age 52, is the founder of our Group, the executive Director and Chairman of our Company. He was appointed as an executive Director of our company on 16 August 2013. He is responsible for formulating corporate strategies and overseeing the Group's business development and operation as well as monitoring the Group's administration. He also plays a role in developing new technology and innovations with our Group's research and development team and maintaining good relationships with our major customers. Mr. Yiu has more than 30 years of working experience in the LED industry. Mr. Yiu had successfully registered patents in the PRC for the new technologies that he had developed, including "Double sided light emitting backlight"* (雙面發光背光源) in 2003, "Bottom-side dual-efficient LED white light"* (底側兩用高效LED白燈) in 2004, and "LED with heat dissipation"* (帶散熱功能的LED) in 2005. From 2009 to present, Mr. Yiu also served as a deputy director for the Shenzhen Light Emitting Diode Industry Association.

Mr. Yiu graduated from Fujian Jinjiang Neikeng High School (福建晉江內坑中學) in 1978. Prior to the establishment of the Group, from 1979 to 1981 he worked in an electronic watch manufacturing company initially as an assembly line worker, and was later promoted to a manager where he was involved in sales and marketing of the electronic watches and in 1982 he started a business in the electronic watch industry and ceased the business in 1984 before establishing the Group. In 1984, Mr. Yiu founded Wai Chi Electronics Co (偉志電子公司). Mr. Yiu is the father of Ms. K.Y. Yiu and Ms. Yiu Kwan Wai and father-in-law of Mr. C. P. Chen.

Mr. Chen Chung Po (陳鐘譜), age 37, was appointed as executive Director and the Chief Executive Officer of our Company on 16 August 2013. He is responsible for the day-to-day management of our Group including administration, procurement, production as well as financial management. Mr. Chen received his Bachelor of Arts in Business Studies degree from Hong Kong Polytechnic University in November 2000. He has more than 10 years of working experience in banking and finance fields. After Graduation, he joined Bank of China (Hong Kong) as a credit analyst and has been gradually promoted to Branch Manager from 2000 to 2006. From 2006 to 2010, he worked with Sun Hung Kai Group of companies serving as the Vice President of Sales Division in Wealth Management when he resigned in 2011. From 2011 to 2012, he was a person licensed to carry on Type 2 regulated activity. Prior to joining our Group, he was the sales director in GF Securities (Hong Kong) Brokerage Limited from 2011 to 2013. He also held the Directorship of Hong Kong Critical Component Manufacturing Association from 2012 to present. Mr. C.P. Chen is the husband of Ms. K.Y. Yiu, son-in-law of Mr. Yiu and brother-in-law of Ms. Yiu Kwan Wai.

Ms. Yiu Kwan Yu (姚君瑜), age 30, was appointed as executive Director of our Company on 16 August 2013. She is also the Sales and Marketing Manager of Wai Chi Opto Technology Ltd since 2009. Ms. Yiu joined us in 2008 and served as Sales and Marketing Executive initially. She is responsible for the sales and marketing of our LED lighting division and she is also in charge of our research and development department of our LED lighting division. Ms. Yiu received her Bachelor's degree of Applied Science in Electrical Engineering from The University of British Columbia in May 2008 and her Master of Lighting degree from the Queensland University of Technology in May 2012. Ms. Yiu was admitted as Engineer by the Corporation of Seven Wardens Inc. in 2008. She also held the Directorship of Hong Kong Critical Component Manufacturing Association from 2009 to 2012 and the Directorship of Hong Kong Opto Mechatronics Industry Association from 2012 to present. Ms. K.Y. Yiu is the elder daughter of Mr. Yiu, wife of Mr. C.P. Chen and elder sister of Ms. Yiu Kwan Wai.

Mr. Chen Wei Wu (陳緯武), age 51, was appointed as executive Director of our Company on 11 March 2014. He is the Financial Controller of Shenzhen Wai Chi since 2010. He is responsible for the financial management and day-to-day financial operation in the PRC region. He has 29 years of experience in commercial and finance fields. From 1984 to 1992, Mr. Chen served as Accounting Officer in Jinan Chemicals Factory at Hengyang City of Hunan (湖南衡陽市金雁化工廠). From 1992 to 1997, he served as Financial Controller in Shenzhen Zhongqiao Group* (深圳中僑集團) at Shenzhen. From 1997 to 2001, he served as Vice General Manager and Chief Financial Controller in Shenzhen Shennan Merchants Group (深南招商集團). From 2001 to 2006, he served as the Assistant to the General Manager and head of the Capital Department in Shenzhen Saigedasheng Joint-stock Company Limited * (深圳市賽格達聲股份有限公司). From 2006 to 2008, he served as the General Manager of the Audit Planning Department in GD Hengfeng Investment Group Co., Ltd (廣東恒豐投資集團有限公司). From 2008 to 2010, he served as the General Manager of Group Finance Division in Shenzhen Shangtianran Investment Company Limited* (深圳市尚天然投資有限公司). Mr. Chen studied and graduated from the correspondence course in industrial accountancy and received the professional certificate in industrial accountancy from the Hunan College of Finance and Economics* (湖南財經學院) in July 1987. In October 1994, Mr. Chen was conferred by the Ministry of Finance in the PRC the qualification of an accountant specializing in corporate accounting. In April 2011, Mr. Chen was admitted as Senior International Finance Manager by the International Financial Management Association. In June 2012, Mr. Chen obtained his Master of Business Administration degree from the Zhongnan University of Economics and Law. Mr. Chen has completed his study for the doctorate programme in business administration operated by the Victoria University of Switzerland (the "Victoria University") in 2013 and has been informed by the Victoria University that he will be granted the doctorate degree in business administration in 2014.

Ms. Yong Jian Hui (雍建輝), age 37, was appointed as executive Director of our Company on 11 March 2014. She joined our Company since 2003. She is currently the Deputy General Manager and the Head of Sales Department of Shenzhen Wai Chi Opto Technology Company Limited. She is responsible for the sales and marketing of our LED backlight products. She has more than 10 years of working experience in sales and marketing of backlight products. Prior to her joining our Company, Ms. Yong served as the head of Sales Department at Wah Mei Electronics (Shenzhen) Company Limited (華美電子

(深圳)有限公司) from 2000 to 2002. Ms. Yong received the certificate on achieving the third grade in University English from the Hunan Radio & TV University in March 1998 and her Master of Business Administration degree from the Southwest Jiaotong University in June 2012.

Independent Non-executive Directors

Mr. Au Yeung Tin Wah (歐陽天華), age 51, was appointed as independent non-executive Director of our Company on 11 March 2014.

Mr. Au Yeung is currently a director of Lau & Au Yeung C.P.A. Limited. Prior to establishing his CPA practice in mid-1992, Mr. Au Yeung worked in an international accounting firm where he was responsible for doing the auditing work for several well-known listed companies in Hong Kong. He also used to be the Finance Manager of a private limited company in Hong Kong and of a Hong Kong listed company named Next Media Limited (Stock Code 282, a company listed on the Main Board of the Stock Exchange formerly known as Paramount Printing Group Limited). Mr. Au Yeung is currently a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, and the Society of Registered Financial Planners.

Mr. Au Yeung was appointed in May 2006 and is currently acting as an independent non-executive Director of Amvig Holdings Limited (Stock Code 2300, a company listed on the Main Board of the Stock Exchange formerly known as Vision Grande Group Holdings Limited). Mr. Au Yeung is the Chairman of the Remuneration Committee and a member of the Audit Committee, Nomination Committee and Corporate Governance Committee of Amvig Holdings Limited.

Mr. Chen Kwok Wang (陳國宏), age 51, was appointed as independent non-executive Director of our Company on 11 March 2014.

Mr. Chen is currently a Partner at Messrs. Patrick Mak & Tse. He has been admitted as a Solicitor of the High Court since 2005. He obtained his Bachelor of Laws from the University of Wolverhampton in February 2002 and his Postgraduate Certificate in Laws from University of Hong Kong in June 2003. Mr. Chen obtained a Bachelor of Science degree in Engineering in November 1986 and also a Master of Business Administration degree in December 1997 from the University of Hong Kong.

Mr. Chen was a Member of the Hong Kong Society of Accountants (now known as Hong Kong Institute of Certified Public Accountants) in 1990 and currently holds a practising certificate from the Hong Kong Institute of Certified Public Accountants. He became a Certified Public Accountant in 1990 and a fellow member of the Chartered Association of Certified Accountants in 1994.

Prior to establishing his career in the legal field, Mr. Chen worked in an international accounting firm from 1986 to 1991 as a Staff Accountant and was eventually promoted to the position of Audit Supervisor. In 1992 to 1993, Mr. Chen became an Internal Auditor at the Hong Kong branch of a bank. In 1993 to 2000, Mr. Chen worked at the Hong Kong Stock Exchange in the capacity as a Manager and was eventually promoted to the position of Senior Manager. In 2001 to 2002, Mr. Chen worked at the Securities and Futures Commission as a Manager where he was responsible for day-to-day supervision of financial intermediaries. Mr. Chen was appointed as an independent non-executive director of Fujian Start Group Co., Ltd (福建實達集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600734), on 20 May 2014.

Mr. Ho Chi Wai (何志威), age 40, was appointed as independent non-executive Director of our Company on 11 March 2014.

Mr. Ho is currently a partner of SFITA & Co., CPAs (formerly known as ITA & Co.) since 2012. He obtained a Bachelor's degree in Business Administration from Lingnan University in November 1997 and a Master's degree in Finance from Jinan University in December 2012. He is currently a practicing certified public accountant of the Hong Kong Institute of Certified Public Accountants, a fellow of the Association of Chartered Certified Accountants, a certified tax adviser at the Taxation Institute of Hong Kong and an associate of the Taxation Institute of Hong Kong.

Prior to joining SFITA & Co., CPAs, Mr. Ho worked as an Audit Senior in a local accounting firm from 1997 to 2000. From 2000 to 2010, Mr. Ho was the audit manager in the Hong Kong and Guangzhou branch of an accounting firm and from 2010 to 2011 he became the Principal of the group the said accountancy firm belonged in.

Mr. Ho acted as an independent non-executive Director of Ming Kei Holdings Limited (Stock Code 8239, a company listed on the GEM Board of the Stock Exchange) from June 2012 to October 2013. He was also a member of the Audit Committee, Nomination Committee and Remuneration Committee during his time acting as an independent non-executive Director for Ming Kei Holdings Limited.

Details of our Directors' emoluments (on the basis of service contracts and/or letters of appointment), the basis of determining our Directors' emoluments and the proposed length of service for our Directors as stated in the service contracts or letters of appointment are set out under the paragraph headed "Further information about Our Directors, Substantial Shareholders, Senior Management and Staff" in Appendix V to this prospectus.

Save as disclosed above, each of our Directors (i) did not hold other positions in our Company or any other member of our Group as at the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial or controlling shareholder of our Company as at the Latest Practicable Date; and (iii) did not hold any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the three years prior to the Latest Practicable Date. As at the Latest Practicable Date, save the interests of Mr. Yiu in the Shares as disclosed in the paragraph headed "Further information about Our Directors, Substantial Shareholders, Senior Management and Staff" in Appendix V to this prospectus, each of our Directors did not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

Mr. Shi Bang Ping (施幫平), aged 48, is the Vice President of LED TV Backlight of Shenzhen Wai Chi since 2012. He graduated from Jianghan University (江漢大學) in October 1987 specializing in electronics technology. Mr. Shi obtained a certificate for completing the EMS Internal EMS Auditor Course organised by Shenzhen Conformity Certification Consult and DET Norske Veritas for ISO14000 in August 1998 and as ISO9000: 2000 Quality Management System Internal Auditor from the Shenzhen Quality Certification Centre in October 2000. He participated in the long-distance management training on-line MBA class operated by the Peking University in 2000 and completed the learning programme with a graduation certificate in October 2002. He then attended the TL9000 Quality Management System Auditing Course (Release 3.0) presented by Excel Partnership, Inc. in 2003 and obtained a certificate issued in April 2003 for completing such course. Mr. Shi undertook a senior research study course in surface mount technology and obtained a graduation certificate in December 2005. He has been certified as a Certified Quality Director by the American Certification Institute in June 2007.

From 1987 to 1993, Mr. Shi worked at the Wuhan Telephone Facility Factory under the Post and Electric Department (中國郵電部武漢電話設備廠). From 1993 to 2012, Mr. Shi served with the Konka Group (康佳集團) in various posts including notably General Manager of Konka Group TV Quality Management Department and Vice President of Konka Group Communications Technologies Manufacturing Plant.

Mr. Tian Dean (田德安), age 36, joined our Company since 2012 and is currently the Quality Controller of our Company. He is responsible for monitoring the quality of our Company's products and overseeing the production line. He takes part in production management and ensures all products created by our Company meet international standards in terms of quality and safety. Prior to joining our Company, Mr. Tian has worked as a section chief in a company specialised in developing innovative energy efficient products and solutions from July 2001 to March 2004. He then worked as a senior manager in a company specialised in providing power systems and integrated solutions from March 2004 to June 2012. Mr. Tian received a Bachelor's degree in Technology with major in checking and testing Technology and apparatus and instrument panel from the Wuhan University of Technology in June 2001 and obtained a Master's Degree in Business Administration from Southwest Jiaotong University in January 2008. Mr. Tian has been certified as a Certified Quality Director by the American Quality Institute in September 2011.

Ms. Yiu Kwan Wai (姚君慧), age 28, joined our Company since 2011 and is currently the General Manager Assistant of Huizhou Electronics mainly assisting the General Manager in executing tasks. She is also currently the Senior Marketing Executive/Product Merchandiser of Wai Chi Opto where she is responsible for product development and marketing. Prior to joining our Company, Ms. Yiu worked as a sales lead in a retail group from 2007 to 2009. Ms. Yiu obtained a Bachelor of Arts degree with major in Economics from Simon Fraser University, British Columbia, Canada in May 2011. Ms. Yiu is the younger daughter of Mr. Yiu, younger sister of Ms. K.Y. Yiu and sister-in-law of Mr. C.P. Chen.

Mr. Luo Zeng Chang (羅增昌), age 33, joined our Company since 2003 and is currently the General Manager of our Project Design Department of Shenzhen Wai Chi. Mr. Luo is responsible for supervising the designs of our products. Prior to joining our Company, Mr. Luo was a research development engineer in a small to medium size LED back light module manufacturing company from 2002 to 2003. Mr. Luo was then employed as a senior technician at Shenzhen Wai Chi in 2003 and was the leader of our Design Project Department from 2004 to 2007. He was then appointed as the Vice General Manager of our Design Project Department at Shenzhen Wai Chi in 2008. Mr. Luo obtained a graduation certificate specializing in Mechatronics from Jiaying University in July 2001.

Mr. Yu Hong Wu (喻紅武), age 40, joined our Company since 2013 and is currently the Executive Supervisor of our LED Research Department at Shenzhen Wai Chi where he is responsible for the overall management of the department. Prior to joining our Company, Mr. Yu was a project engineer at an electrical appliance company from 1991 to 2001. He then was a structural engineer at an electrical appliance company from 2001 to 2004. He joined Dongguan Tida Lighting Technology Company Limited (東莞泰德照明科技有限公司), a subsidiary of Tida Group as the leader of the Engineering Department from 2004 to 2007. Mr. Yu was the Senior Manager of the Research Department of Heshan Lide Electronic Enterprise Company Limited, a subsidiary of Neo-Neon Holdings Ltd (HKEX: 1868 & TDR: 911868) from 2008 to 2012. In 2012 to 2013, he was the Executive Supervisor of the Research Department of Sunshine BRT LED New Energy Joint-stock Company Limited* (武漢陽光佰鴻新能源股份有限公司) before joining our Company. Mr. Yu graduated from a program in Industrial Economics from Southwestern University of Finance and Economics in June 1994.

Mr. Pei Yanfeng (裴炎峰), age 44, joined our Company since 2008 and is currently the Factory President of Wai Chi Hardware. Prior to joining our Company, Mr. Pei was a Mould Assistant Engineer at a company specialised in developing and manufacturing hardware in Heinan from 1992 to 1995. He was then a Mould Engineer at a factory in Dong Guan from 1995 to 1997. From 1997 to 1998, he was a Mould Engineer at Shenzhen Konka factory. He was then the Mould Design Personnel in Charge of a company from 1998 to 2001. From 2001 to 2004, he was the Head of the Department of Plastic Moulds at a factory in Shenzhen. He was then the Manager of a mould factory in Shenzhen from 2005 to 2006. Between 2007 and 2008, he was the Mould Manager of a telecommunications company in Shenzhen. Mr. Pei obtained a Bachelor's degree in Materials Engineering specialised in Moulding from Xian Technological University in July 1992.

Mr. Zeng Yan Ming (曾艷明), age 45, joined our Company since 2011 and is currently the Human Resources Administrative Supervisor in Shenzhen Lighting where he is responsible for the overall management of personnel. Prior to joining our Company, Mr. Zeng was the Head of the Manufacturing Department in a company specialised in manufacturing plastic products and electrical appliances from 1993 to 1997. He then became the Inspection Officer and Chief Administrative Officer of Baodeli Computer Hardware Company Limited* (保得利電腦五金有限公司) from 1997 to 2002. Mr. Zeng then became the Manager of the Management Department and Inspection Manager at Dongguan Eastech Electrical Products Company Limited, a subsidiary of KME Group from 2002 to 2005. Mr. Zeng then became the Administrative Manager of Personnel and Manager of the Inspection Department at a company specialised in manufacturing plastic products from 2005 to 2009. He then became the Manager of Human Resources at an environmentally friendly enterprise specialised in researching and promoting products for water purification from 2010 to 2011 before joining our Company. Mr. Zeng obtained a Bachelor's degree in Economics specializing in Industrial Enterprises Management from Xiangtan University in June 1992.

Mr. Cheung Wai Hung (張偉雄), age 33, was appointed as the Chief Financial Officer of our Company on 11 March 2014. Mr. Cheung is responsible for our financial management other than the PRC. Mr. Cheung has over 9 years of experience in audit assurance. Prior to joining our Group, Mr. Cheung worked as audit trainee in Eric Ng & Co. from June 2003 to July 2004 and as audit manager in Jonten Hopkins CPA Limited from July 2004 to March 2014. Mr. Cheung graduated from The Hong Kong Polytechnic University with an honours degree in Bachelor of Arts in Accountancy in November 2003. He is currently a certified public accountant of the Hong Kong Institute of Certified Public Accountants, a fellow of the Association of Chartered Certified Accountants and a certified tax adviser at the Taxation Institute of Hong Kong.

COMPANY SECRETARY

Ms. Lee Ming Yin Faith (李銘賢), age 42, was appointed as the company secretary of our Company on 11 March 2014.

Ms. Lee has over 15 years of experience in secretarial services. Ms. Lee worked as purchasing clerk with a construction company from September 1990 to July 1992 and as secretary to managing director and director at two private companies from September 1992 to November 1996. Ms. Lee acted as secretary to the Board of Directors and executive assistant at a financial services company, which is listed on the Main Board of the Stock Exchange from January 1997 to April 2004. Ms. Lee was the Office manager for the Hong Kong Office of a cement manufacturing company, which used to be listed on the Main Board of the Stock Exchange from April 2004 to April 2008. Ms. Lee was the manager for the Hong Kong Office and responsible for investor relationships and acted as secretary to the board of directors of an oil company, which is listed on the Main Board of the Stock Exchange from May 2008 to February 2011. Ms. Lee acted as assistant Company secretarial manager at a property development company, which is listed on the Main Board of the Stock Exchange from May 2011 to March 2012. Then from June 2012 to August 2012, Ms. Lee worked as company secretary with a media and entertainment company, which is listed on the Main Board of the Stock Exchange.

Ms. Lee is an Associate Member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom. She is also a Full Member of the Hong Kong Investor Relations Association.

Ms. Lee obtained a diploma in Executive Secretarial Studies from Sara Beattie College in Hong Kong in 1993. Ms. Lee was then awarded a bachelor's degree in business administrative management by the University of South Australia, Australia in September 1999 and a master's degree in corporate governance by The Hong Kong Polytechnic University in November 2010.

COMPLIANCE WITH THE LISTING RULES AND APPENDIX 14 TO THE LISTING RULES

We will follow the principle of good corporate governance as set out in the Corporate Governance Code under Appendix 14 to the Listing Rules (the "**Code**") and the recommended best practices therein. We will state whether we have complied with the Code in our interim and annual reports, and will provide the reasons for any non-compliance, and in the case of an annual report in a Corporate Governance Report issued in accordance with Appendix 14 of the Listing Rules.

BOARD COMMITTEES

Audit Committee

Our Company established an audit committee on 27 October 2014 by a resolution of our Board passed on 27 October 2014 with written terms of reference in compliance with Rules 3.21 and 3.22 of the Listing Rules. The audit committee comprises three independent non-executive Directors: Au Yeung Tin Wah, Chen Kwok Wang and Ho Chi Wai. Au Yeung Tin Wah was appointed to serve as the Chairman of the audit committee. Our Board has adopted, for our audit committee, the written terms of reference in compliance with sub-paragraph C.3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are mainly to make recommendations to the Board on the appointment and removal of external auditor, review and supervise the financial reporting process and internal control procedure of our Company.

Remuneration Committee

Our Company established a remuneration committee on 27 October 2014 by a resolution of our Board passed on 27 October 2014. The remuneration committee comprises three independent non-executive Directors: Ho Chi Wai, Au Yeung Tin Wah and Chen Kwok Wang. Ho Chi Wai was appointed to serve as the Chairman of the remuneration committee. Our Board has adopted, for our remuneration committee, the written terms of reference in accordance with sub-paragraph B.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary function of the remuneration committee is, among other things, to make recommendations to our Board on our Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy, to review and approve the management's remuneration proposals with reference to our Board's corporate goals and objectives, to make recommendations to our Board on the remuneration of non-executive directors, and to ensure that no Director or any of his associates is involved in deciding his own remuneration.

Nomination Committee

Our Company established a nomination committee on 27 October 2014 by a resolution of our Board passed on 27 October 2014. The nomination committee comprises three independent non-executive Directors: Chen Kwok Wang, Ho Chi Wai and Au Yeung Tin Wah. Chen Kwok Wang was appointed to serve as the Chairman of the nomination committee. We have adopted, for our nomination committee, the written terms of reference in accordance with sub-paragraph A.5 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee include, among other things, reviewing the structure, size and composition of our Board at least annually and making recommendations on any proposed changes to our Board to complement our Company's corporate strategy, identifying individuals suitably qualified to become members of our Board and selecting or making recommendations to our Board on the selection of individuals nominated for directorships, assessing the independence of our independent non-executive Directors and making recommendations to our Board on the appointment or re-appointment of directors.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

For the Track Record Period, the total remuneration (including fees, salaries, discretionary bonus, housing and other allowances, and other benefits in kind) paid by us to our Directors amounted to approximately HK$2.0 million, HK$3.0 million, HK$3.0 million and HK$2.0 million respectively. Details of the Directors' remuneration are set out in note 13 of the notes to the financial information set forth in the Accountants' Report in Appendix I to this prospectus. The aggregate amount of remuneration (including fees, salaries, discretionary bonus, housing and other allowances, and other benefits in kind) paid to the five highest paid individuals of our Group, including our Directors, for the Track Record Period, were approximately HK$2.4 million, HK$3.1 million, HK$3.2 million and HK$2.1 million respectively.

During the Track Record Period, we did not pay to any of our Directors or the five highest paid individuals any remuneration as an inducement for joining our Group or as a compensation for loss of office and none of the Directors has waived or agreed to waive the respective remuneration.

Under the current arrangement, the estimated aggregate amount of our Directors' fees and other emoluments (excluding discretionary bonus) for the year ending 31 December 2014 is approximately HK$4.1 million.

REMUNERATION POLICY

We base our remuneration policy on the position, duties and performance of our employees. The remuneration of our employees may include salary, overtime allowance, bonus and various subsidies. We conduct performance appraisal under the supervision of Mr. C. P. Chen, our executive Director and Chief Executive Officer, on an annual basis.

The overall remuneration structure and policy of our Group is expected to remain the same upon Listing, except that the remuneration committee will perform such duties as stated under the paragraph headed "Remuneration committee" in this section.

EMPLOYEES

As of 30 June 2014, our Group employed 3,724 full time employees. The total staffs costs of our Group for the years ended 31 December 2011, 2012, 2013 and the six months ended 30 June 2014 were approximately HK$151.3 million, HK$140.4 million, HK$149.5 million and HK$98.4 million respectively.

The following tables provide a breakdown of our employees (including those of our subsidiaries) by function and by location as of 30 June 2014:

Employees (by function)	**Number of employees**
Management	75
General and administration	104
Production	2,912
Sales and marketing	50
Engineering	90
Quality control	218
Finance	32
Research and development	67
Warehouse	79
Information and Technology	13
Human resources	51
Others	33
Total	3,724

Employees (by location)	**Number of employees**
Hong Kong	23
Huizhou	1,385
Shenzhen	2,256
Yichang	60
Total	3,724

The Company recognises the importance of maintaining good relationship with its employees and retaining competent staff to ensure efficiency and effectiveness in its operation. The Company has not encountered any significant problems with its employees or experienced any disruption to its business or operations due to dispute with its employees. The Company has no difficulty in the recruitment and retention of experienced staff.

SHARE OPTION SCHEME

Our Group has conditionally adopted the Share Option Scheme. The principal terms of the scheme are summarised under the paragraph headed "Share Option Scheme" in Appendix V to this prospectus.

BENEFITS

In compliance with all the Mandatory Provident Fund ("**MPF**") related legal obligations under the Mandatory Provident Fund Schemes Ordinance, we have participated in a MPF Scheme operated by an approved MPF service provider, enrolled all qualifying employees in the MPF scheme and made MPF contributions for them.

COMPLIANCE ADVISER

We have appointed Changjiang Corporate Finance (HK) Limited as our compliance adviser in accordance with Rule 3A.19 of the Listing Rules. The term of the appointment shall commence on the Listing Date and end on the date on which our Group complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year after the Listing Date.

Pursuant to Rule 3A.23 of the Listing Rules, we will consult with and, if necessary, seek advice from the compliance adviser in the following circumstances:

(i) before the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues or share repurchase;

(iii) where we propose to use the proceeds from the Share Offer in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and

(iv) where the Stock Exchange makes an inquiry with us concerning unusual movements in the price or trading volume of our Shares and/or any other matters.

The material terms of the compliance adviser's agreement entered into between our Company and the compliance adviser include but are not limited to:

(a) to provide the Company with guidance and advice as to compliance with the requirements under the Listing Rules and applicable laws, rules, codes and guidelines;

(b) upon the request of the Company, to accompany the Company to any meetings with the Stock Exchange, unless otherwise requested by the Stock Exchange;

(c) when the Company consults with the compliance adviser in circumstances set out in clauses (i) to (iv) above, the compliance adviser's agreement, to discuss the following (as appropriate) with the Company:

  (i) the Company's operating performance and financial condition by reference to its business objectives and use of issue proceeds as stated in this prospectus;

  (ii) the Company's compliance with the terms and conditions of any waivers granted from the Listing Rules at the time of Listing;

  (iii) whether any profit forecast or estimate in this prospectus will be or has been met by the Company and advise the Company to notify the Stock Exchange and inform the public in a timely and appropriate manner; and

  (iv) the Company's compliance with any undertakings provided by the Company and its directors at the time of Listing, and, in the event of non-compliance, discuss the issue with the Board and make recommendations to the Board regarding appropriate remedial steps;

(d) if required by the Stock Exchange, to deal with the Stock Exchange in respect of any or all matters set out in circumstances set out in clauses (i) to (iv) above;

(e) in relation to an application by the Company for a waiver from any of the requirements in Chapter 14A of the Listing Rules, to advise the Company on its obligations and in particular the requirement to appoint an independent financial adviser;

(f) to assess the understanding of all new appointees to the Board regarding the nature of their responsibilities and fiduciary duties as a director of a listed company, and, to the extent the compliance adviser forms an opinion that the new appointees' understanding is inadequate, discuss the inadequacies with the Board and make recommendations to the Board regarding appropriate remedial steps such as training; and

(g) to inform the Company as soon as reasonably practicable of any amendment or supplement to the Listing Rules announced by the Stock Exchange from time to time and any new or amended law, rule, code and guideline in Hong Kong applicable to the Company; and

(h) to act as the Company's principal channel of communication with the Stock Exchange.

The terms of the appointment of the compliance adviser shall commence on the Listing Date and end on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the date of Listing.

SHARE CAPITAL

The following table is prepared on the basis that the Share Offer and the Capitalisation Issue become unconditional and were effected. This table does not take into account any Shares which may be issued upon the exercise of options granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased pursuant to the general mandate and the repurchase mandate granted to our Directors as described below.

Authorised share capital:

		HK$
1,000,000,000		10,000,000
1,000,000,000	Shares	10,000,000

Assuming the Over-allotment Option is not exercised, the share capital of the Company immediately following the Share Offer and Capitalisation Issue will be as follows:

Issued and to be issued, fully paid or credited as fully paid upon completion of the Share Offer and the Capitalisation Issue:

		HK$
106,080	Shares in issue as of the date of this prospectus	1,060.80
149,893,920	Shares to be issued under the Capitalisation Issue	1,498,939.20
50,000,000	Shares to be issued under the Share Offer	500,000.00
200,000,000	Shares	2,000,000.00

Assuming the Over-allotment Option is exercised in full, the share capital of the Company immediately following the Share Offer and Capitalisation Issue will be as follows:

Issued and to be issued, fully paid or credited as fully paid upon completion of the Share Offer and the Capitalisation Issue:

		HK$
106,080	Shares in issue as of the date of this prospectus	1,060.80
149,893,920	Shares to be issued under the Capitalisation Issue	1,498,939.20
50,000,000	Shares to be issued under the Share Offer	500,000.00
7,500,000	Shares to be issued upon exercise of the Over-allotment Option in full	75,000.00
207,500,000	Shares	2,075,000.00

The Shares referred to in the above table have been or will be fully paid or credited as fully paid when issued.

Assumptions

The above table assumes that the Share Offer and the Capitalisation Issue became unconditional and were effected. It does not take into account any Shares which may be issued under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandate and the repurchase mandate granted to our Directors as described below.

Ranking

The Offer Shares will rank *pari passu* in all respects with all Shares in issue and/or to be allotted and issued as mentioned in this prospectus and will qualify for all dividends or other distributions hereafter declared, paid or made on the Shares save with respect to the Capitalisation Issue.

SHARE OPTION SCHEME

Our Group has conditionally adopted the Share Option Scheme. The principal terms of the scheme are summarised under the paragraph headed "Share Option Scheme" in Appendix V to this prospectus.

GENERAL MANDATE

Subject to the conditions set forth in the section headed "Structure and Conditions of the Share Offer" in this prospectus being fulfilled, our Directors have been granted a general mandate to exercise all the powers of our Company to allot, issue and deal with the Shares with an aggregate nominal value not exceeding:

- 20% of the aggregate nominal value of the Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (excluding any Shares which may be issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme); and

- the aggregate nominal value of the share capital of our Company repurchased by our Company (if any) pursuant to the Repurchase Mandate.

This mandate will expire:

- at the conclusion of the next annual general meeting of our Company; or

- upon the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws of the Cayman Islands to be held; or

- the passing of an ordinary resolution of the Shareholders in general meeting revoking or varying such mandate,

whichever is the earliest.

For further details of this general mandate, please refer to the sub-paragraph headed "Written resolutions of the sole shareholder of our Company" under paragraph headed "Further information about our Company and our Subsidiaries" in Appendix V to this prospectus.

REPURCHASE MANDATE

Subject to the conditions set forth in the section headed "Structure and Conditions of the Share Offer" in this prospectus being fulfilled, our Directors have been granted a general mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following the completion of the Share Offer and the Capitalisation Issue (excluding any Shares which may be issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with all applicable laws and the Listing Rules. A summary of the relevant requirements of the Listing Rules on the Repurchase Mandate is set forth in the sub-paragraph headed "Repurchases of our own securities" under paragraph headed "Further information about our Company and our Subsidiaries" in Appendix V to this prospectus.

This mandate will expire:

- at the conclusion of the next annual general meeting of our Company; or

- upon the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws of the Cayman Islands to be held; or

- the passing of an ordinary resolution of the Sole Shareholder in general meeting revoking or varying such mandate,

whichever is the earliest.

For further information about this repurchase mandate, please refer to the sub-paragraph headed "Written resolutions of the sole shareholder of our Company" under paragraph headed "Further information about our Company and our Subsidiaries" in Appendix V to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the Companies Law and the terms of the Memorandum and Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may subject to the provisions of the Companies Law reduce its share capital or capital redemption reserve by its shareholders passing a special resolution. For details, see the sub-section headed "Summary of the Constitution of the Company and Cayman Company Law — 2. Articles of Association — Alteration of capital" in Appendix IV to this prospectus.

Pursuant to the Companies Law and the terms of the Memorandum and Articles of Association, all or any of the special rights attached to the Share or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. For details, see the sub-section headed "Summary of the Constitution of the Company and Cayman Company Law — 2. Articles of Association — Variation of rights of existing shares or classes of shares" in Appendix IV to this prospectus.

So far as our Directors are aware, immediately following completion of the Share Offer and the Capitalisation Issue (but without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option, and the options which may be granted under the Share Option Scheme), the following persons will have an interest or short position in Shares or underlying Shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

Name	**Capacity**	**Number of Shares held (1)**	**Percentage of shareholding**
Rexell Technology(2)	Beneficial owner	120,000,000 L	75%
Mr. Yiu(2)	Interest of controlled corporation	120,000,000 L	75%
Ms. Luk Fong(2)	Interest of spouse	120,000,000 L	75%

Note (1): The letter "L" denotes the person's long position in the Shares.

Note (2): Rexell Technology is wholly-owned by Mr. Yiu. Accordingly, Mr. Yiu is deemed to be interested in the Shares held by Rexell Technology. Ms. Luk Fong, as the spouse of Mr. Yiu, is deemed to be interested in the Shares held by Rexell Technology by virtue of the SFO.

Save as disclosed herein, our Directors are not aware of any other persons who will, immediately following the completion of the Share Offer and the Capitalisation Issue (but without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option, and the options which may be granted under the Share Option Scheme) have an interest or a short position in the Shares and the underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO, or will be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group.

You should read this section in conjunction with our audited combined financial statements, including the accompanying notes (collectively, the "Financial Information"), as set out in the accountants' report (the "Accountants' Report") included in Appendix I to this prospectus. Our combined financial statements have been prepared in accordance with HKFRSs. You should read the entire Accountants' Report and not merely rely on the information contained in this section.

The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as any other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectation and projections depend on a number of risks and uncertainties over which we do not have control. For further information, see the section headed "Risk factors" in this prospectus.

OVERVIEW

We are an established LED products manufacturer focusing on producing LED backlight products and LED lighting products on an OEM and ODM basis. According to Euromonitor Report, we ranked second in 2013 among all PRC LED backlight manufacturers producing Small LED backlight products.

We have been manufacturing LED products since 1991. We derive turnover from selling our (i) LED backlight products and (ii) LED lighting products to our customers. We have comprehensive production facilities in Shenzhen, Huizhou and Yichang, capable of handling the requisite production processes for our products. Our Shenzhen Production Plant is mainly for the production of Small LED backlight products and Medium LED backlight products. To meet the market demand and growth of our business, we established our Huizhou Production Plant in 2009, which commenced production in 2010, primarily for the manufacturing of Large LED backlight products and the expansion of our LED lighting business. Our Yichang Production Plant was set up mainly for the manufacturing of LED lighting products.

We produce a variety of LED backlight products with various dimensions, colours and luminosity based on the specifications provided by our customers. For the year 2013, the turnover for our Small LED backlight products and Medium LED backlight products amounted to HK$670.9 million and HK$29.1 million, representing 75.0% and 3.2% of our turnover. In 2010, we expanded our LED backlight business to the manufacturing of Large LED backlight products. Our Large LED backlight products are mainly sold to manufacturers of panel television sets. In 2013, the turnover for our Large LED backlight products amounted to HK$105.2 million, representing 11.8% of our turnover.

In 2008, we launched our LED lighting products. We commenced mass production of our LED lighting products at our Huizhou Production Plant in 2010. Our LED lighting products were mainly lighting devices manufactured for indoor and outdoor uses. Our LED lighting products customers included municipal governments in the PRC and commercial customers that applied our LED lighting products for lighting improvement and energy-saving projects. For the year 2013, the turnover for our LED lighting products amounted to HK$88.9 million, representing 10.0% of our turnover.

Recent Development

According to Euromonitor, the manufacturing sales value of LED backlight products in the PRC is expected to increase from RMB32,586.1 million in 2014 to RMB50,707.4 million in 2018, represented a CAGR of 11.7%.

We believe that the future growth of our Small LED backlight products and Medium LED backlight products will be driven by (i) the grant of 4G licenses by Ministry of Industry and Information Technology of the PRC in 2014 which will likely stimulate growth in mobile devices and (ii) the growth in production volume of high-end automobiles in the PRC, which in turn will likely drive up the demand of automobile LED backlight products. The future growth of our Large LED backlight products will be driven by (i) the growth in demand for domestic panel television sets and, (ii) the development of multi-media television market in the PRC.

We have derived the following strategies to develop our LED backlight and LED lighting business: (i) upgrade our Small LED backlight products and Medium LED backlight production equipment to maintain our competitiveness in terms of technical capabilities and to meet the demand of our customers, (ii) upgrade our metal-plastic integration production equipment to meet our customers' specifications and requirements, particularly for automobile display manufacturers, (iii) purchase additional laser engraving machines for the production of high-end TV LED backlight products and (iv) develop overseas markets to strengthen our overseas presence.

In the first half of the year 2014, we have purchased additional machinery and equipment for the production of Small LED backlight products and Large LED backlight products and indoor LED lighting products in our Huizhou Production Plant to cater for business growth of our Group. During the six months ended 30 June 2014, we have ordered six injection moulding machines for the production of our Small LED backlight products and five LGP engraving machines for the production of our Large LED backlight products. The six additional injection moulding machines have commenced production since July 2014 which, in turn, increased our Group's annual production capacity of our Small LED backlight products by 16.1 million pieces. The five additional LGP engraving machines have commenced production since August 2014 which, in turn, increased our Group's annual production capacity of Large LED backlight products by 1.3 million pieces.

Furthermore, we purchased two automatic production lines for the production of LED light bulb in the first half of the year 2014, the two automatic production lines arrived our Huizhou production plant and one of the automatic production lines commenced production in August 2014 and the other production line commenced production in October 2014. Each of the automatic production line shall increase our Group's annual production capacity of LED light bulb by 5.6 million units.

We continued to experience stable growth in our revenue and gross profit. Based on our unaudited management accounts, our Group recorded revenue of HK$837.4 million and gross profit of HK$208.4 million for the nine months ended 30 September 2014, representing a gross profit margin of 24.9%. Our gross profit margin for the nine months ended 30 September 2014 was comparable to our gross profit margin over the Track Record Period. As of 30 September 2014, we had net current assets of HK$150.7 million. The improvement in our net current assets from 30 June 2014 to 30 September 2014 was primarily due to the increase in cash and bank balances. The management accounts of our Group for the nine months ended 30 September 2014 are unaudited but have been reviewed by our Company's reporting accountants, SHINEWING (HK) CPA Limited, in accordance with the Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

KEY FACTORS AFFECTING THE RESULT OF OPERATIONS

Market demand for the products of our downstream industries

As a supplier to manufacturers of end products in a wide range of consumer electronic products equipped with LED backlight modules, demand for our LED backlight products directly correlates with demand for consumer communication equipment, consumer electronics and other electronic equipment equipped with LED backlight modules. Demands for the products of those industries are, in turn, determined by consumer demands in the upcoming periods as projected by the relevant manufacturers.

The following table sets forth the sales breakdown by application of products during the Track Record Period:

Breakdown by application of products	For the year ended 31 December						For the six months ended 30 June			
	2011		2012		2013		2013		2014	
	HK$'000	*% of total*	*HK$'000*	*% of total*	*HK$'000*	*% of total*	*HK$'000* (unaudited)	*% of total*	*HK$'000*	*% of total*
LED backlight										
Smartphone (small)	435,021	58.2	407,484	54.1	452,351	50.5	218,637	52.4	328,304	57.4
Automobile displays (small and medium)	22,128	3.0	40,898	5.4	54,512	6.1	24,601	5.9	59,365	10.4
Equipment displays (small and medium)	231,274	31.0	188,729	25.0	193,052	21.6	89,099	21.4	83,748	14.6
Television (large)	41,351	5.5	62,706	8.3	105,247	11.8	50,676	12.1	61,171	10.7
Subtotal	729,774	97.7	699,817	92.8	805,162	90.0	383,013	91.8	532,588	93.1
LED lighting										
Public lighting	2,508	0.3	21,757	2.9	63,265	7.1	17,144	4.1	18,247	3.2
Commercial lighting	14,696	2.0	32,081	4.3	25,606	2.9	16,920	4.1	21,040	3.7
Subtotal	17,204	2.3	53,838	7.2	88,871	10.0	34,064	8.2	39,287	6.9
Total	746,978	100.0	753,655	100.0	894,033	100.0	417,077	100.0	571,875	100.0

We derived substantial portion of our turnover from the sales of LED backlight products applied in smartphone.

During the Track Record Period, market demands and required specifications for smartphone LED backlight changed significantly, particularly in terms of, size, thickness and brightness requirements. In response to more stringent requirements, we gradually phased out our obsolete production equipment and purchased new production equipment for our Small LED backlight products and Medium LED backlight products. During this process, the sales of our smartphone and equipment displays LED backlight products decreased from the 2011 to 2012, as opposed to the market growth. Sales subsequently recovered from 2012 to 2013. According to Euromonitor Report, the manufacturing sales value of Small LED backlight products and Medium LED backlight products in the PRC increased at a CAGR of 22.9% from RMB6,927.6 million in 2009 to RMB15,797.9 million in 2013.

The increase in sales of our LED backlight products applied in automobile displays during the Track Record Period, we believe, was primarily attributed to the fast development of automobile industry in the PRC. According to Euromonitor Report, the manufacturing sales value of vehicle-use LED backlight products in PRC increased at a CAGR of 22.4% from RMB1,317.4 million in 2009 to RMB 2,955.8 million in 2013.

The increase in sales of our LED backlight products applied in panel television sets during the Track Record Period, we believe, was primarily attributed to (i) increase in our TV LED backlight production capacity, the number of production lines of our TV LED backlight products increased from 2 in 2012 to 3 in 2013 and (ii) increase in penetration rate of domestic panel television sets in the PRC. According to Euromonitor Report, the manufacturing sales value of TV-use LED backlight products in the PRC increased at a CAGR of 57.9% from RMB1,445.0 million in 2009 to RMB8,976.8 million in 2013.

As for LED lighting products, the increase in sales of our LED lighting products during the Track Record Period was primarily attributable to the increase in sales of our LED lighting products for public use. Such increase reflected the increase in government investment in lighting improvement and energy-saving projects, especially street light renovation projects. Sales of our LED lighting products for commercial use reflected the market demand derived from supermarkets, hospitals and other LED lighting improvement and energy-saving renovation projects in the PRC.

Changes in our product mix

Our LED backlight products in larger size are typically sold at a higher unit price with a higher profit margin. During the Track Record Period, we were able to introduce new products and upgrade the product specifications in order to maintain our gross profit margin. We also varied our product mix to optimise our revenue and gross profit margin. We intend to continue introducing new LED products, update our product specifications, and manage our product mix in response to market conditions in order to maintain our gross profit margin and our revenue. The following table sets forth the average selling price ("ASP") by segment and corresponding gross profit margin and sales volume during the Track Record Period:

	For the year ended 31 December									For the six months ended 30 June					
	2011			2012			2013			2013			2014		
	ASP HK$	*Gross Profit Margin*	*Sales Volume*	*ASP HK$*	*Gross Profit Margin*	*Sales Volume*	*ASP HK$*	*Gross Profit Margin*	*Sales Volume*	*ASP HK$*	*Gross Profit Margin*	*Sales Volume*	*ASP HK$*	*Gross Profit Margin*	*Sales Volume*
											(unaudited)				
LED backlight product															
– Small dimension	6.0	22.1%	112,213,601	6.0	22.0%	104,576,575	6.0	22.0%	112,622,829	5.9	22.1%	54,611,938	6.1	22.4%	74,577,133
– Medium dimension	21.8	24.7%	909,564	14.1	23.4%	795,970	16.6	19.7%	1,745,518	15.9	19.5%	525,217	16.6	19.6%	1,192,557
– Large dimension	64.7	22.4%	638,809	61.5	30.5%	1,018,913	70.2	34.0%	1,497,671	62.1	34.3%	813,309	77.5	35.2%	789,198
LED lighting															
– Indoor lighting	216.9	3.2%	36,459	295.3	31.4%	147,666	220.4	38.2%	239,081	205.1	38.1%	132,464	227.1	37.6%	120,256
– Outdoor lighting	737.3	39.0%	12,609	1,146.9	45.3%	8,917	1,104.7	43.6%	32,750	582.7	42.4%	11,831	1,147.2	43.2%	10,441

ASP and gross profit margin of our Small LED backlight products remained stable during the Track Record Period. We maintained ASP of our Small LED backlight products by varying our product mix, introducing new LED products and updating our product specifications from time to time. During the Track Record Period, we maintained ASP and gross profit margin of our Small LED backlight products by reducing the sales volume of our LED backlight products below 3.5 inches and increasing the sales volume of our LED backlight products for smartphones equipped with larger displays from 3.5 inches to 7 inches. We also successfully developed and introduced 291, 405, 518 and 260 new Small LED backlight products in the years 2011, 2012 and 2013, and the first half of the year 2014, respectively, to maintain the competitiveness of our Small LED backlight products.

Our Medium LED backlight products were mainly applied in smartphone displays, automobile displays and equipment monitors. During the Track Record Period, our gross profit margin and ASP for our Medium LED backlight products varied by the sales allocation between sales related to these three applications, which impact on ASP and gross profit margin of our Medium LED backlight products.

Our Large LED backlight products were mainly applied in panel television sets. The decrease in ASP of our large backlight products in 2012 mainly reflected the declining price trend of TV-use LED backlight products. The increase in profit margin of Large LED backlight products in 2012 reflected recovery from low production utilisation rate and high product defect rate from 2011. In 2013, we introduced LGP engraving machines for the production of high-end TV-use LED backlight products with high resolution and contrast rate to capture the demand for these products, and resulted in higher ASP and higher gross profit margin of our overall TV LED backlight products for the year 2013 and the first half of the year 2014.

Sales of our LED lighting products recorded substantial growth primarily due to the increase in our production capacity of LED lighting products at our Huizhou Production Plant during the Track Record Period. ASP of our LED indoor lighting products varied based on the different composition of our product mix. The increase in ASP of our LED outdoor lighting products was primarily attributable to the increase in sales derived from the sales of our LED street light products, which, in general, had a higher ASP and higher gross profit margin.

Cost of materials used

The table below sets forth major costs of sales during the Track Record Period:

	For the year ended 31 December						For the six months ended 30 June			
	2011		2012		2013		2013		2014	
	HK$'000	*% of total*	*HK$'000*	*% of total*	*HK$'000*	*% of total*	*HK$'000* (unaudited)	*% of total*	*HK$'000*	*% of total*
Materials used:										
– Brightness enhancement film	86,694	14.9	100,261	17.4	110,692	16.6	55,667	17.8	74,425	17.3
– LED light	85,625	14.7	64,001	11.1	81,845	12.2	35,998	11.5	54,604	12.7
– Double-sided adhesive tape	43,634	7.5	45,589	7.9	48,014	7.2	24,273	7.8	32,354	7.6
– Others	201,370	34.7	217,812	37.9	250,835	37.5	116,561	37.2	154,228	35.9
Subtotal	417,323	71.8	427,663	74.3	491,386	73.5	232,499	74.3	315,611	73.5
Direct labour	111,114	19.1	91,162	15.8	111,576	16.7	55,459	17.7	79,494	18.5
Production overhead	50,252	8.6	54,671	9.5	60,067	9.0	23,859	7.6	33,228	7.7
Others	2,615	0.5	2,253	0.4	5,677	0.8	1,318	0.4	1,295	0.3
Total	581,304	100.0	575,749	100.0	668,706	100.0	313,135	100.0	429,628	100.0

Our cost of sales mainly comprised of cost of materials used. During the Track Record Period, our cost of materials used amounted to 71.8%, 74.3%, 73.5% and 73.5% of our cost of sales, respectively. Since we derived substantial portion of our sales from LED backlight products, our cost of materials used primarily represented those used in the manufacturing of our LED backlight products. Our top three cost of materials used were brightness enhancement film, LED light and double-sided adhesive tape. We usually fix the price of our LED products on a cost plus profit margin basis. We determine the pricing of our LED products by taking into account of various factors, including but not limited to: (i) dimensions, (ii) technological requirements, (iii) volume of purchase, (iv) production costs, (v) quality control requirements, and (vi) market prices. During the Track Record Period, though we experienced a gradual increase in the cost of materials used because of changes in product mix, we successfully implemented our pricing policy and maintained our Group's gross profit margin. We were able to maintain a stable gross profit margin of our Small LED backlight products during the Track Record Period. The gross profit margin of our Small LED backlight products was 22.1%, 22.0%, 22.0%, and 22.4% in the years 2011, 2012 and 2013, and the first half of the year 2014, respectively.

Taxation

Our operating results are affected by changes in tax rates, especially the applicable tax rates of the PRC where we conduct substantially all of our businesses. Shenzhen Wai Chi, our subsidiary, has qualified as a "High and New Technology Enterprise" in PRC, entitling it to enjoy certain tax benefits including a lower Enterprise Income Tax ("EIT") rate of 15% instead of the statutory rate of 25%. During the Track Record Period, the effective tax rate for the Group was 10.1%, 14.8%, 20.7% and 17.3% in 2011, 2012 and 2013, and the six months ended 30 June 2014, respectively. The effective tax rate for our Group increased mainly due to an increasing portion of sales through our subsidiaries, for which the statutory EIT rate of 25% is applicable.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Revenue recognition

Revenue is measured by the fair value of the consideration received or receivable, which means the amount receivable for goods sold and services provided in the normal course of business, less discounts and sales-related taxes. Income of products sold is recognised as products are delivered and the titles are transferred, subject to the fulfilment of:

- The Group has transferred to the purchaser the significant risks and returns of the title of the goods;
- The Group does not retain any continual rights of management which is typically deemed as related to ownership or effective control over the products sold;
- The amount of revenue can be reliably measured;
- The economic benefits related to the transaction are likely to flow into the Group; and
- The costs incurred or to be incurred from the transaction can be reliably measured.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred. At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except the deferred tax assets or liabilities recognised and measured in accordance with Hong Kong Accounting Standard 12 Income Taxes.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another standard.

Government grant

Government grant is recognised when it can be reasonably confirmed that the Group will comply with the conditions to the grants and that the grants will be received. Government grant is recognised in the period of the related expenses which are expected to be offset by the grant based on a systematic basis in profit and loss. In particular, the essential conditions are that government grants are recognised as deferred income in combined financial statements for purchases, construction or otherwise acquisitions of non-current assets, and transferred to profit and loss by a systematic and reasonable basis during the useful life of such assets.

Government grant receivable as compensations for incurred expenses or losses or as immediate financial aids provided for the Group without related costs in the future is recognised in the period where it becomes receivable in profit and loss.

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment is calculated by straight line method during its estimated useful life after taking into account its estimated residual value. Determining its useful life and residual value involves estimations by the management. The Group annually reviews the residual value and useful life of its property, plant and equipment, and differences arising between the reviewed expectations and the original estimates may affect the depreciation of the year/period and require changes to the estimates of upcoming periods.

Estimated provision for inventories

Management of the Group reviews its aging analysis at the end of each reporting period and provides for items not suitable for sales or use due to obsolescence or unmarketability. The Group makes provision for its inventories based on its estimates of net realisable value. The management estimates the net realisable value of its finished products mainly based on its latest invoiced prices and current market conditions.

Impairment of trade and other receivables

The Group performs credit reviews for its customers and adjusts their credits based on their payment history and their current credibility determined after reviewing their present credit information. The Group continually monitors the payments received and made by their customers, and makes provisions for estimated credit loss based on its historical experiences. Credit loss has always been within the expected range of the Group, and the Group will continually monitor the payments received from the customers and maintain a suitable level of estimated credit loss.

DESCRIPTION OF CERTAIN INCOME STATEMENT ITEMS

The following table sets forth a summary of our consolidated income statement for the Track Record Period which has been extracted from the Accountants' Report of our Company set out in Appendix I to this prospectus. This information should be read together with our consolidated financial statement and related Note, which have been prepared in accordance with HKFRSs issued by the HKICPA.

Consolidated Statements of Profit or Loss

	For the year ended 31 December						For the six months ended 30 June			
	2011		2012		2013		2013		2014	
	HK$'000	%	*HK$'000*	%	*HK$'000*	%	*HK$'000* (unaudited)	%	*HK$'000*	%
Turnover	746,978	100.0	753,655	100.0	894,033	100.0	417,077	100.0	571,875	100.0
Cost of sales	(581,304)	(77.8)	(575,749)	(76.4)	(668,706)	(74.8)	(313,135)	(75.1)	(429,628)	(75.1)
Gross Profit	165,674	22.2	177,906	23.6	225,327	25.2	103,942	24.9	142,247	24.9
Other income and other gains	6,272	0.8	5,498	0.7	13,598	1.5	5,003	1.2	4,556	0.8
Selling and distribution expenses	(14,266)	(1.9)	(19,538)	(2.6)	(21,807)	(2.4)	(11,091)	(2.7)	(11,513)	(2.0)
Administrative expenses	(66,565)	(8.9)	(62,444)	(8.3)	(92,218)	(10.3)	(42,050)	(10.1)	(44,418)	(7.8)
Research and development expenses	(31,121)	(4.2)	(33,209)	(4.4)	(33,808)	(3.8)	(18,288)	(4.4)	(27,094)	(4.7)
Finance costs	(9,412)	(1.3)	(20,711)	(2.7)	(21,533)	(2.4)	(11,366)	(2.7)	(13,751)	(2.4)
(Loss) gain on disposal of subsidiaries	(3,202)	(0.4)	585	0.1	–	0.0	–	0.0	–	0.0
Profit before taxation	47,380	6.3	48,087	6.4	69,559	7.8	26,150	6.3	50,027	8.7
Income tax expense	(4,762)	(0.6)	(7,122)	(1.0)	(14,369)	(1.6)	(3,695)	(0.9)	(8,659)	(1.5)
Profit for the year	42,618	5.7	40,965	5.4	55,190	6.2	22,455	5.4	41,368	7.2
Profit attributable to:										
Owners of the Company	42,705	5.7	40,965	5.4	55,190	6.2	22,455	5.4	41,368	7.2
Non-controlling interests	(87)	(0.0)	–	0.0	–	0.0	–	0.0	–	0.0
	42,618	5.7	40,965	5.4	55,190	6.2	22,455	5.4	41,368	7.2

Turnover

The following table sets forth the breakdown of our turnover by products and their respective percentage of the total turnover during the Track Record Period:

	For the year ended 31 December						For the six months ended 30 June			
	2011		2012		2013		2013		2014	
	HK$'000	*% of total*	*HK$'000*	*% of total*	*HK$'000*	*% of total*	*HK$'000* (unaudited)	*% of total*	*HK$'000*	*% of total*
Turnover by products										
LED backlight products										
– Small dimension	668,586	89.5	625,849	83.0	670,905	75.0	324,167	77.7	451,595	78.9
– Medium dimension	19,837	2.7	11,262	1.5	29,055	3.2	8,336	2.0	19,822	3.5
– Large dimension	41,351	5.5	62,706	8.3	105,202	11.8	50,510	12.1	61,171	10.7
Subtotal	729,774	97.7	699,817	92.8	805,162	90.0	383,013	91.8	532,588	93.1
LED lighting products										
– Indoor lighting	7,907	1.1	43,611	5.8	52,693	5.9	27,170	6.5	27,309	4.8
– Outdoor lighting	9,297	1.2	10,227	1.4	36,178	4.1	6,894	1.7	11,978	2.1
Subtotal	17,204	2.3	53,838	7.2	88,871	10.0	34,064	8.2	39,287	6.9
Total	746,978	100.0	753,655	100.0	894,033	100.0	417,077	100.0	571,875	100.0

Our turnover was derived from sales of (i) LED backlight products and (ii) LED lighting products to our customers. Our revenue increased during the Track Record Period principally due to (i) increases in turnover of our Large LED backlight products and (ii) increases in turnover of our LED lighting products.

LED backlight

For the years 2011, 2012 and 2013, and the first half of the year 2014, sales of our LED backlight products were HK$729.8 million, HK$699.8 million, HK$805.2 million, and HK$532.6 million respectively.

During the Track Record Period, we generated a substantial portion of our turnover from selling Small LED backlight products. Our Small LED backlight products were mainly sold to manufacturers of smartphones, automobile displays, and equipment displays. For the years 2011, 2012 and 2013, and the first half of the year 2014, sales of our Small LED backlight products were HK$668.6 million, HK$625.8 million, HK$670.9 million and HK$451.6 million, respectively. Our Medium LED backlight products were mainly sold to manufacturers of smartphone, automobile displays, equipment displays. For the years 2011, 2012 and 2013, and the first half of the year 2014, sales of our Medium

LED backlight products were HK$19.8 million, HK$11.3 million, HK$29.1 million and HK$19.8 million, respectively. During the Track Record Period, as a result of the higher specification requirements for our Small LED backlight products and Medium LED backlight products from the market, we gradually phased out obsolete production facilities and purchased new production equipment. This process in the interim reduced production capacities for our Small LED backlight products and Medium LED backlight products. Meanwhile, in order to maintain our Group's gross profit margin, we gradually scaled down sales of our Small LED backlight products with size below 3.5 inches and sales to customers who contributed lower gross profit margins in the same LED backlight product specifications. In consequence, the turnover derived from sales of our Small LED backlight products and Medium LED backlight products decreased in 2012. In 2013, additional production capacity from the purchased equipment increased our production volume and, therefore, sales volume for our Small LED backlight products with size over 3.5 inches and Medium LED backlight products increased. As a result, the turnover derived from sales of our Small LED backlight products and Medium LED backlight products recovered in 2013.

Our Large LED backlight products were mainly sold to manufacturers of panel television sets. For the years 2011, 2012 and 2013, and the first half of the year 2014, sales of our Large LED backlight products were HK$41.4 million, HK$62.7 million, HK$105.2 million and HK$61.2 million respectively. We believe that the increase in sales of our Large LED backlight products mainly reflected the increased demands for panel televisions in the PRC. To satisfy market demands for our TV LED backlight products, we expanded the production capacities of our Huizhou Production Plant and introduced 5 LGP engraving machines in 2013 for the production of Large LED backlight products in order to reduce the product defect rate and improve our technical capabilities catering for our TV-use LED backlight products.

LED lighting

Our LED lighting products are categorised into indoor lighting and outdoor lighting. For the years 2011, 2012 and 2013, and the first half of the year 2014, sales of our LED lighting products were HK$17.2 million, HK$53.8 million, HK$88.9 million and HK$39.3 million respectively. During the Track Record Period, turnover attributable from LED lighting segment accounted for 2.3%, 7.2%, 10.0% and 6.9% of our total sales in the years 2011, 2012 and 2013, and the first half of the year 2014 respectively. Growth in sales of our LED lighting products was mainly the result of increase in sales to government-related LED lighting projects and expanding customer base. We expanded our customer base through development of overseas market by participating exhibitions in Dubai, Germany, the PRC and Hong Kong.

Please refer to the section headed "Industry Overview" in this prospectus for the details of drivers set out above.

Cost of sales

The following table sets forth the breakdown of our cost of sales and their corresponding percentages for the Track Record Period:

	For the year ended 31 December						For the six months ended 30 June			
	2011		2012		2013		2013		2014	
	HK$'000	%	*HK$'000*	%	*HK$'000*	%	*HK$'000* (unaudited)	%	*HK$'000*	%
Materials used:										
– Brightness enhancement film	86,694	14.9	100,261	17.4	110,692	16.6	55,667	17.8	74,425	17.3
– LED light	85,625	14.7	64,001	11.1	81,845	12.2	35,998	11.5	54,604	12.7
– Double-sided adhesive tape	43,634	7.5	45,589	7.9	48,014	7.2	24,273	7.8	32,354	7.6
– Others	201,370	34.7	217,812	37.9	250,835	37.5	116,561	37.2	154,228	35.9
Subtotal	417,323	71.8	427,663	74.3	491,386	73.5	232,499	74.3	315,611	73.5
Direct labour	111,114	19.1	91,162	15.8	111,576	16.7	55,459	17.7	79,494	18.5
Production overheads	50,252	8.6	54,671	9.5	60,067	9.0	23,859	7.6	33,228	7.7
Others	2,615	0.5	2,253	0.4	5,677	0.8	1,318	0.4	1,295	0.3
Total	581,304	100.0	575,749	100.0	668,706	100.0	313,135	100.0	429,628	100.0

The cost of materials used accounted for a substantial part of our cost of sales. Variations in our costs of materials used corresponded to changes in sales quantity and product mix. During the Track Record Period, we derived the majority of our total revenue from the selling of our LED backlight products. In particular, our Small LED backlight products accounted for 89.5%, 83.0%, 75.0% and 78.9% of our total revenue in years 2011, 2012 and 2013, and the first half of the year 2014 respectively. Hence, most of our cost of materials was primarily used for manufacturing Small LED backlight products. The cost of materials used, which mainly consisted of brightness enhancement film, LED light and double-sided adhesive tape, represented 71.8%, 74.3%, 73.5% and 73.5% of our cost of sales for the years 2011, 2012, and 2013, and the first half of the year 2014 respectively.

Brightness enhancement film was mainly applied in the production of our Small LED backlight products and Medium LED backlight products. For the years 2011, 2012 and 2013, and the first half of the year 2014, cost of our brightness enhancement film was HK$86.7 million, HK$100.3 million, HK$110.7 million and HK$74.4 million respectively. During the Track Record Period, the increase in cost of brightness enhancement film used was mainly due to the increase in the sales volume for our Small LED backlight products with size over 3.5 inches, which in turn led to demand for larger and thicker brightness enhancement film for our production of Small LED backlight products and Medium LED backlight products.

LED light was mainly applied in the production of our Small LED backlight products and Medium LED backlight products and our LED lighting products. The amount of LED light used mainly depended on the design and the size of our Small LED backlight products and Medium LED backlight products. Our LED backlight products with larger size typically installed larger number of LED lights. For the years 2011, 2012 and 2013, and the first half of the year 2014, cost of our LED light used was HK$85.6 million, HK$64.0 million, HK$81.8 million and HK$54.6 million respectively. In 2012, we began to procure LED light for our Small LED backlight products and Medium LED products mainly from a domestic supplier who offered lower unit price with similar specifications as compared to overseas suppliers, and therefore, the cost of our LED light used for our Small LED backlight products and Medium LED products decreased accordingly. Such decrease in cost was partly offset by the increase in sales volume for our Small LED backlight products with size over 3.5 inches, our Medium LED backlight products and our LED lighting products in 2013 and the first half of the year 2014.

Double-sided adhesive tape was mainly applied in the production of our Small LED backlight products and Medium LED backlight products. The amount of double-sided adhesive tape used mainly depended on the design and size of our Small LED backlight products and Medium LED backlight products. For the years 2011, 2012 and 2013 and the first half of the year 2014, the cost of our double-sided adhesive tape used was HK$43.6 million, HK$45.6 million, HK$48.0 million and HK$32.4 million respectively. During the Track Record Period, the increase in cost of double-sided adhesive tape used was mainly due to the increase in the sales volume for our Small LED backlight products with size over 3.5 inches. Such increase was partly offset by the increase in the procurement of reflective film and astigmatism film which were integrated with double-sided adhesive tape in 2013 and the first half of the year 2014.

Direct labour costs mainly represented wages to manufacturing workers. The ratio of direct labour costs to our cost of sales was 19.1%, 15.8%, 16.7% and 18.5% for the years 2011, 2012 and 2013, and the first half of the year 2014 respectively. Due to the difference in the production procedures of our Small LED backlight products, Medium LED backlight products and Large LED backlight products and LED lighting products, our Large LED backlight products and LED lighting products required relatively less manpower than our Small LED backlight products and Medium LED backlights products, due to automation in production process and hence a lower unit costs of salaries and benefits. We enhanced production efficiency and reduced manpower required in our Small LED backlight products and Medium LED production by phasing out and upgrading of the production equipment with higher degree of automatisation. The decrease in our overall salaries and benefits related to production was partly offset by the rise in average salaries.

Production overheads included depreciation of plant and machinery, administrative staff costs relevant to production, rental, packing materials and other miscellaneous production costs. Our production overheads represented 8.6%, 9.5%, 9.0% and 7.7% of our cost of sales for the years 2011, 2012 and 2013, and the first half of the year 2014 respectively. Our production overheads increased and decreased in line with our production quantities. During the Track Record Period, the changes in our production overheads were primarily attributable to (i) enhanced operation and production efficiency, (ii) changes in the product mix and the number of products sold and (iii) writing off of mould expenses due to phasing out of old moulds.

Gross profit and gross profit margin

The following table sets forth the breakdown of the gross profit and gross profit margin by products during the Track Record Period:

	For the year ended 31 December						For the six months ended 30 June			
	2011		2012		2013		2013		2014	
	Gross Profit HK$'000	*Gross Margin %*	*Gross Profit HK$'000*	*Gross Margin %*	*Gross Profit HK$'000*	*Gross Margin %*	*Gross Profit HK$'000* (unaudited)	*Gross Margin %*	*Gross Profit HK$'000*	*Gross Margin %*
LED backlight products:										
– Small dimensions	147,645	22.1	137,793	22.0	147,853	22.0	71,701	22.1	101,371	22.4
– Medium dimensions	4,897	24.7	2,635	23.4	5,721	19.7	1,622	19.5	3,886	19.6
– Large dimensions	9,246	22.4	19,141	30.5	35,813	34.0	17,336	34.3	21,559	35.2
Subtotal	161,788	22.2	159,569	22.8	189,387	23.5	90,659	23.7	126,816	23.8
LED lighting products:										
– Indoor lighting	256	3.2	13,705	31.4	20,149	38.2	10,362	38.1	10,258	37.6
– Outdoor lighting	3,630	39.0	4,632	45.3	15,791	43.6	2,921	42.4	5,173	43.2
Subtotal	3,886	22.6	18,337	34.1	35,940	40.4	13,283	39.0	15,431	39.3
Total	165,674	22.2	177,906	23.6	225,327	25.2	103,942	24.9	142,247	24.9

During the Track Record Period, our gross profit was HK$165.7 million, HK$177.9 million, HK$225.3 million and HK$142.2 million and our gross profit margins were 22.2%, 23.6%, 25.2% and 24.9%, for the years 2011, 2012, 2013 and the first half of the year 2014 respectively. The gross profit margin of each LED backlight product and LED lighting product is influenced by its specification as the difference in specification will require different raw materials for production which lead to different costs and different selling prices. Accordingly, the Group's gross profit margin in each year is influenced by (i) the demands of customers on various specifications of each LED backlight product and LED lighting product and (ii) the total number of LED backlight products and LED lighting product in each specification sold.

For the years 2011, 2012 and 2013, and the first half of the year 2014, gross profit margins of our LED backlight products were 22.2%, 22.8%, 23.5% and 23.8% respectively. Gross profit margin of our LED backlight products increased primarily as a result of the increase in the percentage of sales of our Large LED backlight products and gross profit margin of our Small LED backlight products stabilised at about the same level. The stable gross profit margin of our Small LED backlight products was mainly due to the changes we made in our product mix for Small LED backlight products by (i) gradually scaling down the sales of our Small LED backlight products below 3.5 inches, (ii) gradually scaling down the sales to customers providing less profit margins, (iii) achieving automation in our production procedures by phasing out and replacement of obsolete production equipment and (iv) releasing new products and upgrading existing ones to maintain the gross profit margins of our Small LED backlight products.

As compared to our Small LED backlight products and Medium LED backlight products, our Large LED backlight products were more streamlined and automated in their production procedures. Gross profit margin of our Large LED backlight products increased during the Track Record Period. For the years 2011, 2012 and 2013 and the first half of the year 2014, gross profit margin of our Large LED backlight products was 22.4%, 30.5%, 34.0% and 35.2% respectively. In 2011, as our Large LED backlight products were still in the process of adaptation, our product defect rate was high, leading to a lower gross profit margin. For the years 2012 and 2013 and the first half of the year 2014, our Large LED backlight products had lower product defect rate and higher production utilisation rates because of higher production volume and introduction of new production equipment which in turn resulted in a higher gross profit margin.

Gross profit margin of our LED lighting products has been historically higher than that of LED backlight products in general. For the years 2011, 2012 and 2013, and the first half of the year 2014, gross profit margin of our LED lighting products was 22.6%, 34.1%, 40.6% and 39.3% respectively. Our LED lighting products have higher gross profit margin as opposed to our LED backlight products. This was mainly attributable to the difference in product nature and production procedures, and also our LED lighting products are typically sold to end customers or LED lighting project operators as compared to our LED backlight products which are typically sold to downstream manufacturers.

The increase in profit margin of our LED lighting products was primarily attributable to (i) the overall increase in our LED lighting production volume and production efficiency and (ii) the increase in sales derived from government LED street light projects.

Other income and gains

The following table sets forth the breakdown of our other income and gains for the Track Record Period:

	For the year ended 31 December						For the six months ended 30 June			
	2011		2012		2013		2013		2014	
	HK$'000	%	*HK$'000*	%	*HK$'000*	%	*HK$'000* (unaudited)	%	*HK$'000*	%
Other income and gains										
Government grant	1,913	30.5	2,458	44.7	7,028	51.7	2,486	49.7	3,162	69.4
Bank interest income	3,008	48.0	864	15.7	1,545	11.4	535	10.7	860	18.9
Exchange gain	–	0.0	–	0.0	2,892	21.3	1,219	24.4	–	0.0
Others	1,351	21.5	2,176	39.6	2,133	15.6	763	15.2	534	11.7
Total	6,272	100.0	5,498	100.0	13,598	100.0	5,003	100.0	4,556	100.0

Our other income and gains mainly consisted of bank interest income, government grants, exchange gains, sales of scrapped materials, reversal of impairment loss on trade and other receivable and sundry income.

For the years 2011, 2012 and 2013 and the first half of the year 2014, income from government grants was HK$1.9 million, HK$2.5 million, HK$7.0 million, and HK$3.2 million respectively. For further details, please refer to the section entitled "Financial Information — Discussion of Consolidated Statements of Financial Position Items — Government Grants".

Income from bank interest income was HK$3.0 million, HK$0.9 million, HK$1.5 million, and HK$0.9 million for the years 2011, 2012 and 2013, and the first half of the year 2014 respectively. The changes in our bank interest income correlated with the amount of pledged bank deposits in the Track Record Period.

In the year 2013, we recorded an exchange gain of HK$2.9 million. The exchange gain was largely due to some of our account receivable being settled by US$, which had depreciated against RMB as of 31 December 2013. The absence of the exchange gain in the first half of the year 2014 was due to the appreciation of US$ exchange rate against RMB. An exchange loss of HK$0.7 million for our account receivables being settled by US$ was charged to our administrative expenses.

Selling and distribution expenses

The following table sets forth the breakdown of selling and distribution expenses for the Track Record Period:

	For the year ended 31 December						For the six months ended 30 June			
	2011		2012		2013		2013		2014	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Staff costs and sales commission	4,604	32.3	6,729	34.4	7,358	33.7	3,949	35.6	3,898	33.8
Transportation costs	3,864	27.1	5,644	28.9	6,685	30.7	3,345	30.2	3,162	27.5
Business related expenses	5,401	37.8	6,013	30.8	6,674	30.6	3,337	30.1	3,603	31.3
Others	397	2.8	1,152	5.9	1,090	5.0	460	4.1	850	7.4
Total	14,266	100.0	19,538	100.0	21,807	100.0	11,091	100.0	11,513	100.0

Staff costs and sales commission mainly represented the costs incurred for sales of our LED products. It accounted for 32.3%, 34.4%, 33.7% and 33.8% of our total selling and distribution expenses for the years 2011, 2012 and 2013, and the first half of the year 2014 respectively. The staff costs mainly consisted of salaries and allowances, social insurance, staff welfare, contributions to housing benefits incurred by our sales and distribution departments. The sales commission mainly represented the commission related to sales procured by our sales staff and sales manager. The increase in staff costs and sales commission during the years from 2011 to 2013 was in line with the increase in sales of our LED lighting products and, to a lesser extent, the increase in sales of our LED backlight products. For the first half of the years 2013 and 2014, the decrease of our staff costs and sales commission as opposed to the increase in our sales was largely due to the absence of a consultancy fee in first half of the year 2014 amounted to HK$468,000 incurred in first half of the year 2013. The consultancy fee was mainly incurred for the development of North America market, and the consultancy service agreement expired on 30 June 2013 and was not renewed.

Transportation costs were mainly the costs incurred in the delivery of our products and transportation, which accounted for 27.1%, 28.9%, 30.7% and 27.5% of our total selling and distribution expenses for the years 2011, 2012 and 2013, and the first half of the year 2014, respectively. The increase in the transportation costs for the years2011, 2012 and 2013 was mainly due to increases in production volume in our Huizhou Production Plant, which increased the cost of transportations involved in the delivery of products to customers in Shenzhen. The decrease in the transportation costs for the first half of the year 2013 to 2014 was mainly due to improvement in our logistic arrangement.

Business related expenses mainly represented the cost on entertainment, office supplies, travelling and accommodation and other miscellaneous business related expenses incurred by the sales department, which accounted for 37.8%, 30.8%, 30.6% and 31.3% of our total selling and distribution expenses for the years 2011, 2012 and 2013, and the first half of the year 2014 respectively.

Administrative expenses

The following table sets forth the breakdown of administrative expenses for the Track Record Period:

	For the year ended 31 December						For the six months ended 30 June			
	2011		2012		2013		2013		2014	
	HK$'000	%	*HK$'000*	%	*HK$'000*	%	*HK$'000* (unaudited)	%	*HK$'000*	%
Business and general office expenses	23,051	34.6	18,443	29.5	41,978	45.5	18,701	44.5	15,495	34.9
Staff costs	31,568	47.4	31,848	51.0	31,525	34.2	15,028	35.8	17,767	40.0
Depreciation and amortisation	5,327	8.0	7,839	12.6	7,217	7.8	3,284	7.8	3,579	8.1
Professional expenses	1,033	1.6	1,850	3.0	1,761	1.9	732	1.7	1,165	2.6
Listing expenses	–	0.0	–	0.0	6,957	7.6	3,000	7.1	4,362	9.8
Others	5,586	8.4	2,464	3.9	2,780	3.0	1,305	3.1	2,050	4.6
Total	66,565	100.0	62,444	100.0	92,218	100.0	42,050	100.0	44,418	100.0

Our administrative expenses decreased from 2011 to 2012 mainly due to the decrease in business and general office expenses and others. The increase in administrative expenses from 2012 to 2013 was mainly attributable to an increase in business and general office expense and an outlay of the listing expenses.

Business expenses mainly represented consumables, custom charges, entertainments, impairment of trade and other receivables, repairs and maintenance and testing incurred by our administration department. Our general office expenses mainly represented bank charges, cleaning, postage and courier, printing and stationery, office supplies, rental, telecommunication, travelling and accommodation and utilities incurred by our administration department.

Business and general office expenses accounted for 34.6%, 29.5%, 45.5% and 34.9% of our total administrative expenses for the years 2011, 2012 and 2013, and the first half of the year 2014 respectively.

Business and general office expenses decreased from 2011 to 2012 mainly as a result of the consolidation of administrative resources at our Shenzhen Production Plant and Huizhou Production Plant. In 2012, we enhanced our management efficiency by integrating resources in our Shenzhen Production Plant and Huizhou Production Plant and moving our mould production department from Shenzhen to Huizhou in order to reduce our rental expenses. The increase in the business and general office expenses in 2013 reflected the increases of our product sales.

Staff costs accounted for 47.4%, 51.0%, 34.2% and 40.0% of our total administrative expenses for the years 2011, 2012 and 2013, and the first half of the year 2014 respectively. Staff costs mainly represented salaries for administration and management staff, including salaries and allowance, insurance, welfare, commission and consultancy fee related to our directors and staff of administration department.

Depreciation and amortization mainly represented the depreciation expenses related to our office equipment, buildings in Hong Kong office, and our Shenzhen, Huizhou, Yichang Production Plants and amortization expenses incurred in our Huizhou Production Plant.

Listing expenses mainly represented the legal, professional and other fees with respect to the Listing.

Others mainly related to the loss on the disposal of property, plant and equipment, donation, and exchange difference of our total administrative expenses.

Research and development expenses

	For the year ended 31 December						For the six months ended 30 June			
	2011		2012		2013		2013		2014	
	HK$'000	%	*HK$'000*	%	*HK$'000*	%	*HK$'000* (unaudited)	%	*HK$'000*	%
Staff costs	9,042	29.0	18,626	56.1	17,493	51.8	10,282	56.2	10,405	38.4
Consumables	20,401	65.6	9,654	29.1	9,408	27.8	4,591	25.1	14,399	53.1
Others	1,678	5.4	4,929	14.8	6,907	20.4	3,415	18.7	2,290	8.5
Total	31,121	100.0	33,209	100.0	33,808	100.0	18,288	100.0	27,094	100.0

Research and development expenses mainly comprised of research and development expenses incurred for our LED backlight products and LED lighting products. These mainly consisted of staff costs and consumable. The increase in our staff costs incurred related to the research and development expenses primarily reflected the change of our research and development staff and average wages level.

The consumables mainly comprised mould development expenses and design expenses incurred for our LED products. The increase in our research and development expenses during the Track Record Period was primarily the combined effect of (i) the increase in our staff costs, (ii) the expenses associated with the expansion of our research and development centre in Huizhou in 2012, (iii) increase in types and variety of products and (iv) expenses of moulds arising from phasing out old moulds related to our research and development department.

Finance costs

Finance costs during the Track Record Period primarily consisted of interest payment on short-term bank loans and finance lease. For the years 2011, 2012 and 2013, and the first half of the year 2014, our finance costs were HK$9.4 million, HK$20.7 million, HK$21.5 million and HK$13.8 million respectively. Please refer to the section headed "Indebtedness" in this prospectus for the details of changes in finance costs set out above.

(Loss) gain on disposal of subsidiaries

(Loss) gain on disposal of subsidiaries primarily consisted of disposal of our subsidiaries not in our principal lines of business activities during the Track Record Period. During the Track Record Period, we incurred a loss on disposal of subsidiaries of HK$3.2 million and a gain on disposal of subsidiaries of HK$0.6 million in 2011 and 2012, respectively.

Income tax expenses

Our income tax expenses comprised current tax and movements in deferred tax assets and liabilities. Our current tax includes PRC enterprises income tax payable by our PRC subsidiaries and Hong Kong profits tax payable by our Hong Kong subsidiaries. The effective tax rate of our Group for the years 2011, 2012, and 2013 and the first half of the year 2014 was 10.1%, 14.8%, 20.7% and 17.3% respectively.

One of our subsidiaries, Shenzhen Wai Chi, was qualified as a "High-Tech Enterprise" in the PRC and subject to certain tax benefit, including a reduced enterprise income tax rate of 15% instead of the statutory rate of 25%. The status of the "High-Tech Enterprises" was subject to review once in every three years, and the "High-Tech Enterprises" status of Shenzhen Wai Chi is due to expire on 11 September 2015.

One of our subsidiaries, Wai Chi Hardware, enjoyed a two-year exemption and three-year half rate enterprise income tax transition preferential policy since 2006, and such preferential tax policy had expired in 2011.

The increase in our effective tax rate of our Group for the years 2011, 2012 and 2013 was largely due to (i) expiry of preferential tax treatment in Wai Chi Hardware, and (ii) increase in the percentage of sales derived from Huizhou Electronic, which was subject to the statutory enterprise income tax rate of 25%. The decrease in our effective tax rate of our Group from the year 2013 to first half of the year 2014 was mainly due to the increase in sales of our Small LED backlight products and Medium LED backlight products in Shenzhen Wai Chi, which was subject to enterprise income tax rate of 15%.

As of 31 December 2013, we had paid all relevant taxes due and did not have any dispute or unresolved issue with the relevant tax authorities.

REVIEW OF HISTORICAL OPERATING RESULTS

For the year ended 31 December 2011 compared to 2012

Turnover

Our turnover increased by 0.9% from HK$747.0 million in 2011 to HK$753.7 million in 2012, primarily reflecting (i) an increase in sales of our LED lighting products and (ii) an increase in sales of our Large LED backlight products.

Turnover of our LED backlight products decreased by 4.1% from HK$729.8 million in 2011 to HK$699.8 million in 2012. The decrease was primarily due to decrease in sales of our Small LED backlight products and Medium LED backlight products. Turnover of our Small LED backlight products decreased by 6.4% from HK$668.6 million in 2011 to HK$625.8 million in 2012. Whereas, turnover of our Medium LED backlight products decreased by 42.9% from HK$19.8 million in 2011 to HK$11.3 million in 2012. The decrease in sales of our Small LED backlight products and Medium LED backlight products primarily reflecting the scale down of sales of our Small LED backlight products and Medium LED backlight products to customers offering lesser gross profit margin and reduction of sales quantity of our Small LED backlight products under 3.5 inches.

Turnover from our Large LED backlight products increased by 51.4% from HK$41.4 million in 2011 to HK$62.7 million in 2012. The increase in sales of our Large LED backlight products primarily reflected in 2012, (i) an increase in demand for our Large LED backlight products, which we believe in turn reflected increasing demand for panel television sets in PRC and (ii) a new vice president of LED TV backlight department was hired to strengthen our production management and sales channels.

Turnover of our LED lighting products increased by 212.8% from HK$17.2 million in 2011 to HK$53.8 million in 2012, primarily reflecting an increase in demand for our LED indoor and outdoor lighting products. The increase in sales of our LED lighting products primarily reflected increase in demand for our LED lighting products and increase in sales on government projects.

Cost of sales

Our cost of sales decreased by 1.0% from HK$581.3 million in 2011 to HK$575.7 million in 2012, reflecting decreases in (i) salaries and benefits and (ii) production overheads tools. The decrease in salaries and benefits primarily reflected decrease in the cost of direct labour and salaries, which in turn reflected factors such as (i) automation in our production procedures and (ii) enhanced efficiency in supervision and production. The cost of materials used increased from HK$417.3 million in 2011 to HK$427.7 million in 2012, which was in line with the increase in sales volume derived from our Large LED backlight products and our LED lighting products.

Gross profit and gross profit margin

As a result of an increase in turnover, coupled with a decrease in costs of sales, our gross profit increased by 7.4% from HK$165.7 million in 2011 to HK$177.9 million in 2012. Our gross profit margin increased from 22.2% in 2011 to 23.6% in 2012. The increase in our profit margin primarily reflected the combined effect of (i) an increase in the percentage of sales derived from LED lighting products, which increased from 2.3% in 2011 to 7.2% in 2012. Our LED lighting products generally generated higher gross margins than our other LED products and (ii) an increase in the percentage of sales derived from Large LED backlight products, which increased from 5.5% in 2011 to 8.3% in 2012.

Other income and gains

Other income and gains decreased by 12.7% from HK$6.3 million in 2011 to HK$5.5 million in 2012. This decrease primarily reflected a decrease in bank interest income from HK$3.0 million in 2011 to HK$0.9 million in 2012. The decrease in our other income was partly off-set by an increase in government grant from HK$1.9 million in 2011 to HK$2.5 million in 2012.

Selling and distribution expenses

Our selling and distribution expenses increased from HK$14.3 million in 2011 to HK$19.5 million in 2012. This increase primarily reflected an increase in staff costs, sales commission and transportation costs in 2012. The increase was mainly due to the increase in sales of our LED lighting products.

Administrative expenses

Our administrative expenses decreased by 6.3% from HK$66.6 million in 2011 to HK$62.4 million in 2012. This decrease primarily reflected the decrease in general office expenses. The decrease in general office expenses was in turn due to the relocation of our mould production department from Shenzhen to Huizhou in 2012 which reduced our rental expenses.

Research and development expenses

Our research and development expenses increased from HK$31.1 million in 2011 to HK$33.2 million in 2012. It was relatively stable. The increase primarily reflected an increase in the rising of wage level.

Finance cost

Our finance costs increased by 120.2% from HK$9.4 million in 2011 to HK$20.7 million in 2012, primarily reflecting an increase in interest expenses, which in turn was due to the increase in short-term bank loans from HK$278.7 million to HK$324.1 million.

Please refer to the section headed "indebtedness" in this prospectus for the details of changes in borrowing cost.

Income tax expenses

Our income tax expenses increased by 47.9% from HK$4.8 million in 2011 to HK$7.1 million in 2012, primarily reflecting an increase in our profit before tax. Our effective tax rate was 10.1% in 2011 and 14.8% in 2012. Such increase in effective tax rate was largely associated with (i) expiry of preferential tax treatment of Wai Chi Hardware in 2011 and (ii) increase in the percentage of sales derived from Huizhou Electronic, which was subject to the statutory enterprise income tax rate of 25%.

Profit for the period attributable to owner of the Company

As a result of the factors described above, our profit for the period attributable to owner decreased by HK$1.7 million or 4.0% from HK$42.7 million in 2011 to HK$41.0 million 2012. Net profit margin decreased from 5.7% in 2011 to 5.4% in 2012.

For the year ended 31 December 2012 compared to 2013

Turnover

Our turnover increased by 18.6% from HK$753.7 million in 2012 to HK$894.0 million in 2013, primarily reflecting an increase in sales of our Large LED backlight products and our LED lighting products.

Turnover from our LED backlight products increased by 15.1% from HK$699.8 million in 2012 to HK$805.2 million in 2013, primarily due to the increase in sales of our Large LED backlight products. Turnover from our Small LED backlight products increased by 7.2% from HK$625.8 million in 2012 to HK$670.9 million in 2013. Whereas, turnover from our Medium LED backlight products increased by 158% from HK$11.3 million to HK$29.1 million. The increase in our sales of Small LED backlight products and Medium LED backlight products demonstrated an increase in market demand.

Turnover from our Large LED backlight products increased from HK$62.7 million in 2012 to HK$105.2 million in 2013. The increase in sales of our Large LED backlight primarily reflected (i) addition of 5 production equipment for laser LED backlights in large dimension in Huizhou in the first half of the year 2013 and (ii) increase in utilisation rate and production efficiency of our production capacity. The production capacity of our Large LED backlight products was 2,088,000 in 2012 and 2,392,000 in 2013.

Turnover from our LED lighting products increased by 65.2% from HK$53.8 million in 2012 to HK$88.9 million in 2013, primarily reflecting the increases in sales of our indoor and outdoor LED lighting products on government projects, and a further increase in production capacity for LED lighting products in Huizhou Production Plant in 2013. The increase in sales of our LED lighting products primarily reflected (i) the increase in sales to government projects, (ii) expansion of our customers base and (iii) expansion into overseas market. In 2013, we had completed Huizhou Boluo County LED street light project which contributed turnover of HK$23.9 million.

Cost of sales

Our cost of sales increased by 16.1% from HK$575.7 million in 2012 to HK$668.7 million in 2013, reflecting the increase in the production volume of our LED products, which was the result of the increase in (i) cost of materials used, (ii) production overheads and (iii) direct labour costs. The increase was in line with the increase of our Group's sales volumes. Our Group's sales volume was 106.5 million units in 2012 and 116.1 million units in 2013. The salaries and benefits also increased from HK$91.2 million in 2012 to HK$111.6 million in 2013, which in turn reflected the increase of average wage level.

Gross profit and gross profit margin

Our gross profit increased by 26.6% from HK$177.9 million in 2012 to HK$225.3 million in 2013. Our gross profit margin increased from 23.6% in 2012 to 25.2% in 2013. The increase in our profit margin primarily reflected the combined effect of (i) an increase in the percentage of sales derived from our Large LED backlight products and our LED lighting products, which historically had higher gross profit margins than our Small LED backlight products and Medium LED backlight products.

Other income and gains

Other income and gains increased by 147.3% from HK$5.5 million in 2012 to HK$13.6 million in 2013. This increase primarily reflected an increase government grant for our Shenzhen Wai Chi and Yichang subsidiaries, and to a lesser extent, (i) an increase in bank interest income from HK$0.9 million in 2012 to HK$1.5 million in 2013 and (ii) recognition of an exchange gain of HK$2.9 million in 2013.

Selling and distribution expenses

Our selling and distribution expenses increased from HK$19.5 million in 2012 to HK$21.8 million in 2013. This increase primarily reflected an increase in (i) sales commission, (ii) transportation costs and (iii) business related expenses, which was resulted from an increase in sales of our LED lighting products manufactured by our Huizhou Production Plant and increase in our Group's sales.

Administrative expenses

Our administrative expenses increased from HK$62.4 million in 2012 to HK$92.2 million in 2013. This increase primarily reflected (i) an increase in our business and general office expenses and (ii) recognition of listing expenses of HK$7.0 million.

Research and development expenses

Our research and development expenses increased from HK$33.2 million in 2012 to HK$33.8 million in 2013. In 2012 and 2013, our research and development expenses represented 4.4% and 3.8% of our total sales respectively.

The research and development expenses was for improvement of the technical capability or our LED backlight products and LED lighting products.

Finance cost

Our finance costs increased by 3.9% from HK$20.7 million in 2012 to HK$21.5 million in 2013.

Please refer to the section headed "indebtedness" in this prospectus for the details of the reasons for the changes of borrowing and borrowing costs from 2012 to 2013.

Income tax expenses

Our income tax expenses increased by 102.8% from HK$7.1 million in 2012 to HK$14.4 million in 2013, primarily reflecting an increase in (i) our profit before tax, and (ii) the percentage of sales derived from Huizhou Electronic which was subject to the statutory enterprise income tax rate of 25%.

Profit for the period attributable to owner of the Company

As a result of the factors described above, our profit for the period attributable to owner increased by 34.6% from HK$41.0 million in 2012 to HK$55.2 million in 2013. Our net profit margin was 5.4% and 6.2% for the years 2012 and 2013, respectively.

For the six months ended 30 June 2013 and 2014

Turnover

Our turnover increased by 37.1% from HK$417.1 million in the first half of the year 2013 to HK$571.9 million in the first half of the year 2014, primarily reflecting an overall increase in the sales in all segments, in particular of our LED backlight products.

Turnover from our LED backlight products increased by 39.1% from HK$383.0 million in the first half of the year 2013 to HK$532.6 million in the first half of the year 2014. The overall increase in the sales of our Small LED backlight products, Medium LED backlight products and Large LED backlight products, which we believe, demonstrated an increase in the market demand for our LED backlight products.

Turnover from our Small LED backlight products increased by 39.3% from HK$324.2 million in the first half of the year 2013 to HK$451.6 million in the first half of the year 2014, primarily reflecting the increase in the sales of our smartphone LED backlight products. Turnover from our Medium LED backlight products increased by 138.6% from HK$8.3 million in the first half of the year 2013 to HK$19.8 million in the first half of the year 2014, primarily reflecting the increase in the sales of our automobile LED backlight products and to the lesser extent, the relatively low sales value in term of our Medium LED backlight segment in the first half of the year 2013.

Turnover from our Large LED backlight products increased from HK$50.5 million in the first half of the year 2013 to HK$61.2 million in the first half of the year 2014. The increase in sales of our Large LED backlight products primarily reflecting the strong market demand from PRC panel TV manufacturers and the additional production capacity derived from the 5 LGP engraving machines for the production of Large LED backlight products introduced in the first half of the year 2013.

Turnover from our LED lighting products increased by 15.2% from HK$34.1 million in the first half of the year 2013 to HK$39.3 million in the first half of the year 2014, primarily reflecting (i) the increase in sales of LED lighting products being used in government projects, (ii) the expansion of our customers base and (iii) the increase in sales of LED lighting products being used in supermarket lighting.

Cost of sales

Our cost of sales increased by 37.2% from HK$313.1 million in the first half of the year 2013 to HK$429.6 million in the first half of the year 2014, reflecting the increase in the sale and production volume of our LED products, which led to the increase in the cost of materials used, production overheads and direct labour cost related to production. The sales volume of our LED products increased by 36.7% from 56.1 million units in the first half of the year 2013 to 76.7 million units in the first half of the year 2014.

The increase in our production overhead from HK$23.9 million in the first half of the year 2013 to HK$33.2 million in the first half of the year 2014 was largely due to the increase in our sales volume of LED products and, to the lesser extent, the increase in depreciation expense relevant to production as a result of the increase in plant and machinery for production. The direct labour cost related to production increased from HK$55.5 million in the first half of the year 2013 to HK$79.5 million in the first half of the year 2014. The increase was largely due to the increase in our sales and production volumes and also partially due to the increase in average wage level.

Gross profit and gross profit margin

Our gross profit increased by 36.9% from HK$103.9 million in the first half of the year 2013 to HK$142.2 million in the first half of the year 2014, and our gross profit margins were 24.9% and 24.9% respectively. The increase in our gross profit was in line with the increase in our turnover. Our Group's stable gross profit margin was due to the increases in the percentage of sales derived from our Small LED backlight products and Medium LED backlight products, offset by the increase in the gross profit margin of our Large LED backlight and LED lighting products.

Other income and gains

Other income and gains decreased by 8.0% from HK$5.0 million in the first half of the year 2013 to HK$4.6 million in the first half of the year 2014. The decrease primarily reflected the absence of an exchange gain of HK$1.2 million which was recognised only in the six months ended 30 June 2013.

Selling and distribution expenses

Our selling and distribution expenses increased from HK$11.1 million in the first half of the year 2013 to HK$11.5 million in the first half of the year 2014. The increase primarily reflected the overall increase in sales of our LED lighting products and our LED backlight products. For the first half of the years 2013 and 2014, the decrease of our staff costs and sales commission as opposed to the increase in sales was largely due to the absence of a consultancy fee in relation to marketing and business development in North America market amounted to HK$468,000 in the first half of the year 2013, and the agreement was expired on 30 June 2013. The decrease in our transportation costs was mainly due to improvement of our logistic arrangement.

Administrative expenses

Our administrative expenses increased from HK$42.1 million in the first half of the year 2013 to HK$44.4 million in the first half of the year 2014. The increase primarily reflected (i) the increase in our staff costs related to administration department as a result of the increase of average wage level, (ii) the increase in our listing expenses from HK$3.0 million in the first half of the year 2013 to HK$4.4 million in the first half of the year 2014 and (iii) the increase in professional expenses related to business advisory and other professional consultancy fee in the first half of the year 2014. The increase in our administrative expenses was partially offset by the decrease in our business and general office expenses, which in turn was due to (i) cost saving from integrating resources in our Shenzhen Production Plant and Huizhou Production Plant and (ii) the decrease in impairment of trade and other receivables from HK$4.0 million in the first half of the year 2013 to HK$0.4 million in the first half of the year 2014.

Research and development expenses

Our research and development expenses increased from HK$18.3 million in the first half of the year 2013 to HK$27.1 million in the first half of the year 2014. The increase primarily due to the increase in the cost of consumable from HK$4.6 million in the first half of the year 2013 to HK$14.4 million in the first half of the year 2014, which in turn was mainly due to the expenses of moulds arising from phasing out old moulds related to our research and development department.

Finance costs

Our finance costs increased by 21.1% from HK$11.4 million in the first half of the year 2013 to HK$13.8 million in the first half of the year 2014.

Please refer to the section headed "indebtedness" in this prospectus for the details of changes in borrowing cost.

Income tax expenses

Our income tax expenses increased by 135.1% from HK$3.7 million in the first half of the year 2013 to HK$8.7 million in the first half of the year 2014, primarily reflecting an increase in our profit before tax. The effective tax rate of our Group for the first half of the years 2013 and 2014 was 14.1% and 17.3%. Such increase in our effective tax rate was mainly due to the increase in the profit before tax of Huizhou Electronic as a result of increase in sales and more effective cost control implemented for Huizhou Electronic.

Profit for the period attributable to owner of the Company

As a result of the factors described above, our profit for the period attributable to owner increased by 84.0% from HK$22.5 million in the first half of the year 2013 to HK$41.4 million in the first half of the year 2014. Our net profit margin was 5.4% and 7.2% for first half of the years 2013 and 2014, respectively.

DISCUSSION OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ITEMS

Net current assets/(liabilities)

The following table sets forth our current assets and current liabilities as of the dates indicated:

	As of 31 December			As of 30 June	As of 30 September
	2011	2012	2013	2014	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(unaudited)
Current assets					
Inventories	146,620	166,293	197,743	224,567	208,833
Prepaid lease payments	556	556	967	967	967
Trade and bills receivables	381,823	385,470	438,614	570,265	571,951
Prepayments, deposits and other receivables	26,156	38,120	40,224	39,074	41,282
Amounts due from related companies	979	39	41	40	–
Pledged bank deposits	36,328	56,364	63,983	47,165	55,117
Bank balances and cash	63,643	124,417	100,777	110,276	171,603
Total current assets	656,105	771,259	842,349	992,354	1,049,753
Current liabilities					
Trade and bills payables	213,878	323,052	450,093	444,922	494,207
Other payables and accruals	69,910	25,144	38,250	54,474	45,679
Bank borrowings	278,673	324,061	223,726	343,080	344,051
Amounts due to related companies	92,419	47,867	516	1,805	–
Amounts due to a director	64,129	53,085	1,458	–	–
Obligations under finance lease	–	281	294	301	2,217
Income tax payables	8,621	3,935	13,495	9,702	12,909
Total current liabilities	727,630	777,425	727,832	854,284	899,063
Net current (liabilities) assets	(71,525)	(6,166)	114,517	138,070	150,690

We had net current liabilities of HK$71.5 million and HK$6.2 million as of 31 December 2011 and 31 December 2012. The decrease in the net current liabilities was mainly due to (i) an increase of HK$20.0 million in pledged deposits and HK$60.8 million in bank balances and cash, (ii) a decrease of HK$44.8 million in other payables and accruals and (iii) a decrease of HK$44.6 million in amounts due to related companies. The change in the net current liabilities was partially offset by (i) an increase of HK$109.2 million in trade and bills payables and (ii) an increase of HK$45.4 million in bank borrowings.

As of 31 December 2013, we had net current assets of HK$114.5 million, while we had net current liabilities of HK$6.2 million as of 31 December 2012. The change was mainly due to (i) an increase of HK$31.5 million in inventories, (ii) an increase of HK$53.1 million in trade and bills receivables, (iii) a decrease of HK$100.3 million in bank borrowings and (iv) a decrease of HK$47.4 million and HK$51.6 million in amounts due to related companies and amounts due to directors respectively. The change was partially offset by (i) a decrease of HK$23.6 million in bank balances and cash and (ii) an increase of HK$127.0 million in trade and bills payables. The improvement in our working capital position in 2013 was primarily due to the decrease in the bank borrowings as our increasing net cash from operating activities can further support our daily operation.

Our net current assets increased from HK$114.5 million as of 31 December 2013 to HK$138.1 million as of 30 June 2014. The increase was mainly due to (i) an increase of HK$26.9 million in inventories and (ii) an increase of HK$131.7 million in trade and bills receivables. The change was partially offset by an increase of HK$119.4 million in bank borrowings. The further improvement in our working capital position as of 30 June 2014 was primarily due to the increase in the trade and bills receivables and inventories which were in line with our sales growth.

Based on the unaudited management account as of 30 September 2014, we had net current assets of HK$150.7 million. The increase in the net current assets was mainly due to an increase of HK$69.3 million in pledged bank deposits and cash and bank balance. The change was partially offset by (i) an increase of HK$49.3 million in trade and bills payable and (ii) a decrease of HK$15.7 million in inventories. The improvement in our working capital position as of 30 September 2014 was primarily due to the increase in cash and bank balance.

Inventory

During the Track Record Period, inventory is one of the principal components of our current assets. Our inventory is categorised into raw materials, work-in-progress for our products and finished products. Work-in-progress primarily represents products still being manufactured in the production plants. The following table sets forth the components of our inventory as of the dates indicated and turnover days for the periods indicated:

	As of 31 December			As of 30 June
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Raw materials	31,375	38,095	49,993	37,905
Work-in-progress	53,701	50,103	66,586	76,740
Finished goods	61,544	78,095	81,164	109,922
Total	146,620	166,293	197,743	224,567
Turnover days of inventory	63	76	74	68

The inventory increased from HK$146.6 million as of 31 December 2011 to HK$166.3 million as of 31 December 2012, increased to HK$197.7 million as of 31 December 2013, and further increased to HK$224.6 million as of 30 June 2014. The increase in the inventory was in line with our growth in sales. We kept more inventories to ensure stable supply to customers as our product types increased so as to meet the increasing demands for our LED backlight products and LED lighting products.

Turnover days of inventory is calculated based on the average inventories divided by turnover during the year and multiplied by 365 days for the years 2011, 2012 and 2013 and the turnover days of inventory for 6-month period is calculated based on the average of the beginning and ending inventory for such period divided by turnover of the period and multiplied by 183 days. The inventory turnover days increased from 63 days in 2011 to 76 days in 2012. The increase was mainly due to more inventories were kept to meet the increasing demands for our products. The inventory turnover days decreased from 76 days in 2012 to 74 days in 2013, and further decreased to 68 days as of 30 June 2014. Our Group has set up internal control policies in controlling and monitoring our inventory level and ensure the adequacy of inventory on hand. Our production department, marketing department and finance department work closely to place orders to our suppliers. We usually purchase products from our principal suppliers having considered (i) the estimation of the customers' demand, (ii) our existing inventory levels, and (iii) the immediate availability of materials from the principal suppliers. Our products are mainly LED backlight products with various dimension, colours and luminosity and tailor-made LED lighting products according to our customers' specifications and requirements. When we receive the sales order from customers, we estimate the usage of the raw materials in accordance with customer's individual and unique specifications and requirements such as size, colours and brightness. We use the ERP system to track inventory levels and perform physical stock-take to ensure adequate levels of products.

We had an inventory assessment and write-down policy during the Track Record Period. The policy is mainly based on our regular assessment of obsolescence of our finished goods. Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs to make the sales. These estimates are mainly based on the market condition in China and the experience of selling products of similar nature. We assess the balance of the inventories at the end of reporting period, and we ensure the inventory balance is stated at the lower of cost and net realisable value. The inventory was stated at cost as of 31 December 2011, 2012 and 2013, and as of 30 June 2014.

As of the Latest Practicable Date, HK$171.2 million, or 76.2% of inventories carried forward from 30 June 2014 was subsequently sold or consumed.

Trade and bills receivables

The following table sets forth the trade and bills receivables and the turnover days of net trade receivables, as of the dates indicated:

	As of 31 December			As of 30 June
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	242,891	256,401	393,196	481,251
Less: impairment	(2,231)	(2,240)	(9,421)	(8,100)
Net trade receivables	240,660	254,161	383,775	473,151
Bills receivables	141,163	131,309	54,839	97,114
Total	381,823	385,470	438,614	570,265
Turnover days of trade receivables	94	120	130	137

The net trade receivables represent net receivables from our customers for the sales of our products. Turnover days of trade receivables are calculated based on average trade receivables net of impairment divided by turnover during the year and multiplied by 365 days for years 2011, 2012 and 2013, and the turnover days of trade receivables for a 6-month period are calculated based on the average of the beginning and ending balances of trade receivables net of impairment for such period divided by turnover of the period and multiplied by 183 days. The credit terms granted to our customers are determined with reference to, among other things, (i) financial position, (ii) credit history, (iii) length of business relationship, and (iv) market share and prospect of our customers. During the Track Record Period, we generally grant an average credit period of 30 to 180 days to our major customers.

The net trade receivables increased from HK$240.7 million as of 31 December 2011 to HK$254.2 million as of 31 December 2012. The increase was mainly due to the increase in number of the LED lighting projects which normally have longer settlement period. As of 31 December 2013, the trade receivables further increased to HK$383.8 million. The increase was primarily due to the 2-year settlement period of the LED lighting project which total contract sum was HK$19.1 million for Huizhou Boluo government stipulated under the contract being longer than other LED backlight products, and the increase in sales of our LED backlight products especially Large LED backlight products.

The net trade receivables increased from HK$383.8 million as of 31 December 2013 to HK$473.2 million as of 30 June 2014. The increase was primarily due to our business growth during the first half of the year 2014. Our turnover increased by 37.1% from HK$417.1 million in the first half of the year 2013 to HK$571.9 million in the first half of the year 2014.

For the bills receivables, the Group accepts settlement of trade receivables by bank bills for certain major customers. During each of the years 2011, 2012 and 2013, the Group received bank bills of HK$141.2 million, HK$131.3 million and HK$54.8 million respectively as settlement of sales. The decrease in the bills receivables from 2012 to 2013 was mainly due to, as at the year end date, we used more bank bills received from the customers to settle the trade payables by endorsement of the bank bills. This practice fully complied with PRC Negotiable Instrument laws and the settlement of the trade payables is supported by actual transactions.

The bills receivables increased from HK$54.8 million as of 31 December 2013 to HK$97.1 million as of 30 June 2014. The increase in the bills receivables during the period ended 30 June 2014 was mainly due to the increase in sales of our LED backlight products and, to the lesser extent, the decrease in bank bills received being used for the settlement of trade payables by endorsement to lower the bank handing changes and interest. Some of the trade payables during the first half of the year 2014 were settled by bank borrowing which offered a lower overall finance cost than using bank bills.

A number of our major customers settled our trade receivables by way of bank bills denominated in Renminbi. Typically, bank bills can only be cashed at a discount prior to maturity.

On the other hand, we endorsed some of the bank bills we received from our customers at their full value, prior to maturity, to settle our trade payables due to our suppliers. Such use of bank bills fully complied with the PRC Negotiable Instrument Laws.

The underlining sales and purchases involving bank bills are all genuine transactions in our normal course of business.

Our trade receivables turnover days increased from 94 days in 2011 to 120 days in 2012. The increase in the trade receivables turnover days due to the termination of the related party transactions with Wai Chi Electronics Limited in the fourth quarter of the year 2011. Prior to the fourth quarter of the year 2011, we sold certain finished goods to Wai Chi Electronics Limited who then sold the finished products to independent overseas customers. As Wai Chi Electronics Limited was one of our related parties, the balance with Wai Chi Electronics Limited was recorded in the amount due from related parties but not trade receivables.

In the fourth quarter of the year 2011, we started to sell directly to overseas customers and the balance with the customers was recorded in trade receivables. Our trade receivables as of 31 December 2011 and 2012 increased accordingly. As a result, our average trade receivables as of 31 December 2011 and 2012 increased significantly as compared to our average trade receivables as of 31 December 2010 and 2011. For our related party transactions with Wai Chi Electronics Limited, please refer to the paragraph headed "Related Party Transactions" in the "Financial Information" section.

Our trade receivables turnover days increased from 120 days in 2012 to 130 days in 2013, mainly due to the significant growth of sales in Large LED backlight products had from 2012 to 2013. The LED lighting projects of Huizhou Boluo government, such as Huizhou Boluo County Cultural Centre LED lighting project, had a longer settlement period, which led to the increase in the net trade receivables turnover days.

Our trade receivables turnover days slightly increased from 130 days in 2013 to 137 days in the first half of the year 2014. The increase was mainly due to the higher turnover in second quarter of the year 2014, which in turn, increased in our trade receivables balance as of 30 June 2014. The higher turnover in second quarter of the year 2014 was mainly driven by the strong market demand from smartphone manufacturers, automobile manufacturers, and panel TV manufacturers in the PRC.

To the best knowledge of our Directors, settlement of LED lighting project by Huizhou Boluo government was subject to lengthy internal procedures. Therefore, the LED lighting projects for the government normally have longer settlement periods. The Directors believe that this settlement pattern is in line with the industry practice of dealing with government projects. After considering of the background and the nature of the LED lighting projects for Huizhou Boluo government, our business relationship and regular communication with the Huizhou Boluo government, we accept the longer settlement period. Sales of our LED outdoor lighting products represented 1.2%, 1.4%, 4.1% and 2.1% of the turnover for the years 2011, 2012 and 2013 and the first half of the year 2014 respectively. Most of our LED outdoor lighting products related to government project. Therefore, we believe the long settlement period of the LED lighting projects by the government will not affect our cash flow and daily operation.

The following table sets forth the ageing analysis of the trade receivables net of accumulated impairment losses presented based on the invoice date at as of the dates indicated:

	As of 31 December			As of 30 June
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 to 90 days	229,847	230,403	330,337	441,274
91 to 180 days	7,407	8,037	22,919	30,751
181 to 365 days	1,996	13,903	11,936	841
Over 365 days	1,410	1,818	18,583	285
Total	240,660	254,161	383,775	473,151

The following table shows the age analysis of trade receivables that was neither overdue nor impaired and past due but not impaired:

			Past due but not impaired			
	Total	**Neither overdue nor impaired**	**Less than 30 days**	**31 to 60 days**	**61 to 90 days**	**Over 90 days**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2011	240,660	211,058	14,761	5,716	5,053	4,072
As at 31 December 2012	254,161	210,295	14,548	8,243	6,394	14,681
As at 31 December 2013	383,775	278,585	65,824	3,037	3,686	32,643
As at 30 June 2014	473,151	424,754	29,782	4,608	6,456	7,551

Net trade receivables by billing date which had the age of over 180 days, amounted to HK$3.4 million, HK$15.7 million, HK$30.5 million and HK$1.1 million as of 31 December 2011, 2012 and 2013, and as of 30 June 2014 respectively. The increase in the balance from 31 December 2011 to 31 December 2013 was mainly due to the increase in the LED lighting projects of Huizhou Boluo government and Yichang government. The decrease in the balance from 31 December 2013 to 30 June 2014 was mainly due to settlement of the outstanding balances by Huizhou Boluo government.

Based on the past experience, review of the operating situation of the customers and regular discussion with the customers, our Directors are of the view that past due trade receivables, amounting to HK$29.6 million, HK$43.9 million, HK$105.2 million and HK$48.4 million, were assessed as not impaired as of 31 December 2011, 2012 and 2013, and as of 30 June 2014, respectively. The balances are considered to be fully recoverable as there has not been a significant change in the customers' credit quality. The increase in the balance from 2011 to 2013 was mainly due to the increase in the LED lighting projects with Huizhou Boluo government and Yichang government, which normally have longer settlement period as the settlement was subject to the government's lengthy internal procedures. The Directors believe that the settlement pattern is in line with the industry practice of dealing with the government projects.

For the trade receivables that were past due but not impaired as of 31 December 2011 and 2012, they were either settled or impaired. For the trade receivables that were past due over 90 days but not impaired as of 31 December 2013, they were mainly related to the trade balance in respect of the Huizhou Boluo government and Yichang government for whom there was no history of default and independent customers that have a good track record with us. The trade receivables that were past due but not impaired decreased sharply from HK$105.2 million as of 31 December 2013 to HK$48.4 million as of 30 June 2014, the decrease was mainly due to the settlement of outstanding balances by Huizhou Boluo government.

Set out in the following table is the movement in allowance for impairment of trade receivables:

	As of 31 December			As of 30 June
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Balance at the beginning of the year	2,023	2,231	2,240	9,421
Impairment losses recognised on receivables	183	47	7,194	409
Impairment losses reversed	(77)	(38)	(190)	(7)
Written off	–	–	–	(1,650)
Exchange realignment	102	–	177	(73)
Balance at the end of the year	2,231	2,240	9,421	8,100

We assess the impairment for the trade receivables taking into account (i) the significant financial difficulty of the customers, (ii) breach of contract or (iii) it becoming probable that the customers will enter bankruptcy or financial re-organisation. Impairment on our receivables was HK$2.2 million, HK$2.2 million, HK$9.4 million and HK$8.1 million as of 31 December 2011, 2012, and 2013 and as of 30 June 2014 respectively. The significant increase in the impairments on our receivables from 2012 to 2013 was mainly due to the impairment for trade receivables due from the customers which are considered uncollectible. The decrease in the impairments on our receivables from 31 December 2013 to 30 June 2014 was due to the written off of the receivables of HK$1.7 million.

In order to minimise the credit risk, our Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, our Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

As of the Latest Practicable Date, HK$350.8 million, or 74.1% of the net trade receivables as of 30 June 2014 were subsequently settled.

Prepayment, deposits and other receivables

The following table sets forth the prepayment, deposits and other net receivables as of the dates indicated:

	As of 31 December			As of 30 June
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deposits and other net receivables	8,194	19,927	17,350	18,737
VAT receivables	11,023	8,683	10,121	5,784
Prepayment	6,939	9,510	12,753	14,553
Total	26,156	38,120	40,224	39,074

Our deposits and other net receivables increased from HK$8.2 million as of 31 December 2011 to HK$19.9 million as of 31 December 2012 primarily due to (i) increase in the deposit paid for the life insurance for Mr. Yiu by HK$7.4 million, (ii) the increase in deposits for the LED lighting project in Huizhou of HK$1.3 million and (iii) the increase in retention money of HK$1.3 million. The deposits and other net receivables remained stable and slightly decreased from HK$19.9 million as of 31 December 2012 to HK$17.4 million as of 31 December 2013, and slightly increased to HK$18.7 million as of 30 June 2014.

Trade and bills payables

Our trade and bills payables consist primarily of purchases of raw material from various suppliers. The trade payables are non-interest-bearing and the credit terms from them are 30 to 90 days upon receipt of invoices.

The following table sets forth the trade and bills payables as of the dates indicated and turnover days for the periods indicated:

	As of 31 December			As of 30 June
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	174,565	193,688	186,547	254,505
Bills payables	39,313	129,364	263,546	190,417
	213,878	323,052	450,093	444,922
Turnover days of trade payables	57	89	78	71

Turnover days of trade payables for the years 2011, 2012 and 2013 represent the average trade payables divided by turnover during the year and multiplied by 365 days. The turnover days of trade payables for the first half of the year 2014 are calculated based on the average of the beginning and ending balances of trade payables of such period divided by turnover of such period and multiplied by 183 days.

Our trade and bills payables increased from HK$213.9 million as of 31 December 2011 to HK$323.1 million as of 31 December 2012, and further increased to HK$450.1 million as of 31 December 2013. The increase was primarily due to increases in the procurement of raw materials for our production activities which was in line with the overall growth of our operations. Our trade and bills payables slightly decreased from HK$450.1 million as of 31 December 2013 to HK$444.9 million as of 30 June 2014. Our bills payables were HK$39.3 million, HK$129.4 million, HK$263.5 million and HK$190.4 million as of 31 December 2011, 2012 and 2013, and as of 30 June 2014 respectively. Bills payables include the outstanding amounts of our obligation under letters of credit related to purchases from the suppliers during the Track Record Period. The increase in the bills payables from 2011 to 2013 was mainly due to the use of more bank bills to settle the trade payables, which would provide better cash management and liquidity to the Group. As advised by the PRC Legal Advisers, such settlement is in compliance with the Negotiable Instruments Law of the PRC (《中華人民共和國票據法》) and the Administrative Measures on Negotiable Instruments (《票據管理實施辦法》). The decrease in the bill payables during the period ended 30 June 2014 was mainly due to the decrease in use of bank bills to settle the trade payables. Such trade payables was settled by bank borrowing with lower overall finance cost than using bank bills.

The trade payables turnover days increased significantly from 57 days for year 2011 to 89 days for year 2012. The reason for the significant increase was mainly because we ceased to enter into the related party transactions with Wai Chi Electronics Limited in the fourth quarter of the year 2011. Before the fourth quarter of the year 2011, we purchased goods from Wai Chi Electronic Limited which it had sourced from independent overseas suppliers for our production. As Wai Chi Electronics Limited was one of our related parties, the balance with Wai Chi Electronics Limited was recorded in the amount due to related parties but not trade payables. Following the third quarter of the year 2011, we purchased goods directly from the suppliers and the balance with the suppliers was recorded in trade payables. Our trade payables as of 31 December 2011 and 2012 increased accordingly and significantly as compared to our average trade payables as of 31 December 2010 and 2011. For our related parties transactions with Wai Chi Electronics Limited, please refer to the paragraph headed "Related Parties Transactions" in "Financial Information" section.

The trade payable turnover days decreased from 89 days for the year 2012 to 78 days for the year 2013. The decrease was mainly because the lower balance of trade payables as of 31 December 2013, as the Group settled part of the trade payables by way of endorsing bank bills received from its customers. The trade payable turnover days slightly decreased to 71 days for the first half of the year 2014. The decrease was mainly due to more purchases from our major oversea suppliers who normally offered shorter credit period to the Group.

A large portion of our trade payables at the end of the relevant report periods were due within 180 days. The following table sets forth the aging analysis of the trade payables as of the dates indicated:

	As of 31 December			**As of 30 June**
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 to 90 days	127,204	141,914	166,607	190,337
91 to 180 days	39,580	43,694	14,062	57,374
181 to 365 days	6,718	5,779	3,718	4,936
Over 365 days	1,063	2,301	2,160	1,858
Total trade payables	174,565	193,688	186,547	254,505

With reference to the above table, 72.9%, 73.3%, 89.3% and 74.8% of the total trade payables were within 90 days as of 31 December 2011, 2012 and 2013 and as of 30 June 2014 respectively. As of the Latest Practicable Date, HK$210.6 million or 82.7% of the trade payables as of 30 June 2014 had been subsequently settled.

Other payables and accruals

The following table sets forth the other payables and accruals as of the dates indicated:

	As of 31 December			As of 30 June
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Receipt in advance	2,381	2,911	4,723	2,443
Construction cost payable	10,839	5,066	1,563	1,814
Accrued expenses	13,641	11,374	15,671	23,845
Value added tax payables	7,523	3,181	11,136	19,905
Other payables	35,526	2,612	5,157	6,467
Total	69,910	25,144	38,250	54,474

Receipt in advance represents prepayment made by our customers for the LED products. Our receipt in advance was relative stable during Track Record Period and recorded HK$2.4 million, HK$2.9 million, HK$4.7 million and HK$2.4 million as of 31 December 2011, 2012 and 2013, and 30 June 2014 respectively.

Other payables mainly include the current accounts with suppliers or customers and other immaterial payable balances. The other payables in 2011 mainly included the funds received from a particular customer in the amount of RMB19.5 million (the "Amount") for producing certain LED backlight products with specific requirement in December 2011. However, after the assessment by our research and development department, we decided that our LED backlight products could not meet the specific requirements of that particular customer. The particular customer and we entered into a discussion about the specific requirements, and agreed to terminate the relevant sales contract without any liability for any development cost or interest payments. We refunded the Amount to that particular customer gradually in 2012. Our other payables further increased to HK$5.2 million and HK$6.5 million as of 31 December 2013 and 30 June 2014 respectively. The increase was mainly due to the increase in reimbursement payable balances to our staffs and other tax payables.

The construction cost payables as of 31 December 2011 amounted to HK$10.8 million, which mainly comprised construction cost payable for the construction of Huizhou Production Plant. The decrease in the construction cost payable from HK$5.1 million in 2012 and HK$1.6 million in 2013. The decrease was mainly due to the settlement of the construction cost according to the completion progress.

Our accrued expenses were HK$13.6 million, HK$11.4 million, HK$15.7 million and HK$23.8 million as of 31 December 2011, 2012 and 2013, and as of 30 June 2014 respectively. The accrued expenses were mainly comprised salaries payables, staff benefit payables, and accrued listing expenses. The decrease in the accrued expenses from 2011 to

2012 was mainly due to salary payable as a result in decrease in number of labours. The increase in the accrued expenses from 2012 to 2013 was mainly due to an accrued listing expenses and professional fees for the preparation of listing incurred in 2013. The increase on the accrued expenses from 31 December 2013 to 30 June 2014 was mainly due to increase in salary payable as a result of the increase in number of labours and average salary level.

Income tax payables

Our income tax payables decreased from HK$8.6 million as of 31 December 2011 to HK$3.9 million as of 31 December 2012, increased to HK$13.5 million as of 31 December 2013 and then decrease to HK$9.7 million as of 30 June 2014.

The decrease in the income tax payable from 31 December 2011 to 31 December 2012 was mainly due to the increase in the tax deduction for the research and development expenses incurred in 2012. The increase in the income tax payable from 31 December 2012 to 31 December 2013 was primarily due to (i) the increase in the overall profit before tax in 2013 and (ii) the significant increase in the profit before tax of Huizhou Electronics, one of the subsidiaries of the Group, which is subject to the standard income tax rate of 25%. The income tax payable from 31 December 2013 to 30 June 2014 slightly decreased which was mainly due to the income tax payable incurred during the year 2013 being settled in April 2014 for tax clearance. Therefore, the income tax payable as of 30 June 2014 decreased accordingly.

Deferred tax assets

The deferred tax assets are recognised for the difference between depreciation allowance and related depreciation, impairment and allowances and unused tax losses. Unused tax losses can arise due to net loss carried forward. The unused tax losses are recognised as deferred tax assets to the extent if it is probable that taxable profit will be offset against the unused tax losses in the future fiscal periods.

Our deferred tax assets were HK$7.3 million, HK$4.9 million, HK$4.0 million and HK$4.0 million as of 31 December 2011, 2012, 2013 and 30 June 2014 respectively. The deferred tax assets were relative stable during the Track Record Period. As of 31 December 2011, 2012 and 2013 and 30 June 2014, the Group had aggregate tax losses of HK$17.3 million, HK$16.6 million, HK$26.7 million and HK$31.8 million respectively, which mainly represented the tax losses of Sanxia Wai Chi. No deferred tax asset has been recognised in respect of the tax losses of HK$7.2 million, HK$10.9 million, HK$26.7 million and HK$31.8 million respectively due to the unpredictability of future income stream of certain subsidiaries. During the Track Record Period, the increase in tax losses which were carried forward and were not recognised as deferred tax assets was mainly due to the accumulative unused tax losses from Sanxia Wai Chi, which was a result of marketing and administrative expenses for the development of sale network for our LED lighting segment in the Yichang region. Since the return from investment in marketing was uncertain and the future income stream was unpredictable, the unused tax losses derived from Sanxia Wai Chi were not recognised as deferred tax assets and carried forward as unused tax losses.

For further details of the deferred tax assets, please refer to the note headed "Deferred Taxation" in the "Appendix I — Accountants' Report".

Property, plant and equipment

Our property, plant and equipment increased from HK$224.5 million as of 31 December 2011 to HK$247.2 million as of 31 December 2012, increase to HK$292.5 million as of 31 December 2013 and increase to HK$307.0 million as of 30 June 2014. The increase from 31 December 2011 to 31 December 2012 was mainly due to upgrading equipment and machinery in Shenzhen, and expansion of the operation by additional plant and machinery in the Huizhou Production Plant. The increase from 31 December 2012 to 31 December 2013 was primarily due to the upgrading and expansion of our existing facilities. In particular, we acquired machinery for manufacturing Large LED backlight products to increase the production capacity for Large LED backlight products. The further increase from 31 December 2013 to 30 June 2014 was primarily due to the expansion of our existing facilities by purchasing machinery and upgrading existing production equipment for manufacturing LED backlight products.

Please refer to the section headed "Financial Information — Liquidity and Capital Resources — Capital Expenditure".

Government grant

During the Track Record Period, we received government grants for the research and development of the fishing light system from Shenzhen government. Moreover, we also received the government grants from the government of Hubei Yiling Economic Development Zone for the development of the backlight industrial park and a construction subsidy for the LED backlight production project.

The table below sets out the breakdown of the government grants received by us during the Track Record Period which were included in our income statement:

	For the year ended 31 December			For the six months ended 30 June
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Government grants charged to our income statement:				
LED development projects and others	780	2,458	6,658	3,073
Infrastructure subsidies for the LED backlight production project	–	–	69	89
Subsidies for the development of small-medium enterprises	1,133	–	301	–
Total	1,913	2,458	7,028	3,162

The government grants are recognised as income upon receipt of the government grants by us (i) pursuant to our application for such grants from the government or (ii) upon completion of the relevant energy-saving project which is the subject matter of the application for the government grants. The government grants are recognised in profit or loss on a systematic basis over the periods in which we recognise as expenses the related costs for which the grants are intended to compensate.

The conditions that our Group as an applicant for government grant (the "Applying Enterprise") are required to comply with would mainly include, but not limited to, the following: (i) the Applying Enterprise is a registered enterprise legal person, (ii) the Applying Enterprise is a high and new technology enterprise or a listed company, (iii) the Applying Enterprise completes the annual statistics form in the statistics department according to law, (iv) there is good credit record in the city enterprise credit information system, (v) in the recent three years, there is no record of material contravention of law and material breach of regulations and serious loss of credit and (vi) for research and development, the amount used for research and development in the preceding year is not below 3% of the Applying Enterprise's total revenue (as the case may be).

The Applying Enterprise is required to fill in an application form that can be obtained from the relevant website of the relevant department or agency or committee. The Applying Enterprise then submits the completed application form together with application documents to the relevant authority. The application documents include mainly, in respect of the Applying Enterprise, (i) the business certificate, (ii) the tax registration certificate, (iii) the certificate for tax payment, (iv) the audited financial report for the relevant year(s), (v) the form of cost and charge for the industrial enterprise for the relevant year(s) submitted to the statistics department and (vi) (for the government grant for research and development) the fee checklist on the situation regarding actual spending of the research and development fund for the preceding year (as the case may be).

The government grants recognised in our income statement for the Track Record Period include (i) government grants specifically for our acquisition of the non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to income statement over the useful lives of the related assets, (ii) government grants received during relevant reporting period for the purpose of giving financial support to us with no future related costs and (iii) government grants received as the compensation for the expenses had been already incurred and recognised in the income statement. For years 2011, 2012 and 2013, and the first half of the year 2014, grants recognised in the income statement amounted to HK$1.9 million, HK$2.5 million, HK$7.0 million and HK$3.2 million respectively.

The table below sets out the breakdown by items of the government grants on the dates as shown which were recognised in our financial position statement:

	As of 31 December			As of 30 June
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
LED development projects and others	617	987	941	894
Research and development of the fishing light system	–	6,166	12,719	12,598
Infrastructure subsidies for the development of the LED industrial park	–	1,233	12,719	12,598
Infrastructure subsidies for the LED backlight production	–	–	7,460	7,315
Total	617	8,386	33,839	33,405

Our government grant increased from HK$0.6 million as of 31 December 2011 to HK$8.4 million as of 31 December 2012, and increased to HK$33.8 million as of 31 December 2013 and slightly decreased to HK$33.4 million as of 30 June 2014. The government grant was designated for certain infrastructure subsidies and research allowances for LED technology granted by Shenzhen government and the government of Hubei Yiling Economic Development Zone.

Related Party Transactions

During the Track Record Period, we entered into several sales and purchase transactions with related parties. Our Directors are of the view that the related party transactions were carried out in the normal course of business and on normal commercial terms negotiated between the Group and the respective related parties.

Amongst those related party transactions, we purchased HK$43.4 million worth of goods from, and sold HK$92.0 million worth of goods to, Wai Chi Electronics Limited in 2011. Mr. Yiu is the ultimate beneficiary owner of 100% of the shares in Wai Chi Electronics Limited, and it is therefore a related party to our Group.

The goods we purchased from Wai Chi Electronics Limited included prism film and reflective film, which it had sourced from independent overseas suppliers for use in our production. After applying these goods in our production as components, we directly sold the finished products, including LED backlight products and LED lighting products, to our customers in the PRC. We also sold LED backlight products to Wai Chi Electronics Limited.

We had since the fourth quarter of the year 2011 discontinued any transactions with Wai Chi Electronics Limited and commenced business with Wai Chi Opto, a wholly-owned subsidiary of our Group for the purchase of prism film and reflective film. Wai Chi Electronics Limited had on-sold all the finished goods we previously sold to it to independent overseas customers, and had ceased its trading business. The remaining business of Wai Chi Electronics Limited mainly comprises of buildings and properties investments in Hong Kong, and it has a completely different business focus than that of our Group.

Amounts due from/to related companies and directors

As of 31 December 2011, 2012 and 2013, and as of 30 June 2014, the amounts due from related companies are HK$979,000, HK$39,000, HK$41,000 and HK$40,000, respectively. The balance with the related companies mainly represented fund advanced for their daily operation. The amounts are unsecured, non-interest bearing and repayable on demand.

The amounts due to related companies during the Track Record Period are mainly the balance with Wai Chi Electronics Limited. The decrease in the amount as of 31 December 2013 was due to the discontinuance of the transactions with Wai Chi Electronics Limited since the fourth quarter of 2011. Please refer to "Related Party Transactions" above for further details of relationship with Wai Chi Electronics Limited.

The amounts due to a director during the Track Record Period are mainly the loan from Mr. Yiu. Substantial amount of the amounts due to a director was repaid in 2013. The amounts were unsecured, interest-free and were repayable on demand.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

During the Track Record Period, our Group's principal sources of liquidity and capital resources were cash flow generated from operations and financing activities. Our Group's principal use of cash has been, and is expected to continue to be, our operational costs, and capital expenditure on property, plant and equipment. The following table summarises our cash flow during the Track Record Period:

	For the year ended 31 December			For the six months ended 30 June
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash flow				
Net cash from (used in) operating activities	13,590	121,100	178,457	(80,593)
Net cash (used in) investing activities	(25,248)	(84,040)	(82,873)	(19,866)
Net cash from (used in) financing activities	(1,464)	23,654	(126,591)	110,464
Net (decrease) increase in cash and cash equivalents	(13,122)	60,714	(31,007)	10,005
Cash and cash equivalents at the beginning of the year	70,991	63,643	124,417	100,777
Effect on foreign exchange rates changes	5,774	60	7,367	(506)
Cash and cash equivalents at the end of the year	63,643	124,417	100,777	110,276

Net cash from (used in) operating activities

Our cash flow generated from (used in) operating activities primarily consists of profit before income tax adjusted for finance costs, interest income, depreciation and amortisation, government grant, impairment loss and reversal impairment loss on trade receivables and other receivables, gain and loss on disposal of subsidiary and property, plant and equipment, impairment on inventories, the effect of changes in working capital such as trade and other receivables, trade and other payables and inventories, and PRC enterprise income tax paid.

Net cash from operating activities for year 2011 was HK$13.6 million. The amount was mainly attributable to our profit before income tax of HK$47.4 million from our operations, adjusted for non-cash expenses of HK$37.6 million, increase in trade and other payables of HK$153.4 million, and offset by the increase in inventories of HK$46.6 million, trade and other receivables of HK$168.2 million and further adjusted for PRC Enterprise Income Tax paid of HK$9.9 million. The increase in cash outflow of the changes in working capital primarily reflected the increase of the sales of our LED backlight products and LED lighting products from 2010 to 2011.

Net cash generated from operating activities for the year 2012 was HK$121.1 million. The amount was mainly attributable to our profit before income tax of HK$48.1 million from our operations, adjusted for non-cash expenses of HK$51.8 million, increase in trade, bills and other payables of HK$71.3 million, and partly offset by the increase in inventories, trade, bills and other receivables of HK$40.7 million. We recorded a net cash inflow of changes in working capital of HK$30.6 million as of 31 December 2012 as compared to a net cash outflow of changes in working capital of HK$61.5 million as of 31 December 2011.

Net cash generated from operating activities for the year 2013 was HK$178.5 million. The amount was mainly attributable to our profit before income tax of HK$69.6 million from our operations, adjusted for non-cash expenses of HK$65.4 million, increase in trade, bills and other payables of HK$135.2 million, and offset by the increase in inventories of HK$35.6 million, trade, bills and other receivables of HK$52.3 million. The net cash inflow of changes in working capital as of 31 December 2013 was HK$47.4 million, as compared to the net cash inflow of changes in working capital as of 31 December 2012 of HK$30.6 million.

Net cash used in operating activities for the first half of the year 2014 was HK$80.6 million. The amount was mainly attributable to our profit before income tax of HK$50.0 million from our operations, adjusted for non-cash expenses of HK$32.6 million, increase in trade, bills and other payables of HK$14.5 million, and offset by the increase in inventories of HK$30.0 million, trade, bills and other receivables of HK$135.4 million. The net cash outflow of changes in working capital as of 30 June 2014 was HK$150.8 million, as compared to the net cash inflow of changes in working capital as of 31 December 2013 of HK$47.4 million.

Net cash used in investing activities

The major cash outflows from our investing activities during the Track Record Period were our capital expenditures on property, plant and equipment, prepaid land lease payment, and deposits to pledged bank deposits.

Net cash used in investing activities for the year 2011 was HK$25.2 million. The amount was mainly attributable to the purchase of property plant and equipment of HK$53.9 million and addition to prepaid land lease payment of HK$10.1 million and net cash from disposal of subsidiaries of HK$0.4 million, and partially offset by decrease in pledge bank deposit of HK$58.2 million, interest received of HK$3.0 million and proceeds from disposal of property, plant and equipment of HK$0.5 million.

Net cash used in investing activities for the year 2012 was HK$84.0 million. The amount was mainly attributable to the purchase of property plant and equipment of HK$56.4 million, increase in pledged bank deposit of HK$20.0 million, addition to prepaid land lease payment HK$9.3 million, and net cash from disposal of subsidiaries of HK$0.1 million, and partially offset by repayment from related companies of HK$0.9 million, interest received of HK$0.9 million and proceeds from disposal of plant and equipment of HK$0.1 million.

Net cash used in investing activities for the year 2013 was HK$82.9 million. The amount was mainly attributable to the purchase of property plant and equipment of HK$77.0 million, and increase in pledged bank deposit of HK$7.6 million, and partially offset by interest received of HK$1.5 million and proceeds from disposal of plant and equipment of HK$0.2 million.

Net cash used in investing activities for the first half of the year 2014 was HK$19.9 million. The amount was mainly attributable to the purchase of property, plant and equipment of HK$37.6 million, and partially offset by withdrawal of pledged bank deposit of HK$16.8 million.

Please refer to the paragraph headed "Liquidity and Capital Resources — Capital expenditure management" in this prospectus for the details of purchase of property plant and equipment set out above.

Net cash from (used in) financing activities

Our financing activities during the Track Record Period mainly included repayment and new borrowings of bank loans, interest paid, repayment of obligations under finance leases, repayment to related companies, advance from and repayment to a director, contribution by a shareholder, and government grant received.

Net cash used in financing activities for the year 2011 was HK$1.5 million. The amount was mainly attributable to (i) new bank borrowings raised of HK$268.5 million, (ii) contribution by a shareholder of HK$10.2 million, (iii) government grant received of HK$2.5 million, and partially offset by (i) repayment of bank loans of HK$195.9 million, (ii) repayment to related companies of HK$102.8 million and (iii) interest paid of HK$11.9 million. New bank borrowings raised were mainly applied for (i) capital expenditure related to the addition property, plant and equipment and (ii) working capital of the Group.

Net cash from financing activities for the year 2012 was HK$23.7 million. The amount was mainly attributable to (i) new bank borrowings raised of HK$448.6 million, (ii) contributed by a shareholder of HK$44.7 million, and (iii) government grant received of HK$10.2 million, and partially offset by (i) repayment of bank loans of HK$403.3 million, (ii) interest paid of HK$20.7 million, (iii) repayment to related companies of HK$44.6 million, (iv) repayment to a director of HK$11.0 million and (v) repayment of obligations under finance leases HK$0.2 million. The decrease in net bank borrowing from HK$72.6 million in 2011 to HK$45.3 million in 2012, which in turn reflected repayment of bank loans related to bank borrowing for construction of Huizhou Production Plant in 2012.

Net cash used in financing activities for the year 2013 was HK$126.6 million. The amount was mainly attributable to (i) repayment of bank loans of HK$468.2 million, (ii) repayment to a Director of HK$51.6 million, (iii) repayment to related companies of HK$9.3 million and (iv) interest paid and repayment of obligations under finance leases of HK$21.5 million, and partially offset by (i) new bank borrowings raised of HK$355.7 million, (ii) contribution by a shareholder of HK$36.9 million and (iii) government grant received of HK$31.8 million. The further contribution by a shareholder of HK$36.9 million primarily applied for (i) addition plant and equipment mainly for our Large LED backlight production facilities and (ii) to a lesser extent, addition plant and equipment, other than our Large LED backlight production facilities, at Huizhou Production Plant.

Net cash from financing activities for the first half of the year 2014 was HK$110.5 million. The amount was mainly attributable to (i) repayment of bank loans of HK$195.4 million, (ii) repayment to a Director of HK$1.5 million and (iii) interest paid and repayment of obligations under finance leases of HK$13.9 million, and partially offset by (i) new bank borrowings raised of HK$316.9 million and (ii) government grant received of HK$3.0 million.

Capital expenditure management

We expect to meet future capital expenditure requirements through our available cash and cash equivalents, cash generated from our operating activities, available banking facilities, contribution by a shareholder and the expected net proceeds from the Share Offer. The amount of our capital expenditures during the Track Record Period is shown as follows:

		For the year ended 31 December			For the six months ended 30 June
		2011	**2012**	**2013**	**2014**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	– Plant and equipment	–	1,533	–	–
	– Property	240	456	13	–
	– Office equipment	6	3	19	41
Shenzhen	– Plant and equipment	19,037	25,225	17,089	7,665
	– Office equipment	3,079	86	192	80
Huizhou	– Plant and equipment	18,569	13,337	40,527	25,929
	– Property	6,559	3,981	4,738	2,701
	– Office equipment	614	260	1,874	1,309
Yichang	– Plant and equipment	482	1,352	222	22
	– Property	715	5,936	8,700	165
Other *(Note)*	– Office equipment	78	–	–	–
Total		49,379	52,169	73,374	37,912

Note: Amount represented the capital expenditure incurred by the subsidiaries which were disposed of in 2011.

Capital expenditures

Capital expenditures mainly consist of the addition of property, plant and equipment for our production centres of our Group at Huizhou, Shenzhen and Yichang during the Track Record Period. Plant and equipment represents additional plant and machinery, and motor vehicles. Property represents leasehold improvement and buildings.

The capital expenditures were HK$49.4 million, HK$52.2 million, HK$73.4 million and HK$37.9 million for years 2011, 2012 and 2013 and the first half of the year 2014.

The increase during the year 2011 was mainly attributable to (i) purchase of plant and equipment at Shenzhen Production Plant of HK$19.0 million, (ii) purchase of plant and equipment at our Huizhou Production Plant of HK$18.6 million and (iii) construction in progress at our Huizhou Production Plant of HK$6.6 million.

The increase during the year 2012 was mainly attributable to (i) purchase of plant and equipment at our Shenzhen Production Plant of HK$25.2 million and (ii) purchase of plant and equipment at our Huizhou Production Plant of HK$13.3 million.

The increase during the year 2013 was mainly attributable to (i) purchase of plant equipment at our Shenzhen Production Plant of HK$17.1 million and (ii) purchase of plant equipment at Huizhou Production Plant of HK$40.5 million.

The increase during the first half of the year 2014 was mainly attributable to (i) purchase of plant and equipment at our Shenzhen Production Plant of HK$7.7 million and (ii) purchase of plant and equipment at our Huizhou Production Plant of HK$25.9 million.

Working capital position

We had net current liabilities of HK$71.5 million and HK$6.2 million as of 31 December 2011 and 2012 respectively, and net current assets of HK$114.5 million and HK$138.1 million as of 31 December 2013 and 30 June 2014 respectively. The improvement in our working capital position in 2013 was primarily due to the decrease in the bank borrowings as our increasing net cash from operating activities can further support our daily operation. The increase in net current assets in 30 June 2014 was due to the increase in our inventories and trade and bills receivables.

We finance our working capital requirement primarily through cash flow from our operating activities and bank borrowings. The net cash generated from our operating activities amounted to HK$13.6 million, HK$121.1 million, HK$178.5 million during the years 2011, 2012 and 2013, respectively. The net cash used in our operating activities amounted to HK$80.6 million during the first half of the year 2014. The unutilised available bank facilities amounted to HK$227.2 million as of 30 September 2014.

Directors' opinion on the sufficiency of our working capital

Taking into account the financial resources available to us, including internally generated funds and available banking facilities and the estimated net proceeds from the Share Offer, Directors are in the view of that working capital available to our Group is sufficient for our present requirements for the next 12 months commencing from the date of the publication of this prospectus.

Capital commitment and obligations under finance leases

We lease a motor vehicle under finance leases. The average lease term of these leases is five years throughout the Track Record Period. The following table sets forth our total future minimum lease payments under finance leases as of the dates indicated:

	As of 31 December			As of 30 June
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	–	330	330	330
In the second to fifth years, inclusive	–	1,073	743	578

In addition to the finance lease commitments above, the following table sets forth our capital commitments at of the dates indicated:

	As of 31 December			As of 30 June
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Capital commitments other than finance lease – Property, plant and equipment	–	13,042	–	5,839

Taking into account the financial resources available to us, including internally generated funds and available banking facilities and the estimated net amounts from the Share Offer and the amount of our present capital commitments, our Directors are in the view of that working capital available to our Group is sufficient for our present committed capital requirements for the next 12 months commencing from the date of the publication of this prospectus.

INDEBTEDNESS

Borrowing and banking facilities

As of 30 June 2014, short term bank borrowings amounted to HK$343.1 million. The short term bank borrowings are expected to be funded by cash flow generated from operations and renewed bank loans when they become mature.

As of 30 September 2014, being the latest practicable date for the purpose of this indebtedness statements, our Group had outstanding short-term bank borrowings of HK$344.1 million which was secured by fixed charges on certain of our Group's assets, including properties, lands and equipment.

The following table sets forth our borrowings and other loans and advances as of the dates indicated:

	As of 31 December			As of 30 June	As of 30 September
	2011	**2012**	**2013**	**2014**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)
Bank borrowings:					
Secured:					
Trust receipts loans	–	9,661	8,691	38,184	15,997
Other bank loans	163,032	234,237	123,078	161,778	185,460
	163,032	243,898	131,769	199,962	201,457
Non-secured:					
Other bank loans	115,641	80,163	91,957	143,118	142,594
	278,673	324,061	223,726	343,080	344,051
Bank borrowings repayable:					
On demand or within one year	235,229	324,061	221,451	331,708	328,896
More than one year but not exceeding two years	12,335	–	700	4,500	6,427
More than two years but not exceeding five years	31,109	–	1,575	6,872	8,728
Obligations under finance lease	–	1,284	1,003	858	6,174
Other loans and advances					
Amounts due to related companies	92,419	47,867	516	1,805	–
Amounts due to a director	64,129	53,085	1,458	–	–
	156,548	100,952	1,974	1,805	–

We mainly used proceeds from our bank borrowings finance our working capital expenditure, capital expenditure and refinancing of our short-term borrowings. As of 31 December 2011, 2012 and 2013, and as of 30 June 2014, our bank borrowings amounted to HK$278.7 million, HK$324.1 million, HK$223.7 million and HK$343.1 million, respectively. The increase in bank borrowings as of 31 December 2012 as compared to 31 December 2011 primarily was reflected by (i) the increase in working capital expenditure associated with the increase in sales derived from our Large LED backlight products and our LED lighting products, in particular, our sales of LED lighting products in relation to government LED lighting projects which had longer settlement days and (ii) capital expenditure associated with upgrading our production facilities at Shenzhen Production Plant and Huizhou Production Plant. The decrease in bank borrowings as of 31 December 2013 as compared to 31 December 2012 primarily was reflected by the increase in cash generated from our operating activities to settle certain bank borrowing before the end of the year 2013 upon maturity.

The increase in bank borrowings as of 30 June 2014 as compared to 31 December 2013 was primarily due to (i) increase in the capital expenditure on the machinery and equipment and (ii) increase in the bank loan for the procurement of raw materials from our major suppliers.

In addition to the bank borrowings, we also had other borrowings derived from amount due to related companies and amount due to a director. As of 31 December 2011, 2012 and 2013, and as of 30 June 2014 our other borrowings amounted to HK$156.5 million, HK$101.0 million, HK$2.0 million and HK$1.8 million, respectively. The amount due to related companies and director mainly represented borrowings from related companies for the daily operations.

As of 30 September 2014, our bank borrowings amounted to HK$344.1 million. The increase in the bank borrowings as compared to 30 June 2014 was mainly due to the increase in working capital expenditure associated with the increase in sales. The other borrowings derived from amount due to related companies and amount due to a director had been fully repaid as of 30 September 2014.

For the detail of the related party transactions, please refer to the section headed "Financial Information — Discussion of Consolidated Statement of Financial Position Items — Related Party Transactions" for further details.

As of 30 June 2014, our total amount of banking facilities and the unutilised banking facilities granted by relevant banks amounted to HK$640.8 million and HK$160.2 million, respectively. All of the banking facilities were guaranteed by our Controlling Shareholder, Mr. Yiu. Upon completion of the Share Offer, all guarantees provided from the Controlling Shareholder will be fully released.

As of 30 September 2014, our total amount of banking facilities and the unutilised banking facilities granted by relevant banks amounted to HK$855.3 million and HK$227.2 million, respectively.

All of our bank and other borrowings are short-term borrowing due within a year denominated in US$ or RMB or HK$. Our bank borrowings generally contain terms and conditions that are customary for commercial bank loans. The annual interest rate of our trust receipts loans ranged from 2.98% to 3.25%. Our bank borrowings denominated in HK$ bore interest at a fixed interest rate or a floating rate at London Interbank Borrowing Rate/Hong Kong dollar best lending rate/Hong Kong Interbank Borrowing Retail plus a fixed percentage of premiums. Our bank borrowings denominated in RMB bore at a fixed rate or a floating rate at prevailing lending rate stipulated by the PRC People's Bank plus a fixed percentage of premiums.

The annual interest rates of our bank loans ranged from 2.44% to 8.53%, from 3.25% to 8.53%, from 3.25% to 8.10%, and from 2.98% to 8.50% for years 2011, 2012 and 2013 and the first half of the year 2014 respectively.

Our bank borrowings and other borrowings include covenants such as requirements to notify the lenders in the event of material adverse changes in operations and financial conditions of the relevant borrowers, restriction on materials corporate actions and restrictions on the use of proceeds from the bank borrowings proceeds.

Our Directors have confirmed that we have not experienced difficulties in meeting obligations and historically we have been able to repay or refinance our bank borrowings as and when they have fallen due. Our Directors are of the view that the recent changes in market interest rates do not have any material adverse impact on our Group's results and financial position.

Debt securities

As at the close of business on 30 September 2014, we had no debt securities issued outstanding or authorised or otherwise created but unissued.

Contingent liabilities, mortgage and charges

As at the Latest Practicable Date, our Group did not have any material contingent liabilities, mortgages, charges and guarantees.

Our Directors have also confirmed there have been no material changes to our indebtedness and contingent liabilities since 30 September 2014.

FINANCIAL RISK

The main risks arising from our financial instruments are foreign exchange risk, interest rate risk, credit risk, liquidity risk and price risk in the normal course of business.

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 US$ and

RMB exchange rates. Our foreign exchange risk is mainly attributable to the exposure on bank balances and outstanding trade and other receivables denominated in RMB and US$ during the Track Record Period.

The following table sets forth carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities as of 31 December 2011, 2012 and 2013, and 30 June 2014:

	Assets				Liabilities			
	As of 31 December			At 30 June	As of 31 December			As of 30 June
	2011	2012	2013	2014	2011	2012	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RMB	–	61,598	4,215	10,594	–	–	–	–
US$	40,172	59,129	68,279	33,564	35,116	42,377	67,269	84,181
HK$	18,854	9,729	9,586	7,443	5,924	2,915	436	602

Our Group currently does not have a foreign hedging policy. We continuously monitor the related foreign exchange exposure and will consider significant foreign currency exposure should the need arise.

We have prepared sensitivity analysis for a 5% increase or decrease in the exchange rates of the US$ and RMB, respectively, against the HK$. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of each reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in post-tax profit where HK$, RMB and US$ strengthen 5% against the relevant currency. For a 5% weakening of HK$, RMB and US$ against the relevant currency, there would be an equal and opposite impact on the profit and other equity and the balances below would be negative. The analysis is performed on the basis for the Track Record Period:

	HK$			
	For the year ended 31 December			For the six months ended 30 June
	2011	2012	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Impact on profit for the year	(485)	(256)	(343)	(257)

	RMB			
				For the six months ended
	For the year ended 31 December			30 June
	2011	2012	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Impact on profit for the year	–	(2,572)	(176)	442

	US$			
				For the six months ended
	For the year ended 31 December			30 June
	2011	2012	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Impact on profit for the year	(307)	(628)	138	2,127

Interest rate risk

Our exposure to the risk of changes in market interest rates relates primarily to our fixed-rate bank borrowings and obligations under finance leases, cash flow interest rate risk in relation to variable-rate bank balances and variable rate bank borrowings. We consider the exposure in bank balances is minimal to the Group as the bank balances are all short-term in nature. It is our Group's policy to keep its borrowings at floating rate of interest so as to minimise the fair value interest rate risk.

We have prepared sensitivity analysis for a 50 basis point increase or decrease is used for the Track Record Period when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. The analysis is performed on the basis as of 31 December 2011, 2012 and 2013, and as of 30 June 2014:

	50 basis point increase or decrease			
				As of
	As of 31 December			30 June
	2011	2012	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Impact on profit for the year	577	218	239	336

We currently do not have an interest rate hedging policy. However, we continuously monitor interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

Please refer to notes 21, 24 and 25 in the Appendix I in this prospectus for the details of (i) pledged bank deposits and bank balances and cash, (ii) bank borrowings and (iii) obligations under finance leases, respectively.

Credit risk

Our exposure to the credit risk relates primarily to the carrying amount of the respective recognised financial assets as stated in the combined statements of financial position, which in turn primarily reflected the carrying amount of our trade receivables and other receivables during the Track Record Period.

In order to minimise the credit risk, our Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, our Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, we consider that our Group's credit risk is significantly reduced. The credit quality of the counterparties in respect of amounts due from related companies and amount due from a subsidiary is assessed by taking into account their financial position, credit history and other factors. We are of the opinion that the risk of default by these counterparties is low. Furthermore, the credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The following table sets forth the concentration of credit risk of the total trade receivables was due from our largest customer and our five largest customers as of 31 December 2011, 2012 and 2013, and 30 June 2014:

	Concentration of credit risk of the total trade receivable			
	As of 31 December			As of 30 June
	2011	2012	2013	2014
	%	%	%	%
Largest customer	25	12	13	21
Five largest customers	60	50	32	57

Liquidity risk

Liquidity risk primarily relates to the risk that we are not able to meet obligations associated with our financial liabilities, which in turn reflected the carrying amount of our trade and other payables, bank borrowings, amounts due to related companies and amount due to directors during the Track Record Period. Our policy in the management of liquidity risk is to monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance our Group's operations and mitigate the effects of fluctuations in cash flows. We monitor the utilisation of bank borrowings and ensure compliance with loan covenants.

The following table sets forth our Group's non-derivative financial liabilities based on the agreed repayment terms as of 31 December 2011, 2012 and 2013, and as of 30 June 2014:

	Amount of non-derivative financial liabilities			
	As of 31 December			**As of 30 June**
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
On demand or within 1 year	715,146	776,836	702,850	832,285
More than 1 year but less than 2 years	–	330	330	330
More than 2 year but less than 5 years	–	743	413	248
Total undiscounted cash flows	715,146	777,909	703,593	832,863

Price risk

Our gross profit margin is significantly affected by our costs of sales. The changes in the prices of materials used, in particular those production materials and suppliers that are essential to our production, will affect our production costs and therefore affect our profitability.

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 materials used to our customers.

We usually fix the price of our LED products on a cost plus profit margin basis. We determine the pricing of our LED products by taking into account various factors, including but not limited to: (i) dimensions, (ii) technological requirements, (iii) volume of purchase, (iv) production costs, (v) quality control requirements, and (vi) market prices. During the Track Record Period, our gross profit margin was relatively stable and ranged from 22.2% to 25.2%.

Our Directors have prepared sensitivity analysis reference to the maximum exposure for the fluctuation of our ASP of LED products and our cost of major materials used 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 price strategy. The sensitivity analysis below sets out the sensitivity of our gross profit and profit after taxation during the Track Record Period:

		For the year ended 31 December						For the six months ended 30 June	
		2011		2012		2013		2014	
	Increase/ decrease in ASP of LED products	% change to gross profit	% change to net profit after tax *(note)*	% change to gross profit	% change to net profit after tax *(note)*	% change to gross profit	% change to net profit after tax *(note)*	% change to gross profit	% change to net profit after tax *(note)*
Small LED backlight products	1.0%	+/-4.0%	+/-14.1%	+/-3.5%	+/-13.0%	+/-3.0%	+/-9.6%	+/-3.2%	+/-9.0%
	2.5%	+/-10.1%	+/-35.3%	+/-8.8%	+/-32.5%	+/-7.4%	+/-24.1%	+/-7.9%	+/-22.6%
	4.0%	+/-16.1%	+/-56.4%	+/-14.1%	+/-52.1%	+/-11.9%	+/-38.6%	+/-12.7%	+/-36.1%
Medium LED backlight products	10%	+/-1.2%	+/-4.2%	+/-0.6%	+/-2.3%	+/-1.3%	+/-4.2%	+/-1.4%	+/-4.0%
	30%	+/-3.6%	+/-12.6%	+/-1.9%	+/-7.0%	+/-3.9%	+/-12.5%	+/-4.2%	+/-11.9%
	60%	+/-7.2%	+/-25.1%	+/-3.8%	+/-14.1%	+/-7.7%	+/-25.1%	+/-8.4%	+/-23.8%
Large LED backlight products	10%	+/-2.5%	+/-8.7%	+/-3.5%	+/-13.0%	+/-4.7%	+/-15.1%	+/-4.3%	+/-12.2%
	15%	+/-3.7%	+/-13.1%	+/-5.3%	+/-19.6%	+/-7.0%	+/-22.7%	+/-6.5%	+/-18.3%
	30%	+/-7.5%	+/-26.2%	+/-10.6%	+/-39.1%	+/-14.0%	+/-45.4%	+/-12.9%	+/-36.7%
LED lighting products	10%	+/-1.0%	+/-3.6%	+/-3.0%	+/-11.2%	+/-3.9%	+/-12.8%	+/-2.8%	+/-7.9%
	30%	+/-3.1%	+/-10.9%	+/-9.1%	+/-33.6%	+/-11.8%	+/-38.3%	+/-8.3%	+/-23.6%
	60%	+/-6.2%	+/-21.8%	+/-18.2%	+/-67.2%	+/-23.7%	+/-76.7%	+/-16.6%	+/-47.1%

	Increase/ decrease in average cost of materials used	2011 % change to gross profit	2011 % change to net profit after tax (note)	2012 % change to gross profit	2012 % change to net profit after tax (note)	2013 % change to gross profit	2013 % change to net profit after tax (note)	Six months ended 30 June 2014 % change to gross profit	Six months ended 30 June 2014 % change to net profit after tax (note)
Brightness enhancement film	3%	+/-1.6%	+/-5.5%	+/-1.7%	+/-6.3%	+/-1.5%	+/-4.8%	+/-1.6%	+/-4.5%
	6%	+/-3.1%	+/-11.0%	+/-3.4%	+/-12.5%	+/-2.9%	+/-9.5%	+/-3.1%	+/-8.9%
	9%	+/-4.7%	+/-16.5%	+/-5.1%	+/-18.8%	+/-4.4%	+/-14.3%	+/-4.7%	+/-13.4%
LED light									
	30%	+/-15.5%	+/-54.2%	+/-10.8%	+/-39.9%	+/-10.9%	+/-35.3%	+/-11.5%	+/-32.7%
	50%	+/-25.8%	+/-90.4%	+/-18.0%	+/-66.5%	+/-18.2%	+/-58.8%	+/-19.2%	+/-54.6%
	70%	+/-36.2%	+/-126.5%	+/-25.2%	+/-93.2%	+/-25.4%	+/-82.4%	+/-26.9%	+/-76.4%
Double-sided adhesive tape	3%	+/-0.8%	+/-2.8%	+/-0.8%	+/-2.8%	+/-0.6%	+/-2.1%	+/-0.7%	+/-1.9%
	13%	+/-3.4%	+/-12.0%	+/-3.3%	+/-12.3%	+/-2.8%	+/-9.0%	+/-3.0%	+/-8.4%
	23%	+/-6.1%	+/-21.2%	+/-5.9%	+/-21.8%	+/-4.9%	+/-15.9%	+/-5.2%	+/-14.9%

Note: Assuming the effective tax rate of the Group for the years 2011, 2012 and 2013, and the six months ended 30 June 2014 remain unchanged.

During the Track Record Period, we had successfully implemented our pricing policy and enable us to pass on increases in price of raw materials to our customers by adjusting the price upward. The group gross profit margin for the years 2011, 2012 and 2013 and the first half of the year 2014 was 22.2%, 23.6%, 25.2% and 24.9% respectively. However, there is no guarantee that we would be able to pass the increases in price of raw materials to customers in the future, and which would adversely impact on our financial performance.

Please refer to the section entitled "Business — Production Materials" and "Financial Information — Description of certain income statement items — Cost of sales" for the details of the fluctuation of the cost of major materials used.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios during the Track Record Period:

	Formula	As of 31 December 2011	2012	2013	As of 30 June 2014
Current ratio	current assets/current liabilities	0.9x	1.0x	1.2x	1.2x
Quick ratio	(current assets — inventories)/ current liabilities	0.7x	0.8x	0.9x	0.9x
Return on equity	net profit to shareholders/average shareholders' equity x 100%	22.7%	17.2%	15.7%	N/A
Return on assets	Net profit/average total assets x 100%	5.0%	4.1%	4.9%	N/A
Gearing ratio	total debts/total equity x 100%	143.2%	116.0%	53.4%	75.1%

Current Ratio and Quick Ratio

Our current ratio, calculated by dividing current assets by current liabilities, was 0.9x, 1.0x, 1.2x and 1.2x as of 31 December 2011, 2012 and 2013 and 30 June 2014 respectively. Our quick ratio, calculated by dividing current assets after subtraction of inventories by current liabilities, was 0.7x, 0.8x, 0.9x and 0.9x as of 31 December 2011, 2012 and 2013, and 30 June 2014 respectively. The increases in our current ratio and quick ratio from 31 December 2011 to 31 December 2013 were primarily due to the decrease in the amount due to related companies and the amount due to a director. Our current ratio and quick ratio remained stable on 30 June 2014.

Return on Equity

Return on equity represents net profit (profit attributable to owners of the Company) as a percentage of the arithmetic mean of opening and closing balances of total equity for relevant period. Our return on equity was 22.7%, 17.2% and 15.7% in the years 2011, 2012 and 2013 respectively. The decrease in our return on equity from 2011 to 2013 was due to (i) slower net profit growth compared with the growth of shareholders' equity during the same period and (ii) increases in the shareholder's contribution during Track Record Period.

Return on Assets

Return on assets represents net profit as a percentage of the arithmetic mean of opening and closing balances of total assets for relevant period. Our return on assets was 5.0%, 4.1% and 4.9% in the years 2011, 2012 and 2013 respectively. The decrease in our return on assets from 2011 to 2012 was due to a slower growth of net profits as compared with the growth of total assets of the same period. The slight increase of our return on assets from 2012 to 2013 was primarily due to the similar growth rate of net profits to that of total assets during the period and an increase in our total assets as a result of the increases in property, plant and equipment for our production bases in Shenzhen and Huizhou and increases in our total assets in 2013.

Gearing Ratio

Gearing ratio represents total debts as a percentage of total equity. Our gearing ratio was 143.2%, 116.0%, 53.4% and 75.1% as of 31 December 2011, 2012 and 2013, and 30 June 2014 respectively. The decrease in our gearing ratio from 143.2% as of 31 December 2011 to 53.4% as of 31 December 2013 was primarily due to the decrease in our total debts resulting primarily from (i) the contribution by a shareholder of HK$10.2 million, HK$44.7 million and HK$36.9 million for the years 2011, 2012 and 2013 respectively and (ii) the decrease in the bank borrowing during Track Record Period. Our gearing ratio increase from 53.4% as of 31 December 2013 to 75.1% as of 30 June 2014 was primarily due to an increase in the bank borrowing.

DIVIDENDS AND DIVIDEND POLICY

The amount of dividends that we paid or declared during the Track Record Period was nil. We have no plan to pay or declare any dividends prior to the Listing. We do not intend to determine any expected dividend payout ratio at this time since our priority is to use our earnings for business development and expansion of our production capability and customer base in the interests of our Shareholders as a whole.

Pursuant to Companies Law and our Articles, we, through a general meeting, declare the payment and any amount of dividends recommended by the Board. The payment and the amount of any dividends will depend upon our future business operations and earnings, capital requirements, general financial condition, contractual restrictions and other factors. After completion of the Share Offer, our Shareholders will be entitled to receive dividends that we declare.

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 HKFRSs. 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.

DISTRIBUTABLE RESERVES

As of 30 June 2014, the Company had distributable reserves of HK$134.9 million available for distribution to our Shareholders.

LISTING EXPENSES

We have incurred legal, professional and other fees with respect to the Listing. In accordance with the relevant accounting standards, listing related fees that are directly attributable to issuance of new Shares are recorded as prepaid expenses, which will be deducted from equity upon Listing. The remaining listing related fees are charged to statements of profit or loss and other comprehensive income. During the Track Record Period, listing expenses of HK$11.3 million were recognised as expenses. It is expected, based on the midpoint of the Offer Price range set out in this prospectus, listing expenses of HK$6.4 million will be charged as expenses, HK$11.0 million will be capitalised and set off against the share premium account for the period.

PROPERTY INTERESTS AND VALUATION OF PROPERTIES

The properties of the Group were revalued at HK$178.2 million (equivalent to RMB141.4 million) as of 31 August 2014 by RHL Appraisal Limited. Details of the valuation are summarised in Appendix III to this prospectus.

A statement of the reconciliation of the audited net book value of the property interests of the Group as of 30 June 2014 and the valuation of such property interests as of 31 August 2014 as required under Rule 5.07 of the Listing Rules is set out below:

	HK$'000
Net book value of property interests of the Group as of 30 June 2014	
– Buildings	126,061
– Prepaid lease payments	44,023
Net book value as of 30 June 2014 (audited)	170,084
Movement for the period from 1 July 2014 to 31 August 2014	
Less: Amortization for the period (unaudited)	(194)
Depreciation for the period (unaudited)	(510)
Net book value as of 31 August 2014 (unaudited)	169,380
Valuation surplus as of 31 August 2014 (unaudited)	8,784
Valuation as of 31 August 2014	178,164
Translate to RMB as per Appendix III	141,400

NO ADDITIONAL DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that as of the Latest Practicable Date, there have been no circumstances that would give rise to the disclosure requirement under Rule 13.13 to Rule 13.19 of the Listing Rules had the Shares listed on the Stock Exchange.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since 30 June 2014 and there is no event since 30 June 2014 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

FUTURE PLANS AND PROSPECTS

Please refer to the section headed "Business — Our business strategies" in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

The total net proceeds from the Share Offer (after deducting underwriting fees and estimated expenses in connection with the Share Offer and assuming an Offer Price of HK$3.35 (being the mid-point of the indicative range of the Offer Price from HK$3.0 to HK$3.7 per Offer Share) and that the Over-allotment Option is not exercised) are estimated to be approximately HK$150.1 million. The Directors presently intend that the net proceeds from the Share Offer will be applied as follows:

- approximately HK$67.6 million, representing approximately 45% of the net proceeds, will be used to improve our production capacity and increase our production volume by purchasing additional machinery and equipment in view of increasing demand and in anticipation of growing demand for LED backlight products. For additional information, please refer to the section headed "Business — Our Business Strategies" in this prospectus;

- approximately HK$22.5 million, representing 15% of the net proceeds, will be used for the repayment of bank loans. The loan proceeds were utilised for purchasing additional machinery and equipment. The bank loans carry interest rates from 2.98% to 3.47% per annum and will mature on various dates between June 2017 and May 2019.

- approximately HK$15.0 million, representing approximately 10% of the net proceeds, will be used to enhance our LED backlight research and development capability. For additional information, please refer to the section headed "Business — Our Business Strategies — 2. We plan to upgrade the level of skillset in our production process" in this prospectus;

- approximately HK$15.0 million, representing approximately 10% of the net proceeds, will be used to enhance our LED lighting research and development capability. For additional information, please refer to the section headed "Business — Our Business Strategies — 2. We plan to upgrade the level of skillset in our production process" in this prospectus;

- approximately HK$10.5 million, representing approximately 7% of the net proceeds, will be used to recruit more technical and expert staff to join our production and research and development departments. For additional information, please refer to the section headed "Business — Our Business Strategies — 2. We plan to upgrade the level of skillset in our production process" in this prospectus;

- approximately HK$4.5 million, representing approximately 3% of the net proceeds, will be used to upgrade and expand our ERP system to enhance our management information systems; and

- the remaining amount of approximately HK$15.0 million, representing approximately 10% of the net proceeds, will be used for general working capital and general corporate purposes.

Assuming the Over-allotment Option is not exercised, if the Offer Price is fixed at the high-end of the indicative range of the Offer Price, being HK$3.7 per Offer Share, the net proceeds the Group receive from the Share Offer will increase by approximately HK$16.9 million. We intend to apply the additional net proceeds for the above purposes on a pro-rata basis. If the Offer Price is set at the low-end of the indicative range of the Offer Price, being HK$3.0 per Offer Share, the net proceeds the Group receive from the Share Offer will decrease by approximately HK$16.9 million. We intend to reduce the net proceeds for the above purposes on a pro-rata basis.

If the Over-allotment Option is exercised in full, we estimate that the additional net proceeds from the offering of these additional Offer Shares to be received by us, after deducting underwriting fees and estimated expenses payable by it, will be approximately (i) HK$26.8 million, assuming the Offer Price is fixed at the high-end of the indicative range of the Offer Price, being HK$3.7 per Offer Share; (ii) HK$24.2 million, assuming the Offer Price is fixed at the mid-point of the indicative range of the Offer Price, being HK$3.35 per Offer Share; and (iii) HK$21.7 million, assuming the Offer Price is fixed at the low-end of the indicative range of the Offer Price, being HK$3.0 per Offer Share. Any additional proceeds received by us from the exercise of the Over-allotment Option will also be allocated to the above businesses and projects on a pro-rata basis.

To the extent that the net proceeds from the Share Offer are not immediately used for the above purposes, and to the extent as permitted by applicable laws and regulations, our Directors presently intend that such net proceeds be placed on short-term interest bearing deposits with licensed banks in Hong Kong.

UNDERWRITERS

Public Offer Underwriters

Changjiang Securities Brokerage (HK) Limited
RHB OSK Securities Hong Kong Limited
GF Securities (Hong Kong) Brokerage Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

PUBLIC OFFER

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company is offering 5,000,000 Shares for subscription by the public in Hong Kong under the Public Offer on and subject to the terms and conditions set out in this prospectus and the Application Forms at the Offer Price.

Subject to (i) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued, and (ii) certain other conditions set out in the Public Offer Underwriting Agreement (including, among others, our Company and the Sole Global Coordinator agreeing on the Offer Price), the Public Offer Underwriters have severally but not jointly agreed to procure subscribers for their respective applicable proportions (as set out in the Public Offer Underwriting Agreement) of the Public Offer Shares now being offered and, failing which, to subscribe for such Public Offer Shares themselves, on the terms and subject to the conditions set out in this prospectus, the Application Forms and the Public Offer Underwriting Agreement. If the Sole Global Coordinator and our Company is unable to reach an agreement on the Offer Price at or before 6 p.m. on Friday, 14 November 2014, the Share Offer will lapse.

The Public Offer Underwriting Agreement is conditional upon and subject to the Placing Underwriting Agreement having been signed and becoming unconditional, and having not been terminated in accordance with its terms.

GROUNDS FOR TERMINATION

The obligations of the Public Offer Underwriters to subscribe or procure subscribers for the Public Offer Shares under the Public Offer Underwriting Agreement are subject to termination. The Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) shall have the absolute right by notice in writing to the Company to terminate the Public Offer Underwriting Agreement with immediate effect at any time prior to 8:00 a.m. on the Listing Date (the "**Termination Time**") if any of the following events should occur prior to the Termination Time:

(a) there has come to the notice of the Sole Global Coordinator:

(i) that any statement contained in this prospectus, the Application Forms, the formal notice, and/or any notices, announcements, advertisements, communications (including any supplement or amendment thereto) or any other documents issued or used by or on behalf of our Company in connection with the Share Offer considered by the Sole Global Coordinator (for itself and on behalf of the other Public Offer Underwriters) in its sole and absolute opinion to be material in the context of the Share Offer was, when it was issued, or has become, untrue, inaccurate or incorrect in any material respect or misleading in any respect; or that any estimate, forecast, expression or opinion, intention or expectation stated and contained in any of the aforesaid documents (including any supplement or amendment thereto) is not, in the sole and absolute opinion of the Sole Global Coordinator, in any material respect, fair and honest and based on reasonable assumptions, when taken as a whole;

(ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission from this prospectus, the Application Forms, the formal notice and/or any notices, announcements, advertisements, communications or any other documents (including any supplement or amendment thereto) issued or used by or on behalf of our Company in connection with the Share Offer considered by the Sole Global Coordinator (for itself and on behalf of the other Public Offer Underwriters) in its sole and absolute opinion to be material in the context of the Share Offer; or

(iii) any breach, considered by the Sole Global Coordinator (for itself and on behalf of the other Public Offer Underwriters) in its sole and absolute opinion to be material in the context of the Share Offer, of any of the obligations or undertakings imposed upon or undertaken by any party (other than the Sole Global Coordinator or any Public Offer Underwriters) to the Public Offer Underwriting Agreement (other than on the part of any of the other Public Offer Underwriters); or

(iv) any breach of, or any event rendering untrue, inaccurate or incorrect in any material respect or misleading in any respect, any of the representations, warranties, agreements, undertakings and indemnities given by the Company or the Controlling Shareholders or under the Public Offer Underwriting Agreement; or any of such warranties being untrue, inaccurate or inaccurate in any material respect or misleading in any respect or considered, in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the other Public Offer Underwriters) to have been breached; or

(v) any matter, event, act or omission which gives or is likely to give rise to any liability of any of the Company and/or the Controlling Shareholders under the Public Offer Underwriting Agreement considered by the Sole Global Coordinator (for itself and on behalf of the other Public Offer Underwriters) in its sole and absolute opinion to be material in the context of the Share Offer; or

(vi) any potential litigation or disputes which would affect the operation, financial condition or reputation of the Group in any material adverse respect; or

(vii) any adverse change or adverse development involving a prospective change in the conditions, assets, liabilities, profits, losses, business affairs, operation, prospects or the financial or trading position or performance of our Company or any member of our Group considered by the Sole Global Coordinator (for itself and on behalf of the other Public Offer Underwriters) in its sole and absolute opinion to be material in the context of the Share Offer; or

(viii) that, as a result of material adverse and abrupt change in market conditions, any material order placed by any investor immediately before the allotment and issue of any Shares to such investor, has been withdrawn or cancelled, and the Sole Global Coordinator, in its sole and absolute opinion, conclude that it is therefore inadvisable or inexpedient or impracticable to proceed with the Share Offer;

(b) there shall develop, occur, exist, or come into force or effect, or continues to exist or be in force or effect:

(i) any event, or series of events, in the nature of force majeure (including, without limitation, any acts of government or orders of any courts, labour disputes, strikes, lock-outs, fire, explosion, flooding, earthquake, nuclear leakage, civil disobedience, commotion or disturbances or armed conflicts, riots, public disorder, declaration of any local, national, regional or international emergency, outbreak or declaration or escalation of hostilities (whether or not war is or has been declared) or of any other state of emergency or calamity or crisis, acts of war, acts of terrorism (whether or not responsibility has been claimed), acts of God, epidemic, pandemic, outbreak or escalation of disease (including without limitation Severe Acute Respiratory Syndromes (SARS), avian influenza (H5N1, H7N9 or H10N8), swine flu (H1N1) or such related or variant types or mutated forms), interruption or delay in transportation, economic sanctions, in or affecting any of Hong Kong, the Cayman Islands, the BVI, the PRC or any other jurisdiction relevant to any member of our Group (the "**Relevant Jurisdictions**"); or

(ii) any change or development involving a prospective change or development in, or any event or series of events currently in existence or otherwise, resulting or likely to result in, or representing or involving any prospective change or development in, local, national, regional or international financial, economic, political, military, industrial, fiscal, legal, regulatory, currency, credit or market conditions, equities securities or other financial markets (including without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets), in or affecting any of the Relevant Jurisdictions; or

(iii) any new law or regulation or policy or directive or change or development involving a prospective change in existing laws or regulations or policies or directives or any change or development involving a prospective change in the interpretation or application thereof by any court or governmental or competent authority in or affecting any of the Relevant Jurisdictions; or

(iv) the imposition of economic sanctions or withdrawal of trading privileges or concessions, in whatever form, directly or indirectly, on or against or affecting any of the Relevant Jurisdictions; or

(v) a change or development involving a prospective change or modification in taxation or exchange control, currency exchange rates or foreign investment laws or regulations (including, without limitation, a devaluation of the Hong Kong dollar or an appreciation or depreciation of the Renminbi against any foreign currencies, a change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar or the Renminbi is linked to any foreign currency or currencies, or a material fluctuation in the exchange rate of the Hong Kong dollar against any foreign currency, or any interruption in monetary or trading or securities settlement or clearance services or procedures), or the implementation of any exchange control, in any of the Relevant Jurisdictions or affecting an investment in the Shares; or

(vi) any adverse change or development involving a reasonably likely material adverse change, or any development involving a prospective material adverse change, in or affecting the assets, liabilities, profits, losses, condition, business, finance, earnings, trading position, prospects, properties, results of operations, general affairs, shareholders' equity, management, position or condition, financial or otherwise, whether or not arising in the ordinary course of business, or performance of our Group; or

(vii) any litigation or claim of any third party being threatened or instigated against any member of our Group or our Controlling Shareholders where the amount or potential liability is considered to have a material adverse impact on the business and/or financial condition of our Group; or

(viii) a demand by any tax authority for payment for any tax liability of any member of our Group where the amount or potential liability is considered to have a material adverse impact on the business and/or financial condition of our Group; or

(ix) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity where the amount or potential liability is considered to have a material adverse impact on the business and/or financial condition of our Group; or

(x) any loss or damage sustained by any member of our Group as a result of a breach of its respective obligations or non-compliance with applicable laws and regulations (howsoever caused and whether or not the subject of any insurance or claim against any person); or

(xi) an order or petition being presented for the winding-up or liquidation of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement being entered into by any member of our Group or any resolution being passed for the winding-up or liquidation of any member of our Group or a provisional liquidator, receiver or manager being appointed to take over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group; or

(xii) any general moratorium on commercial banking activities in Hong Kong, the PRC, the Cayman Islands, the BVI, New York, London or any other jurisdiction relevant to any member of the Group, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, systems, procedures or matters in any jurisdictions that are relevant to any member of the Group; or

(xiii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or

(xiv) any judicial, regulatory or governmental authority or political body or organisation in any of the Relevant Jurisdictions commencing any investigation, action, claim or proceedings, or announcing an intention to investigate or take any such action, against any Director; or

(xv) any Director being charged with an indictable offence or prohibited by the operation of law or otherwise disqualified from taking part in the management of a company; or

(xvi) the chairperson or chief executive officer or chief financial officer of our Company vacating his or her office or any Director resigning his or her directorship from our Company; or

(xvii) any contravention by any member of the Group of the Predecessor Companies Ordinance, the Companies (WUMP) Ordinance, the Companies Ordinance or the Listing Rules or other applicable laws or regulations in any of the Relevant Jurisdictions or any jurisdiction that is relevant to any member of the Group; or

(xviii) any prohibition on the Company for whatever reason from allotting or issuing or selling the Offer Shares (including the Shares to be issued pursuant to the exercise of the Over-allotment Option) pursuant to the Share Offer and the terms set out in the Public Offer Underwriting Agreement and this prospectus and the Application Forms; or

(xix) any non-compliance on the part of our Group or Directors of this prospectus, the Application Forms (or any other documents used in connection with the subscription and purchase of the Offer Shares) or any aspect of the Share Offer with the Listing Rules or any other applicable laws or regulations; or

(xx) other than with the prior consent of the Sole Global Coordinator (for itself and on behalf of the other Public Offer Underwriters), the issue or the requirement to issue by our Company of any supplement or amendment to this prospectus (or any other documents used in connection with the subscription or sale of the Offer Shares) pursuant to the Companies (WUMP) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

(xxi) any change or development involving a prospective change or development, or a materialisation of, any of the risks set forth in the section headed "Risk Factors" in this prospectus,

which, individually or in aggregate, in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters),

(A) has or may have or will have or is likely or expected to have a material adverse effect, whether directly or indirectly, on the assets, liabilities, business, general affairs, management, shareholders' equity, profits, losses, trading position, results of operation, prospects, positions or conditions, financial or otherwise, or the performance of our Company or any member of our Group taken as a whole; or

(B) has or may have or will have or is likely or expected to have a material adverse effect on the level of applications or the level of interest with respect to the Share Offer and on the success of the Share Offer; or

(C) makes, may make or will make or is likely or expected to make it impracticable or inadvisable or inexpedient for the Share Offer to proceed or to be performed or implemented as envisaged or to market the Share Offer; or

(D) makes, may make or will make or is likely or expected to make any part of the Public Offer Underwriting Agreement and the agreement to be entered into for the determining of the Offer Price (including underwriting) incapable of performance with particular respect to the processing of applications for and payments for subscription of the Offer Shares and delivery of the Offer Shares on the terms and in the manner contemplated under the Public Offer Underwriting Agreement and in this prospectus and the Application Forms and any other documents in connection with the subscription and purchase of the Offer Shares.

UNDERTAKINGS PURSUANT TO THE LISTING RULES AND THE PUBLIC OFFER UNDERWRITING AGREEMENT

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that we will not issue any further Shares or securities convertible into our equity securities (whether or not a class already listed) or enter into any agreement to such issue within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the commencement of dealing on the Listing Date), except pursuant to the Share Offer (including the Shares which may be issued pursuant to exercise of the Over-allotment Option or any options which very be granted under the Share Option Scheme) or under the circumstances provided under Rule 10.08 of the Listing Rules.

Pursuant to the Public Offer Underwriting Agreement, we have undertaken to and covenanted with each of the Sole Sponsor, the Sole Global Coordinator (in the capacities as the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriter as well) and the Public Offer Underwriters that, and our Controlling Shareholders have undertaken to procure that, save pursuant to the Share Offer (including the exercise of the Over-allotment Option), the Capitalisation Issue, the issue of any Shares under the Over-allotment Option, the grant of options under the Share Option Scheme, or the issue of Shares upon exercise of such options granted under the Share Option Scheme or otherwise than by way of scrip dividend schemes or similar arrangements, consolidation, sub-division or capital reduction of Shares in accordance with the articles of association of our Company, or with the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the other Public Offer Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) we will not, and will procure that each of the other members of our Group will not, during the period from the date of the Public Offer Underwriting Agreement up to the expiry of the six months immediately following the Listing Date (the "First Six-Month Period"):

(i) sell, offer to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create any encumbrance ("**Encumbrance**") over, or agree to transfer or dispose of or create any Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any Shares of such other member of our Group, as applicable) (the "Relevant Securities"); or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Relevant Securities; or

(iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above; or

(iv) offer to or agree to or announce any intention to effect any transaction specified in (i), (ii) or (iii) above,

in each case, whether any of the transactions specified in (i), (ii) and (iii) above is to be settled by delivery of Shares or such other securities of our Company or shares or other securities of such other member(s) of our Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period); and

(b) our Company will ensure that if any of the transactions described in paragraph (a) above are carried out during the period of six months immediately following the expiry of the period referred to at paragraph (a) above, we will take all reasonable steps to ensure that any such act will not create a disorderly or false market for any Shares or other securities of our Company.

Undertakings by our Controlling Shareholders

In accordance with Rule 10.07(1) of the Listing Rules, our Controlling Shareholders have undertaken to the Stock Exchange and our Company that they shall not and shall procure the relevant registered holder(s) shall not:

(a) except pursuant to the Share Offer, in the period commencing on the date by reference to which disclosure of their shareholding is made in the Prospectus and ending on the date which is six months from the Listing Date ("**First Six Month Period**") dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities of the Company in respect of which they are shown by the Prospectus to be the beneficial owner (whether direct or indirect); and

(b) in the period of six months immediately after the expiry of the First Six Month Period ("**Second Six Month Period**"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, they would cease to be our Controlling Shareholders.

Further, pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, our Controlling Shareholder has undertaken to the Stock Exchange and our Company that: during the First Six-Month Period and the Second Six-Month Period, he/it will immediately inform us:

(a) if he/it pledges or charges any of the Beneficially Owned Shares and/or Controlled Entity Shares in favour of any authorised institutions (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan as permitted under the Listing Rules, such pledges or charges and the number of securities so pledged or charged; and

(b) if he/it receives indications, either verbal or written, from the pledgee or chargee that any of such pledged or charged securities will be disposed of, such indications so received.

We will inform the Stock Exchange as soon as we have been informed of the above matters (if any) by our Controlling Shareholders and disclose such matters by way of an announcement in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed.

Pursuant to the Public Offer Underwriting Agreement, our Controlling Shareholders have undertaken to and covenanted with our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners and the Public Offer Underwriters that, without the prior written consent of the Sole Sponsor and Sole Global Coordinator (for itself and on behalf of the other Public Offer Underwriters) and unless in compliance with the Listing Rules:

(i) he/it shall not, and shall procure that his/its close associates or companies controlled by him/it or any relevant registered holder(s) (if any) or any nominee or trustee holding in trust for him/it will not, during the period from the date of the Public Offer Underwriting Agreement up to the expiry of the six months immediately following the Listing Date,

(aa) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create any Encumbrance over, or agree to transfer or dispose of or create any Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or representing the right to receive, or any warrants or other rights to purchase, any Shares, as applicable) (the "**Relevant Securities**"); or

(bb) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities; or

(cc) enter into any transaction with the same economic effect as any transaction specified in (aa) and (bb) above; or

(dd) offer to or agree to or announce any intention to effect any transaction specified in (aa), (bb) or (cc) above,

in each case, whether any of the transactions specified in (aa), (bb) and (cc) above is to be settled by delivery of Shares or such other securities of our Company or shares or other securities of such other member(s) of our Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period);

(ii) he/it will not, and shall procure that his/its close associates or companies controlled by him/it or any relevant registered holder(s) (if any) or any nominee or trustee holding in trust for him/it will not, within the further period of six months immediately after the expiry of the First Six-month Period (the "**Following Period**"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Relevant Securities held by him/it or any of his/its close associates or companies controlled by him/it or any nominee or trustee holding in trust for him/it if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would, directly or indirectly, cease to be controlling shareholder (as defined in and within the meaning of the Listing Rules) of our Company;

(iii) in the event of the disposal of any of the Relevant Securities or securities of our Company or any interest therein within the Following Period, he/it will consult with the Sole Sponsor and the Sole Global Coordinator in advance and take all reasonable steps to ensure that such a disposal shall be effected in such manner so as not to create a disorderly or false market for any Shares or other securities of our Company; and

(iv) he/it will, and shall procure that his/its close associates or companies controlled by him/it or any relevant registered holder(s) (if any) or any nominee or trustee holding in trust for him/it will, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by him/it or by the registered holder(s) controlled by him/it of any Shares.

COMMISSIONS AND EXPENSES

The Public Offer Underwriters will receive an underwriting commission of 3.5% of the aggregate Offer Price of all the Public Offer Shares (including any Shares to be issued pursuant to the Over-allotment Option), out of which they will pay any sub-underwriting commission. For unsubscribed Public Offer Shares reallocated to the Placing, our Company will pay an underwriting commission at the rate applicable to the Placing and such commission will be paid to the Sole Global Coordinator. The Sole Sponsor will receive a financial advisory and documentation fee in relation to the Share Offer.

The aggregate fees and expenses for the listing of the Company including the listing fees, the Underwriters' commission, the Stock Exchange listing fees, the Stock Exchange trading fee and SFC transaction levy, legal and other professional fees, printing and other expenses relating to the Share Offer, are currently estimated to be approximately HK$28.7 million (assuming an Offer Price of HK$3.35 per Share, being the mid-point of the indicative Offer Price range of HK$3.0 to HK$3.7 and that the Over-allotment Option is not exercised), which will be borne and payable by our Company. In addition, we may, at our sole and absolute discretion, pay the Sole Global Coordinator an additional incentive fee for all the Shares offered and sold in the Share Offer.

INDEPENDENCE OF THE SOLE SPONSOR

The Sole Sponsor satisfies the independence criteria applicable to sponsor as set out in Rule 3A.07 of the Listing Rules.

PUBLIC OFFER UNDERWRITERS' INTERESTS IN OUR COMPANY

Save for their obligations and interests under the Public Offer Underwriting Agreement and as disclosed in this prospectus, as at the Latest Practicable Date, none of the Public Offer Underwriters has any shareholding interest in any member of the Group or any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group.

Following the completion of the Share Offer, the Public Offer Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Public Offer Underwriting Agreement.

PLACING

In connection with the Placing, it is expected that our Company will enter into the Placing Underwriting Agreement with, among others, the Sole Global Coordinator (in the capacity as the Placing Underwriter as well) and the Placing Underwriters on the Price Determination Date on the terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above. Under the Placing Underwriting Agreement, the Placing Underwriters would, subject to certain conditions, agree to procure subscribers for, or failing which to subscribe for themselves, in respect of their respective portions as specified in the Placing Underwriting Agreement, the Placing Shares being offered pursuant to the Placing which are not taken up under the Placing.

It is expected that under the Placing Underwriting Agreement, our Company will grant to the Sole Global Coordinator the Over-allotment Option, exercisable by the Sole Global Coordinator at any time from the date of the Placing Agreement until the date which is 30 days from the last date of lodging application under the Public Offer, to require our Company to allot and issue up to and not more than 7,500,000 additional new Shares (representing 15% of the total number of the Offer Shares initially available under the Share Offer) at the Offer Price to cover, among other things, over-allocations in the Placing.

THE SHARE OFFER

The Share Offer comprises:

(i) the Public Offer of 5,000,000 Public Offer Shares (subject to reallocation) in Hong Kong as described in the section headed "Structure and Conditions of the Share Offer — The Public Offer"; and

(ii) the Placing of 45,000,000 Placing Shares (subject to reallocation and Over-allotment Option) as described in the section headed "Structure and Conditions of the Share Offer — The Placing", in this prospectus.

The Public Offer Shares will be offered under the Public Offer for subscription by members of the public as well as institutional, professional and/or other investors in Hong Kong. The Placing Shares will be offered under the Placing through selective marketing to institutional, professional and/or other investors in Hong Kong. Professional and/or institutional investors generally include brokers, dealers, high net worth individuals and companies (including fund managers) whose ordinary business involves dealing and investing in shares and other securities, and corporate entities which regularly invest in shares and other securities.

Investors may apply for the Public Offer Shares under the Public Offer or indicate an interest for the Placing Shares under the Placing, but may not do both. In other words, investors may only receive, either Public Offer Shares or Placing Shares but not both.

All Public Offer Shares are fully underwritten by the Public Offer Underwriters, subject to the terms and conditions of the Public Offer Underwriting Agreement.

The Offer Shares will represent 25% of the enlarged issued share capital of our Company immediately after the completion of the Share Offer and the Capitalisation Issue, without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.71% of the enlarged issued share capital immediately after completion of the Share Offer, the Capitalisation Issue and the exercise of the Over-allotment Option in full as set out in the paragraph headed "Over-allotment Option" below.

PRICING

Offer Price range

The Offer Price will be not more than HK$3.7 per Offer Share and is expected to be not less than HK$3.0 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Public Offer, as will be further explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

PRICE PAYABLE ON APPLICATION

Applicants for Public Offer Shares under the Public Offer are required to pay, on application, the maximum Offer Price of HK$3.7 (plus a 1.0% brokerage fee, a 0.005% Stock Exchange trading fee and a 0.0027% SFC transaction levy) for each Public Offer Share. This means that, for every board lot of 1,000 Offer Shares, you should pay HK$3,737.29 at the time of your application.

If the Offer Price, as finally determined in the manner described below, is less than HK$3.7, refund payments of the appropriate difference (including the 1% brokerage fee, the 0.005% Stock Exchange trading fee and the 0.0027% SFC transaction levy attributable to the surplus application monies) will be made to the applicants whose applications are successful. We will not pay interest on any refunded amounts. Please refer to the section headed "How to apply for Public Offer Shares — Refund of application monies" in this prospectus.

DETERMINATION OF THE OFFER PRICE

The Placing Underwriters will solicit from prospective investors indications of interest in acquiring the Placing Shares. Prospective investors will be required to specify the number of Placing Shares which they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or around Monday, 10 November 2014.

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator and our Company on the Price Determination Date, when market demand for the Public Offer Shares will be determined. The Price Determination Date is expected to be on or around Tuesday, 11 November 2014 and in any event, no later than 6 p.m. on Friday, 14 November 2014. If the Price Determination Date is changed, the Company will as soon as practicable cause to be published on the Company's website (**www.waichiholdings.com**) and the Stock Exchange's website (**www.hkexnews.hk**) a notice of the change and if applicable the revised date.

The net proceeds from the Share Offer, assuming the Over-allotment Option is not exercised, are estimated to be approximately HK$150.1 million based on the Offer Price of HK$3.35 per Offer Share, being the mid-point of the stated range of the Offer Price; or if the Over-allotment Option is exercised in full, approximately HK$174.4 million based on the Offer Price of HK$3.35 per Offer Share, being the mid-point of the stated range of the Offer Price.

If, for any reason, our Company and the Sole Global Coordinator are unable to reach agreement on the Offer Price on or before 6 p.m. (Hong Kong time) on Friday, 14 November 2014, the Share Offer will not proceed.

REDUCTION IN OFFER PRICE RANGE

The Sole Global Coordinator may, if it is considered by the Sole Global Coordinator to be appropriate on the basis of the level of interest expressed by prospective institutional, professional and/or other investors during the book-building process, and with our consent and after prior consultation with the Sole Sponsor, reduce the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer.

In this case, we will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) notice of the reduction in the indicative Offer Price range. Such notice will also be made available on the website of our Company (**www.waichiholdings.com**) and the website of the Stock Exchange (**www.hkexnews.hk**) not later than the morning of the last day for lodging applications under the Public Offer. Upon issue of such notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon among the Sole Global Coordinator and our Company, after prior consultation with the Sole Sponsor, will be fixed within such revised Offer Price range. In such notice, we will also confirm or revise, as appropriate, the working capital statement as currently disclosed in the section headed "Financial Information — Liquidity and Capital Resources", the offering statistics as currently disclosed in the section headed "Summary" in this prospectus, the use of proceeds in the section headed "Future Plans and Use of Proceeds" in this prospectus and any other financial information which may change as a result of such reduction.

If we do not publish any such notice in the South China Morning Post (in English) or the Hong Kong Economic Times (in Chinese) and make any such announcement on our Company's website (**www.waichiholdings.com**) and on the Stock Exchange's website (**www.hkexnews.hk**) of a reduction in the indicative Offer Price range stated in this prospectus on or before the morning of the last day for lodging applications under the Public Offer, the Offer Price, if agreed upon by us, will be within the Offer Price range as stated in this prospectus.

Before submitting applications for Public Offer Shares, applicants should beware of the possibility that any announcement of a reduction in the indicative Offer Price range may not be made until the last day for lodging applications for the Public Offer Shares pursuant to the Public Offer.

We expect to publish an announcement of the Offer Price, together with the level of interest in the Placing and the application results and basis of allocation of the Public Offer Shares on Monday, 17 November 2014 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), the website of the Company (**www.waichiholdings.com**) and the website of the Stock Exchange (**www.hkexnews.hk)**.

Results of allocations in the Public Offer including the Hong Kong Identity Card/Passport/Hong Kong Business Registration numbers of the successful applicants and the number of Public Offer Shares successfully applied for will be available through a variety of channels as described in the section headed "How to Apply for the Public Offer Shares — Publication of Results" in this prospectus.

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares is conditional upon, among other things:

(1) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued as described in this prospectus, and such listing and permission not having been subsequently revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

(2) the execution and delivery of the Underwriting Agreements in accordance with their respective terms;

(3) the Offer Price having been duly determined as confirmed by way of the execution of the Price Determination Agreement; and

(4) the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Sole Global Coordinator), and such obligations not having been terminated in accordance with the terms of the Underwriting Agreements, in each case, on or before the date and time specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than Thursday, 4 December 2014, being the date which is 30 days after the date of this prospectus.

All conditions are expected to be satisfied or waived on or before 18 November 2014 (or such later date as our Company and the Sole Global Coordinator may agree).

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with their respective terms.

If the above-mentioned conditions have not been fulfilled or (where applicable) waived by the Sole Global Coordinator on or before the date and time set forth and specified in the Underwriting Agreements, the Share Offer will not proceed and will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Share Offer will be published by our Company in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and an announcement will also be made on Company's website (**www.waichiholdings.com**) and the Stock Exchange's website (**www.hkexnews.hk**) on the next Business Day following such lapse.

In the above situation, we will return all application monies to the applicants, without interest and on the terms described in the section headed "How to Apply for the Public Offer Shares" in this prospectus. In the meantime, all application monies will be held in a separate bank account or separate bank accounts with the receiving banker or other bank(s) licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) in Hong Kong.

We expect to issue and dispatch share certificates for the Offer Shares on Monday, 17 November 2014. However, these share certificates will only become valid certificates of title on 8:00 a.m. on the Listing Date provided that the Share Offer has become unconditional in all respects and that the right of termination as described in the section headed "Underwriting" in this prospectus has not been exercised at any time prior to 8:00 a.m. on the Listing Date.

THE PUBLIC OFFER

Number of Offer Shares initially offered

The Company is initially offering 5,000,000 Public Offer Shares, representing 10% of the 50,000,000 Offer Shares initially made available under the Share Offer for subscription by the public in Hong Kong at the Offer Price. Subject to reallocation as described in the paragraph headed "Reallocation of the Offer Shares between the Public Offer and the Placing" in this section, the Public Offer Shares will represent approximately 2.5% of our enlarged issued capital immediately upon completion of the Share Offer (without taking into account the Over-allotment Shares to be issued pursuant to the exercise of the Over-allotment Option). All Public Offer Shares are fully underwritten by the Public Offer Underwriters subject to the terms and conditions of the Public Offer Underwriting Agreement. The Public Offer is subject to the conditions stated in the paragraph headed "Conditions of the Share Offer" in this section.

Allocation of Public Offer Shares

The total number of Public Offer Shares available under the Public Offer will initially be divided equally into two pools for allocation purposes as follows:

(i) Pool A: the Public Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Public Offer Shares with a total subscription amount (excluding brokerage fee, Stock Exchange trading fee and SFC transaction levy) of HK$5 million or less; and

(ii) Pool B: the Public Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Public Offer Shares with a total subscription amount (excluding brokerage fee, Stock Exchange trading fee and SFC transaction levy) of more than HK$5 million and up to the total initial value of Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Public Offer Shares in one pool (but not both pools) are under-subscribed, the unsubscribed Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly.

Applicants can only receive an allocation of Public Offer Shares from either Pool A or Pool B but not from both pools. Multiple or suspected multiple applications within either pool or between pools and any application for more than 50% of the Public Offer Shares in the Public Offer will be rejected.

Reallocation of the Offer Shares between the Public Offer and the Placing

The allocation of Offer Shares between the Public Offer and the Placing is subject to the following adjustments:

(i) if the number of Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times of the number of Offer Shares initially available for subscription under the Public Offer, then Offer Shares will be reallocated to the Public Offer from the Placing, so that the total number of Offer Shares available under the Public Offer will be 15,000,000 Offer Shares, representing approximately 30% of the Offer Shares initially available under the Share Offer;

(ii) if the number of Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times of the number of Offer Shares initially available for subscription under the Public Offer, then the number of Offer Shares to be reallocated to the Public Offer from the Placing will be increased so that the total number of Offer Shares available under the Public Offer will be 20,000,000 Offer Shares, representing approximately 40% of the Offer Shares initially available under the Share Offer; and

(iii) if the number of Offer Shares validly applied for under the Public Offer represents 100 times or more of the number of Offer Shares initially available for subscription under the Public Offer, then the number of Offer Shares to be reallocated to the Public Offer from the Placing will be increased, so that the total number of Offer Shares available under the Public Offer will be 25,000,000 Offer Shares, representing approximately 50% of the Offer Shares initially available under the Public Offer.

In such case, the number of Offer Shares allocated to the Placing will correspondingly be reduced, and such additional Public Offer Shares will be reallocated to Pool A and Pool B in the Public Offer in such manner as the Sole Global Coordinator deems appropriate.

Subject to the above, the Sole Global Coordinator has the authority to reallocate all or any of the unsubscribed Public Offer Shares to the Placing or all or any of the unsubscribed Placing Shares to the Public Offer.

The Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the sole and absolute discretion of the Sole Global Coordinator. Allocation of the Placing Shares pursuant to the Placing will be solely determined by the Sole Global Coordinator and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Shares after the Listing. Such allocation may be made to institutional, professional and corporate investors and is intended to result in a distribution of the Shares on a basis which lead to the establishment of a stable shareholder base to the benefit of our Company and the Shareholders as a whole.

Allocation of the Public Offer Shares to the investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by the applicants. The allocation of Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Application

Each applicant under the Public Offer will be required to give an undertaking and confirmation in the application submitted by him or it that he or it and any person(s) for whose benefit he or it is making the application have not indicated any interest for or taken up and will not indicate an interest for or take up any Placing Shares, and such applicant's application will be rejected if the said undertaking and/or confirmation is breached and/or untrue or he or it has been or will be placed or allocated Offer Shares under the Placing.

Our Company, the Directors and the Public Offer Underwriters will take reasonable steps to identify and reject applications under the Public Offer from the investors who have received Placing Shares under the Placing and to identify and reject indications of interest in the Placing from the investors who have received Offer Shares under the Public Offer.

The Sole Global Coordinator may require any investor who has been offered Offer Shares under the Placing, and who has made an application under the Public Offer to provide sufficient information to the Sole Global Coordinator so as to allow it to identify the relevant application under the Public Offer and to ensure that it is excluded from any application for Public Offer Shares under the Public Offer.

The documents to be issued in connection with the Public Offer (comprising this prospectus and the Application Forms) will not be registered under any applicable securities legislation of any jurisdiction other than Hong Kong.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Public Offer.

THE PLACING

Our Company is initially offering 45,000,000 Placing Shares, representing approximately 90% of the total number of Offer Shares initially available under the Share Offer which will be offered by the Company to institutional, professional and/or other investors in Hong Kong. The Placing will involve selective marketing of Offer Shares to institutional, professional, corporate and/or other investors anticipated to have a sizable demand for such Offer Shares in Hong Kong and other jurisdictions in compliance with all relevant and applicable laws governing such share offerings. Allocation of Offer Shares pursuant to the Placing will be effected in accordance with the book-building process described in the sub-section headed "Determination of the Offer Price" in this section and based on a number of factors as set out in the sub-section headed "Reallocation of the Offer Shares between the Public Offer and the Placing" in the section headed "Structure and Conditions of the Share Offer — The Public Offer" in this prospectus. If the Sole Global Coordinator exercises the Over-allotment Option in full, the number of Shares being offered in the Placing will increase to 52,500,000 Shares, representing approximately 25.3% of our Company's enlarged issued share capital following the completion of the Share Offer, the Capitalisation Issue and the exercise of the Over-allotment Option.

The Placing is expected to be fully underwritten by the Placing Underwriters (subject to the terms and conditions of the Placing Underwriting Agreement and the Offer Price having been fixed by our Company and the Sole Global Coordinator entering into the Price Determination Agreement on the Price Determination Date or such later date as our Company and the Sole Global Coordinator may agree).

OVER-ALLOTMENT OPTION

In connection with the Share Offer, it is expected that our Company will grant the Sole Global Coordinator (for itself and on behalf of the Placing Underwriters) the Over-allotment Option which will expire on a date which is the 30th day after the last date of lodging applications under the Public Offer. Pursuant to the Over-allotment Option, our Company may be required by the Sole Global Coordinator (for itself and on behalf of the Placing Underwriters) to allot and issue up to and not more than 7,500,000 additional new Shares (representing 15% of the total number of the Offer Shares initially available under the Share Offer) at the Offer Price to cover over-allocations in the Placing. The Sole Global Coordinator (for itself and on behalf of the Placing Underwriters) may also cover such over-allocations by, among other means, purchasing Shares in the secondary market or through stock borrowing arrangement with our Controlling Shareholders, or by a combination of these means or otherwise as may be permitted under the applicable laws and regulatory requirements. Any such secondary market purchases will be made in compliance with all applicable laws, rules and regulations. If the Over-allotment Option is exercised in full, the additional 7,500,000 new Shares will represent approximately 3.61% of our Company's enlarged issued share capital immediately after completion of the Capitalisation Issue, the Share Offer and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised or expired, an announcement will be made.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. In Hong Kong, the stabilization price is not permitted to exceed the offer price.

In connection with the Share Offer, the Sole Global Coordinator, as the stabilizing manager, or its affiliates or any person acting for it, for itself and on behalf of the Underwriters, may over-allocate Shares or effect transactions with a view to stabilizing or maintaining the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. The number of Shares that may be over-allocated will be up to, but not more than, an aggregate of 7,500,000 additional Shares, being the number of the Shares that may be issued under the Over-allotment Option. Such stabilizing actions may include over-allocating Placing Shares and covering such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market or through stock borrowing arrangement with our Controlling Shareholders, or through a combination of these means or otherwise. However, there is no obligation on the part of the Sole Global Coordinator, its affiliates or any person acting for it to conduct any such stabilization action. Such stabilization action, once commenced, will be conducted at the absolute discretion of the Sole Global Coordinator, its affiliates or any person acting for it and may be discontinued at any time, and must be brought to an end after a limited period. Such transactions may be effected in compliance with all applicable laws and regulatory requirements.

Subject to and under the Securities and Futures (Price Stabilizing) Rules of the SFO, the Sole Global Coordinator may take all or any of the following actions ("primary stabilizing action") with respect to any Shares during the stabilization period, which should end on Wednesday, 10 December 2014, being the 30th day after the last date for lodging application under the Public Offer:

(1) purchase, or agree to purchase, any of the Shares;

(2) offer or attempt to do anything as described in paragraph (1) above, for the sole purpose of preventing or minimizing any reduction in the market price of the Shares. The Sole Global Coordinator may also, in connection with any primary stabilization action, take all or any of the following actions:

  (a) for the purpose of preventing or minimizing any reduction in the market price of the Shares:

    (i) allocate a greater number of Shares than the number that is initially offered under the Share Offer;

    (ii) sell or agree to sell Shares so as to establish a short position in them;

  (b) purchase or subscribing for, or agree to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under paragraph (a);

  (c) sell or agree to sell any Shares acquired by it in the course of the primary stabilizing action in order to liquidate any position that has been established by such action;

  (d) exercising the Over-allotment Option in whole or in part; and/or

  (e) offer or attempt to do anything as described in paragraphs (a)(ii), (b), (c) or (d).

Investors should be aware:

(1) that the Sole Global Coordinator (for itself and on behalf of the Underwriters) may, in connection with the stabilizing action, maintain a long position in Shares;

(2) that there is no certainty regarding the extent to which and the time period for which the Sole Global Coordinator will maintain such a long position;

(3) of possible impact in the case of liquidation of such a long position by the Sole Global Coordinator;

(4) that stabilization action cannot be taken to support the price of the Shares for longer than the stabilizing period which begins on the Listing Date and ends on the 30th day after the last date for the lodging of applications under the Public Offer on Wednesday, 10 December 2014; and that after this date, when no further stabilising action may be taken, demand for the Shares, and therefore its price could fall;

(5) that the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and

(6) that stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price the investor has paid for the Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

STOCK BORROWING ARRANGEMENT

In connection with the Share Offer, the Sole Global Coordinator may over-allocate up to and not more than an aggregate of 7,500,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means. In particular, for the purpose of covering such over-allocations, the Sole Global Coordinator may borrow up to 7,500,000 Shares from our Controlling Shareholders, equivalent to the maximum number of Shares to be issued on a full exercise of the Over-Allotment Option, under the stock borrowing agreement which may be entered into with our Controlling Shareholders.

Such stock borrowing arrangement is not subject to the restrictions set out in Rule 10.07(1)(a) of the Listing Rules provided that the following requirements as set out in Rule 10.07(3) of the Listing Rules are compiled with:

(a) the stock borrowing arrangement is fully described in this prospectus and must be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option;

(b) the maximum number of Shares to be borrowed from our Controlling Shareholders will be limited to the maximum number of Shares that may be issued upon full exercise of the Over-allotment Option;

(c) the same number of Shares so borrowed will be returned to our Controlling Shareholders or his/its nominees (as the case may be) within three business days after the last day on which the Over-allotment Option may be exercised or, if earlier, the date on which the Over-allotment Option is exercised in full;

(d) the borrowing of Shares pursuant to the stock borrowing arrangement will be effected in compliance with applicable Listing Rules, laws and other regulatory requirements; and

(e) no payment will be made to our Controlling Shareholders in relation to such stock borrowing arrangement.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Division of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer and the Capitalisation Issue (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options granted under the Share Option Scheme, and the Shares, up to 10% of the Shares in issue as at the Listing Date, to be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme).

No part of the Company's share or loan capital is listed or dealt in on any other stock exchange and no such listing or permission to deal in the Company's Shares as aforesaid is being or proposed to be sought in the near future.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

All necessary arrangements have been made for the Shares to be admitted into CCASS. Subject to the approval of the listing of, and permission to deal in, the Shares on the Stock Exchange and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or, under contingent situation, any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

COMMENCEMENT OF DEALINGS IN THE SHARES

Assuming that the Share Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, 18 November 2014, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Tuesday, 18 November 2014.

The Shares will be traded in board lots of 1,000 Shares each.

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** at **www.hkeipo.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

Our Company will be issuing a prospectus on or around 4 November 2014 in connection with the proposed Share Offer. An application has been made to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the proposed Share Offer. Dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m. on 18 November 2014.

2. WHO CAN APPLY

You can apply for Public Offer Shares available for subscription by the public on a **WHITE** or **YELLOW** Application Form, or if you or any person(s) for whose benefit you are applying, are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States and are not a United States Person (as defined in Regulation S under the Securities Act); and
- are not a legal or natural person of the PRC.

If you apply for Public Offer Shares online through the **HK eIPO White Form** service (**www.hkeipo.hk**), in addition to the above, you must also:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the names of the individual members, not the firm's name. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his or her representative capacity and stamped with your corporation's chop.

If an application is made by a person duly authorised under a valid power of attorney, our Company and the Sole Global Coordinator may accept it at our or their discretion, and subject to any conditions we or they think fit, including production of evidence of the authority of the attorney.

The number of joint applicants may not exceed four and they may not apply by means of the **HK eIPO White Form** for the Public Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Share Offer; and
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.hkeipo.hk**.

For Public offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where To Collect The Application Forms

You can collect a **WHITE** Application Form and a prospectus during the following times from:

Tuesday, 4 November 2014	**—**	**9:00 a.m. to 5:00 p.m.**
Wednesday, 5 November 2014	**—**	**9:00 a.m. to 5:00 p.m.**
Thursday, 6 November 2014	**—**	**9:00 a.m. to 5:00 p.m.**
Friday, 7 November 2014	**—**	**9:00 a.m. to 5:00 p.m.**
Saturday, 8 November 2014	**—**	**9:00 a.m. to 1:00 p.m.**
Monday, 10 November 2014	**—**	**9:00 a.m. to 12:00 noon**

(a) any of the following offices of the Public Offer Underwriters:

Changjiang Securities Brokerage (HK) Limited	Suite 1908, 19th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong
RHB OSK Securities Hong Kong Limited	12/F., World-wide House, 19 Des Voeux Road Central, Hong Kong
GF Securities (Hong Kong) Brokerage Limited	29–30/F, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong

(b) or any of the following branches of the following receiving bank:

Bank of China (Hong Kong) Limited

	Branch Name	**Address**
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road
	Aberdeen Branch	25 Wu Pak Street, Aberdeen
	Chai Wan Branch	Block B, Walton Estate, 341–343 Chai Wan Road, Chai Wan
Kowloon	Wong Tai Sin Branch	Shop G13, Wong Tai Sin Plaza, Wong Tai Sin
	Tsim Sha Tsui East Branch	Shop 3, LG/F, Hilton Towers, 96 Granville Road, Tsim Sha Tsui East, Kowloon
	Hung Hom (Eldex Industrial Building) Branch	21 Ma Tau Wai Road, Hung Hom
	Lam Tin Branch	Shop 12, 49 Kai Tin Road, Lam Tin

	Branch Name	Address
New Territories	Kau Yuk Road Branch	18–24 Kau Yuk Road, Yuen Long
	Fo Tan Branch	No 2, 1/F Shatin Galleria, 18–24 Shan Mei Street, Fo Tan
	City One Sha Tin Branch	Shop Nos. 24–25, G/F, Fortune City One Plus, No. 2 Ngan Shing Street, Shatin

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 4 November 2014 until 12:00 noon on Monday, 10 November 2014 from:

(a) the Depository Counter of HKSCC at 2/F, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong (only for the period from 4 November 2014 to 7 November 2014);

(b) the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong (only on 10 November 2014); or

(c) your stockbroker.

Time for lodging Application Forms

Your completed Application Form, together with a cheque or banker's cashier order attached and marked payable to "Bank of China (Hong Kong) Nominees Limited — Wai Chi Holdings Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank(s) listed above at the following times:

Tuesday, 4 November 2014	**—**	**9:00 a.m. to 5:00 p.m.**
Wednesday, 5 November 2014	**—**	**9:00 a.m. to 5:00 p.m.**
Thursday, 6 November 2014	**—**	**9:00 a.m. to 5:00 p.m.**
Friday, 7 November 2014	**—**	**9:00 a.m. to 5:00 p.m.**
Saturday, 8 November 2014	**—**	**9:00 a.m. to 1:00 p.m.**
Monday, 10 November 2014	**—**	**9:00 a.m. to 12:00 noon**

The application lists will be open between 11: 45 a.m. and 12: 00 noon on Monday, 10 November 2014, or such later time as described in the last application day. Effect of bad weather on the opening of the application lists in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the HK eIPO White Form service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Global Coordinator (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Predecessor Companies Ordinance, Companies Ordinance, Companies (WUMP) Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;

(vi) agree that none of our Company, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Placing Shares nor participated in the Placing;

(viii) agree to disclose to our Company, our Hong Kong Share Registrar, receiving bank(s), the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or our agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that our Company, the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH THE HK eIPO WHITE FORM SERVICE

General

If you are an individual and meet the criteria set out in the paragraph headed "2. Who can apply" in this section, you may apply through **HK eIPO White Form** by submitting an application for the Offer Shares to be allotted and registered in your own name through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are set out on the designated website at **www.hkeipo.hk**. You should read these instructions carefully. If you do not follow the instructions, your application maybe rejected by the designated **HK eIPO White Form** Service Provider and may not be submitted to the Company.

If you give **electronic application instructions** through the designated website at **www.hkeipo.hk**, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions set out in this prospectus, as supplemented and amended by the terms and conditions applicable to the **HK eIPO White Form** service.

Time for submitting application under the HK eIPO White Form service

You may submit your application to the designated **HK eIPO White Form** Service Provider through the designated website at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, 4 November 2014 until 11:30 a.m. on Monday, 10 November 2014 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Monday, 10 November 2014, or such later time under the "Effect of bad weather conditions on the opening of the application lists" in this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** Service Provider to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **HK eIPO White Form** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** Service Provider or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
2/F., Infinitus Plaza
199 Des Voeux Road Central
Hong Kong
(only for the period from 4 November 2014 to 7 November 2014)

1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong
(only on 10 November 2014)

and complete an input request form.

Prospectuses are available for collection from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to our Company, the Sole Global Coordinator and the Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Public Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Shares under the Placing;

- declare that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;

- confirm that you understand that our Company, our Directors, the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to our Company, our Hong Kong Share Registrar, receiving bank(s), the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisors and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that we will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Public Offer Shares;

- agree with our Company, for ourselves and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for ourselves and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Predecessor Companies Ordinance, Companies Ordinance, Companies (WUMP) Ordinance and the Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;

- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Subscription Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** in respect of a minimum of 1,000 Public Offer Shares. Such instructions in respect of more than 1,000 Public Offer Shares must be in one of the numbers set out in the table in the **WHITE** and **YELLOW** Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions to HKSCC via CCASS

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Tuesday, 4 November 2014	**—**	**9:00 a.m. to 8:30 p.m.**[(1)]
Wednesday, 5 November 2014	**—**	**8:00 a.m. to 8:30 p.m.**[(1)]
Thursday, 6 November 2014	**—**	**8:00 a.m. to 8:30 p.m.**[(1)]
Friday, 7 November 2014	**—**	**8:00 a.m. to 8:30 p.m.**[(1)]
Saturday, 8 November 2014	**—**	**8:00 a.m. to 1:00 p.m.**[(1)]
Monday, 10 November 2014	**—**	**8:00 a.m.**[(1)] **to 12:00 p.m.**

Note: (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, 4 November 2014 until 12:00 noon on Monday, 10 November 2014 (24 hours daily, except the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Monday, 10 November 2014, the last application day, or such later time as described in "Effect of bad weather conditions on the opening of the application lists" in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of the Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (WUMP) Ordinance (as applied by section 342E of the Companies (WUMP) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving banker(s), the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for the Public Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** service provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for the application and provide no assurance that any CCASS Participant will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or the CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input their **electronic application instructions** to the systems. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System to submit their **electronic application instructions**, they should either: (i) submit a **WHITE** or **YELLOW** Application Form; or (ii) go to HKSCC's Customer Service Center to complete an input request form for **electronic application instructions** before 12: 00 noon on Monday, 10 November 2014.

8. HOW MANY APPLICATIONS MAY BE MADE

Multiple applications for the Public Offer Shares are not allowed except by nominees.

If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code

for each beneficial owner or, in the case of joint beneficial owners, for each such joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will also be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider through **HK eIPO White Form** service at **www.hkeipo.hk** is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**. If an application is made by an unlisted company; and

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

For these purposes:

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" in relation to a company means you:

- control the composition of the board of directors of that company; or
- control more than half of the voting power of that company; or
- hold more than half of the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for the Public Offer Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for the Public Offer Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO white Form** service in respect of a minimum of 1,000 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 1,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.hkeipo.hk.

If your application is successful, brokerage will be paid to participants of the Stock Exchange, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details of the Offer Price, see the section headed "Structure and Conditions of the Share Offer — Determination of the Offer Price".

10. EFFECT OF BAD WEATHER CONDITIONS ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above, or
- a "black" rainstorm warning

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 10 November 2014. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon. For this purpose, "Business Day" means a day that is not a Saturday, Sunday or a public holiday in Hong Kong.

If the application lists do not open and close on Monday, 10 November 2014 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable", an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expect to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Monday, 17 November 2014 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), on our Company's website at **www.waichiholdings.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at **www.waichiholdings.com** and the website of the Stock Exchange at **www.hkexnews.hk** by no later than 9: 00 a.m. on Monday, 17 November 2014;
- from the designated results of allocations website at **www.tricor.com.hk/ipo/result** with a "Search by ID" function on a 24-hour basis from 8:00 a.m. on Monday, 17 November 2014 to 12:00 midnight on Friday, 21 November 2014;
- by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Monday, 17 November 2014 to Thursday, 20 November 2014;

- in the special allocation results booklets which will be available for inspection during opening hours of individual branches from Monday, 17 November 2014 to Wednesday, 19 November 2014 at all the receiving bank branches and sub-branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed "Structure and Conditions of the Share Offer".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

You should note the following situations in which Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or submitting **electronic application instructions** to HKSCC or to the designated **HK eIPO White Form** Service Provider through **HK eIPO White Form** service (**www.hkeipo.hk**), you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the expiration of the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

However, your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under section 40 of the Companies (WUMP) Ordinance (as applied by section 342E of the Companies (WUMP) Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the allotment of Public Offer Share is void:

The allotment of Public Offer Shares to you or to HKSCC Nominees (if you give **electronic application instruction** to HKSCC or applying by a **YELLOW** Application Form) will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing of the applications lists; or

- within a longer period of up to six weeks if the Listing Committee of the Stock Exchange notifies our Company of that longer period within three weeks of the closing of the application lists.

(iii) If our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and HK eIPO White Form Service Provider or their respective agents exercise their discretion to reject your application:

Our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and **HK eIPO White Form** Service Provider, or their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without having to give any reasons for any such rejection or acceptance.

(iv) If:

- your application is a multiple or a suspected multiple application;

- your Application Form is not completed in accordance with the stated instructions;

- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;

- your payment is not made correctly or you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured on its first presentation;

- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Placing Shares under the Placing;
- if you apply for more than 50% of the Public Offer Shares initially being offered to the public for subscription under the Public Offer;
- our Company or the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers are of the view that by accepting your application, it or they would violate applicable securities laws, rules or regulations or other laws, rules or regulations; and
- the Underwriting Agreements do not become unconditional or are terminated.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$3.7 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with "Structure and Conditions of the Share Offer" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Monday, 17 November 2014.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

Despatch/Collection of Share Certificates and Refund Monies

You will receive one share certificate for all of the Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS, in which case share certificates will be deposited into CCASS below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheque and share certificates are expected to be posted on or around Monday, 17 November 2014. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid certificates of title at 8:00 a.m. on Tuesday, 18 November 2014 provided that the Public Offer has become unconditional in all respects and the right of termination described in "Underwriting" section has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from our Hong Kong Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 17 November 2014, or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Monday, 17 November 2014, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Monday, 17 November 2014, by ordinary post and at your own risk.

If you apply by using a YELLOW Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Monday, 17 November 2014, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- **If you apply through a designated CCASS participant (other than a CCASS investor participant)**

  For the Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of the Public Offer Shares allotted to you with that CCASS participant.

- **If you are applying as a CCASS investor participant**

  Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 17 November 2014 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from our Hong Kong Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 17 November 2014, or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheque.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Monday, 17 November 2014 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Monday, 17 November 2014, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in "Publication of Results" above on Monday, 17 November 2014. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 17 November 2014 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Monday, 17 November 2014. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Monday, 17 November 2014.

15. SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in the Shares and our Company comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date that HKSCC chooses.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

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

Investors should seek advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements will affect their rights and interests.

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

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the reporting accountants of the Company, SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong

信永中和
ShineWing

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

4 November 2014

The Directors
Wai Chi Holdings Company Limited
Changjiang Corporate Finance (HK) Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information (the "Financial Information") regarding Wai Chi Holdings Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 December 2011, 2012 and 2013 and six months ended 30 June 2014 (the "Track Record Period") for inclusion in the prospectus of the Company dated 4 November 2014 (the "Prospectus") in connection with the initial listing of the shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated in the Cayman Islands on 16 August 2013 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation as detailed in the section headed "Corporate Reorganization" and in Appendix V to the Prospectus (the "Reorganisation"), which was completed on 27 October 2014, the Company became the holding company of the Companies now comprising the Group, details of which are set out below. The Company has not carried on any business since the date of its incorporation save for the Reorganisation.

During the Track Record Period, the Company has direct and indirect interests in the following subsidiaries, all of which are private companies, particulars of which are set out below:

Name of subsidiaries	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Windrider Technology Company Limited ("Windrider Technology")	British Virgin Islands ("BVI") 10 July 2013	Ordinary Shares United States dollar ("USD") 100	100%	–	Investment holding
Techwide Management Company Limited ("Techwide Management")	BVI 10 July 2013	Ordinary Shares USD100	–	100%	Investment holding
Wai Chi Electronic Technology Management Company Limited ("Wai Chi Electronic Technology")	Hong Kong 21 August 2013	Ordinary Shares Hong Kong dollar ("HK$") $100,000	–	100%	Investment holding
Ecosquare Energy Company Limited ("Ecosquare Energy")	BVI 10 July 2013	Ordinary Shares USD100	–	100%	Investment holding
Wai Chi Energy Services Company Limited ("Wai Chi Energy")	Hong Kong 21 August 2013	Ordinary Shares HK$100,000	–	100%	Investment holding
Alled Solution Company Limited ("Alled Solution")	BVI 10 July 2013	Ordinary Shares USD100	–	100%	Investment holding
Wai Chi Group (HK) Limited 偉志集團有限公司 ("Wai Chi Group")	Hong Kong 15 December 2010	Ordinary Shares HK$135,100,000	–	100%	Investment holding
Wai Chi Opto Technology Limited 偉志光電有限公司 ("Wai Chi Opto")	Hong Kong 17 November 2010	Ordinary Shares HK$62,380,000	–	100%	Trading of Light-Emitting Diode ("LED") lights products

Name of subsidiaries	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
偉志光電(深圳)有限公司 ("Shenzhen Wai Chi") *(Note (i) and (ii))*	The People's Republic of China (the "PRC") 9 August 2002	Registered Capital Renminbi ("RMB") 97,128,000	–	100% *Note (iv)*	Manufacture and sale of LED light products
三峽偉志光電(宜昌)有限公司 ("Sanxia Wai Chi") *(Note (ii))*	The PRC 10 February 2009	Registered Capital RMB30,000,000	–	100%	Provision of LED lights installation services
深圳市偉志照明有限公司 ("Shenzhen Lightings") *(Note (ii))*	The PRC 9 July 2008	Registered Capital RMB5,000,000	–	100%	Manufacture and sale of LED light products
北京森洹節能科技有限公司 ("Beijing Senhuan") *(Note (ii))*	The PRC 12 February 2011	Registered Capital RMB5,800,000	–	100% *Note (v)*	Energy management business
惠州偉志電子有限公司 ("Huizhou Electronics") *(Note (ii))*	The PRC 25 October 2006	Registered Capital RMB144,113,349	–	100%	Manufacture and sale of LED light products
偉志精密五金塑膠(惠州)有限公司 ("Wai Chi Hardware") *(Note (ii))*	The PRC 12 January 2006	Registered Capital US$3,720,000	–	100%	Manufacture of moulds
惠州樂信光電五金有限公司 ("Huizhou Le Xin") *(Note (ii))*	The PRC 17 April 2007	Registered Capital RMB4,838,290	–	100%	Manufacture and sale of LED light products
深圳市偉志節能光源有限公司 ("Shenzhen Jie Neng") *(Note (ii))*	The PRC 12 April 2011	Registered Capital RMB1,500,000	–	– *Note (iii)*	Trading of LED light products
石家莊偉志光電有限公司 ("Shijiazhuang Wai Chi") *(Note (ii))*	The PRC 13 April 2011	Registered Capital RMB1,000,000	–	– *Note (iii)*	Trading of LED light products

Name of subsidiaries	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
遼寧偉志光電有限公司 ("Liaoning Wai Chi") *(Note (ii))*	The PRC 7 July 2011	Registered Capital RMB5,000,000	–	– *Note (iii)*	Trading of LED lights products
偉志照明(大連)有限公司 ("Dalian Wai Chi") *(Note (ii))*	The PRC 26 September 2010	Registered Capital RMB1,000,000	–	– *Note (iii)*	Trading of LED lights products

Notes:

(i) The entity is wholly foreign owned enterprise established in the PRC.

(ii) The English translation of the company names is for reference only. The official names of these companies are in Chinese.

(iii) On 12 April 2011, 13 April 2011, 7 July 2011 and 26 July 2012, the Group disposed of its entire equity interests in Shenzhen Jie Neng, Shijiazhuang Wai Chi, Liaoning Wai Chi and Dalian Wai Chi respectively, which represented 51%, 51%, 85% and 80% equity interests of these entities respectively.

(iv) As at 31 December 2011 and 2012, 95.85% and 82.51% of equity interest of Shenzhen Wai Chi were directly held by the Group respectively, the remaining 4.15% and 17.49% respectively were held by other parties on behalf of the controlling Shareholder. The Group held 100% of the equity interest of Shenzhen Wai Chi as at 31 December 2013.

(v) On 24 July 2013, Shenzhen Lightings acquired the entire equity interest in Beijing Senhuan for the total consideration of RMB5,800,000 by way of taking up the total loan from Beijing Senhuan to the shareholders of RMB5,800,000. The Group effectively paid nil amount for the acquisition. Since the above acquisition, Shenzhen Lighting has been the sole owner of Beijing Senhuan. Beijing Senhuan was inactive with no assets and liabilities as at the date of acquisition. Since it was effectively an acquisition of a shell company without any assets or liabilities, which is the same as establishment of new subsidiary, the acquisition is therefore not accounted for using acquisition accounting.

All companies now comprising the Group have adopted 31 December as their financial year end date.

No audited statutory financial statements have been prepared for the Company since the date of its incorporation as the Company has not carried on any business other than acting as an investment holding company and there is no statutory audit requirement in the Cayman Islands. For the purpose of this report, we have, however, reviewed all the relevant transactions of the Company since its incorporation to the date of this report and carried out such procedures as we considered necessary for inclusion of the financial information relating to the Company in the Financial Information.

No audited financial statements have been prepared for Windrider Technology, Techwide Management, Wai Chi Electronic Technology, Ecosquare Energy, Wai Chi Energy and Alled Solution, since their respective date of incorporation as there is no statutory requirements under the relevant rules and regulations in their jurisdictions of incorporation. For the purpose of this report, we have, however, reviewed the relevant transactions of these companies since their respective dates of incorporation to 31 December 2013 and carried out such procedures as we considered necessary for inclusion of the financial information relating to these companies in the Financial Information.

The audited statutory financial statements of Shenzhen Wai Chi, Sanxia Wai Chi, Shenzhen Lightings, Huizhou Electronics, Wai Chi Hardware and Huizhou Le Xin for the three years ended 31 December 2013 were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC.

The statutory financial statements of Wai Chi Group and Wai Chi Opto for the three years ended 31 December 2013 were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Shenzhen Jie Neng, Shijiazhuan Wai Chi and Liaoning Wai Chi were disposed during the year ended 31 December 2011 and Dalian Wai Chi was disposed during the year ended 31 December 2012. There are no audited statutory financial statements were available to the Group as they were not controlled by the Group. For the purpose of this report, we have however, reviewed the relevant transactions of these companies since the commencement of the Track Record Period up to the date of respective date of disposal.

The statutory auditors of the above subsidiaries during the Track Record Period are as follows:

Name of subsidiary	**Periods covered**	**Certified Public Accountants**
Wai Chi Group	Year ended 31 December 2011	HLB Hodgson Impey Cheng Chartered Accountants Certificated Public Accountants ("HLB")
	Years ended 31 December 2012 and 31 December 2013	SHINEWING (HK) CPA Limited ("SHINEWING")
Wai Chi Opto	Year ended 31 December 2011	HLB
	Year ended 31 December 2012 and 31 December 2013	SHINEWING

Name of subsidiary	Periods covered	Certified Public Accountants
Shenzhen Wai Chi	Year ended 31 December 2011	Shenzhen Pengcheng Certified Public Accountants Co. Ltd* (深圳市鵬城會計師事務所有限公司)
	Years ended 31 December 2012 and 2013	中興財光華會計師事務所有限責任公司深圳分所#
Sanxia Wai Chi	Years ended 31 December 2011, 2012 and 2013	湖北大地會計師事務有限公司#
Shenzhen Lightings	Year ended 31 December 2011	Shenzhen Yongxin Ruihe Certified Public Accountants* (深圳永信瑞和會計師事務所)
	Years ended 31 December 2012 and 2013	中興財光華會計師事務所有限責任公司深圳分所#
Huizhou Electronics	Year ended 31 December 2011	惠州廣誠會計師事務所#
	Year ended 31 December 2012 and 2013	惠州市東方會計師事務所有限公司#
Wai Chi Hardware	Year ended 31 December 2011	惠州廣誠會計師事務所#
	Year ended 31 December 2012 and 2013	惠州市東方會計師事務所有限公司#
Huizhou Le Xin	Year ended 31 December 2011	惠州廣誠會會計師事所#
	Year ended 31 December 2012 and 2013	惠州市東方會計師事務所有限公司#

* Certified Public Accountants registered in the PRC and the English name is for identification purpose only.

\# Certified Public Accountants registered in the PRC.

BASIS FOR PREPARATION

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Company for the Track Record Period, which were prepared in accordance with HKFRSs issued by the HKICPA (the ''Underlying Financial Statements''). We have undertaken an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA for the Track Record Period.

The Financial Information has been prepared by the directors of the Company based on the Underlying Financial Statements on the basis set out in Note 1 of Section A below, with no adjustments thereto, and in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the ''Listing Rules'').

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with HKFRSs issued by the HKICPA and the applicable disclosure provisions of Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

Our responsibility is to form an independent opinion on the Financial Information based on our procedures and to report our opinion thereon to you. We have examined the audited Underlying Financial Statements and carried out additional procedures as necessary in accordance with the Auditing Guideline 3.340 "Prospectus and the Reporting Accountant" as recommended by the HKICPA.

OPINION

In our opinion, for the purpose of this report, and on the basis of preparation set out in Note 1 of Section A below, the Financial Information gives a true and fair view of the Group's consolidated results and consolidated cash flows for the Track Record Period, and of the state of affairs of the Company as at 31 December 2013 and 30 June 2014 and of the Group as at 31 December 2011, 2012 and 2013 and 30 June 2014.

CORRESPONDING FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited financial information of the Group comprising the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the six months ended 30 June 2013 together with notes thereto (the "June 2013 Financial Information"), for which the directors of the Company are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our responsibility is to express a conclusion on the June 2013 Financial Information based on our review.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the June 2013 Financial Information.

Based on our review, nothing has come to our attention that causes us to believe that the June 2013 Financial information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with HKFRSs.

A. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

		Year ended 31 December			Six months ended 30 June	
		2011	2012	2013	2013	2014
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(unaudited)	
Turnover	7	746,978	753,655	894,033	417,077	571,875
Cost of sales		(581,304)	(575,749)	(668,706)	(313,135)	(429,628)
Gross profit		165,674	177,906	225,327	103,942	142,247
Other income and other gains	7	6,272	5,498	13,598	5,003	4,556
Selling and distribution expenses		(14,266)	(19,538)	(21,807)	(11,091)	(11,513)
Administrative expenses		(66,565)	(62,444)	(92,218)	(42,050)	(44,418)
Research and development expenses		(31,121)	(33,209)	(33,808)	(18,288)	(27,094)
Finance costs	9	(9,412)	(20,711)	(21,533)	(11,366)	(13,751)
(Loss) gain on disposal of subsidiaries		(3,202)	585	–	–	–
Profit before taxation		47,380	48,087	69,559	26,150	50,027
Income tax expense	10	(4,762)	(7,122)	(14,369)	(3,695)	(8,659)
Profit for the year	11	42,618	40,965	55,190	22,455	41,368
Profit attributable to:						
Owners of the Company		42,705	40,965	55,190	22,455	41,368
Non-controlling interests		(87)	–	–	–	–
		42,618	40,965	55,190	22,455	41,368
Earnings per share						
Basic and diluted	12	N/A	N/A	N/A	N/A	N/A

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Profit for the year	42,618	40,965	55,190	22,455	41,368
Other comprehensive income:					
Item that may be subsequently reclassified to profit or loss					
Exchange difference on translation of foreign operations	5,034	196	9,902	5,053	(3,633)
Total comprehensive income for the year	47,652	41,161	65,092	27,508	37,735
Total comprehensive income attributable to:					
Owners of the Company	47,739	41,161	65,092	27,508	37,735
Non-controlling interests	(87)	–	–	–	–
	47,652	41,161	65,092	27,508	37,735

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		The Group				The Company	
		At 31 December			At 30 June	At 31 December	At 30 June
		2011	2012	2013	2014	2013	2014
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets							
Property, plant and equipment	*15*	224,463	247,240	292,544	307,026	–	–
Prepaid lease payments	*16*	34,977	43,962	43,966	43,056	–	–
Deferred taxation	*26*	7,334	4,879	3,974	3,998	–	–
Interest in a subsidiary		–	–	–	–	135,000	135,000
		266,774	296,081	340,484	354,080	135,000	135,000
Current assets							
Inventories	*17*	146,620	166,293	197,743	224,567	–	–
Prepaid lease payments	*16*	556	556	967	967	–	–
Trade and bills receivables	*18*	381,823	385,470	438,614	570,265	–	–
Prepayments, deposits and other receivables	*19*	26,156	38,120	40,224	39,074	–	–
Amounts due from related companies	*20*	979	39	41	40	–	–
Pledged bank deposits	*21*	36,328	56,364	63,983	47,165	–	–
Bank balances and cash	*21*	63,643	124,417	100,777	110,276	–	–
		656,105	771,259	842,349	992,354	–	–
Current liabilities							
Trade and bills payables	*22*	213,878	323,052	450,093	444,922	–	–
Other payables and accruals	*22*	69,910	25,144	38,250	54,474	73	85
Bank borrowings	*24*	278,673	324,061	223,726	343,080	–	–
Amounts due to related companies	*23*	92,419	47,867	516	1,805	–	–
Amount due to a director	*23*	64,129	53,085	1,458	–	–	–
Obligations under finance leases – due within one year	*25*	–	281	294	301	–	–
Income tax payables		8,621	3,935	13,495	9,702	–	–
		727,630	777,425	727,832	854,284	73	85
Net current (liabilities) assets		(71,525)	(6,166)	114,517	138,070	(73)	(85)
Total assets less current liabilities		195,249	289,915	455,001	492,150	134,927	134,915

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

		The Group				**The Company**	
		At 31 December			**At 30 June**	**At 31 December**	**At 30 June**
		2011	**2012**	**2013**	**2014**	**2013**	**2014**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current liabilities							
Obligations under finance leases – due after one year	*25*	–	1,003	709	557	–	–
Deferred taxation	*26*	–	18	–	–	–	–
Government grants	*27*	617	8,386	33,839	33,405	–	–
		617	9,407	34,548	33,962	–	–
		194,632	280,508	420,453	458,188	134,927	134,915
Capital and reserves							
Share capital	*28*	100	100	101	101	1	1
Reserves	*29*	194,532	280,408	420,352	458,087	134,926	134,914
		194,632	280,508	420,453	458,188	134,927	134,915

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 (Note 29(a))	Statutory reserve HK$'000 (Note 29(b))	Translation reserve HK$'000	Merger reserve HK$'000 (Note 29(c))	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2011	44,338	–	2,820	–	9,738	(928)	124,955	180,923	89	181,012
Profit for the year	–	–	–	–	–	–	42,705	42,705	(87)	42,618
Other comprehensive income for the year – exchange difference arising from foreign operations	–	–	–	–	5,034	–	–	5,034	–	5,034
Total comprehensive income for the year	–	–	–	–	5,034	–	42,705	47,739	(87)	47,652
Acquisition of subsidiaries upon group reorganisation *(note 29(c))*	(44,238)	–	–	–	–	–	–	(44,238)	–	(44,238)
Contribution by a shareholder *(note 29(a))*	–	–	10,208	–	–	–	–	10,208	–	10,208
Disposal of a subsidiary	–	–	–	–	–	–	–	–	(2)	(2)
Transfer	–	–	–	23,905	–	–	(23,905)	–	–	–
At 31 December 2011 and 1 January 2012	100	–	13,028	23,905	14,772	(928)	143,755	194,632	–	194,632
Profit for the year	–	–	–	–	–	–	40,965	40,965	–	40,965
Other comprehensive income for the year – exchange difference arising from foreign operations	–	–	–	–	196	–	–	196	–	196
Total comprehensive income for the year	–	–	–	–	196	–	40,965	41,161	–	41,161
Contribution by a shareholder *(note 29(a))*	–	–	44,715	–	–	–	–	44,715	–	44,715
Transfer *(note 29(a) & (b))*	–	–	37,893	4,168	–	–	(42,061)	–	–	–
At 31 December 2012 and 1 January 2013	100	–	95,636	28,073	14,968	(928)	142,659	280,508	–	280,508
Profit for the year	–	–	–	–	–	–	55,190	55,190	–	55,190
Other comprehensive income for the year – exchange difference arising from foreign operations	–	–	–	–	9,902	–	–	9,902	–	9,902
Total comprehensive income for the year	–	–	–	–	9,902	–	55,190	65,092	–	65,092
Contribution by a shareholder *(note 29(a))*	–	–	74,853	–	–	–	–	74,853	–	74,853
Group reorganisation *(note 29(c))*	1	134,999	(170,489)	–	–	35,489	–	–	–	–
Transfer	–	–	–	5,430	–	–	(5,430)	–	–	–
At 31 December 2013	101	134,999	–	33,503	24,870	34,561	192,419	420,453	–	420,453

	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 (Note 29(a))	Statutory reserve HK$'000 (Note 29(b))	Translation reserve HK$'000	Merger reserve HK$'000 (Note 29(c))	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2014	101	134,999	–	33,503	24,870	34,561	192,419	420,453	–	420,453
Profit for the period	–	–	–	–	–	–	41,368	41,368	–	41,368
Other comprehensive income for the period										
– exchange difference arising from foreign operations	–	–	–	–	(3,633)	–	–	(3,633)	–	(3,633)
Total comprehensive income for the period	–	–	–	–	(3,633)	–	41,368	37,735	–	37,735
At 30 June 2014	101	134,999	–	33,503	21,237	34,561	233,787	458,188	–	458,188
At 1 January 2013	100	–	95,636	28,073	14,968	(928)	142,659	280,508	–	280,508
Profit for the period	–	–	–	–	–	–	22,455	22,455	–	22,455
Other comprehensive income for the period										
– exchange difference arising from foreign operations	–	–	–	–	5,053	–	–	5,053	–	5,053
Total comprehensive income for the period	–	–	–	–	5,053	–	22,455	27,508	–	27,508
At 30 June 2013 (unaudited)	100	–	95,636	28,073	20,021	(928)	165,114	308,016	–	308,016

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
OPERATING ACTIVITIES					
Profit before taxation	47,380	48,087	69,559	26,150	50,027
Adjustments for:					
Finance costs	9,412	20,711	21,533	11,366	13,751
Interest Income	(3,008)	(864)	(1,545)	(535)	(860)
Depreciation of property, plant and equipment	18,750	28,723	36,011	11,006	20,543
Reversal of impairment loss recognised in respect of trade and other receivables	(77)	(38)	(190)	(3)	(7)
Government grant	(1,913)	(2,458)	(7,028)	(2,486)	(3,162)
Amortisation of prepaid lease payment	543	554	964	320	485
Loss (gain) on disposal of subsidiary	3,202	(585)	–	–	–
Loss on disposal of property, plant and equipment	5,378	457	132	38	25
Impairment loss recognised in respect of trade and other receivables	208	137	7,320	4,000	409
Allowance on inventories	5,117	5,125	8,198	–	1,438
Operating cashflows before movements in working capital	84,992	99,849	134,954	49,856	82,649
Increase in inventories	(46,637)	(24,923)	(35,554)	(23,201)	(29,951)
Increase in trade, bills and other receivables	(168,204)	(15,757)	(52,262)	(3,252)	(135,387)
Increase in trade, bills and other payables	153,352	71,276	135,202	72,181	14,544
Cash generated from operations	23,503	130,445	182,340	95,584	(68,145)
PRC Enterprise Income Tax ("PRC EIT") paid	(9,913)	(9,345)	(3,883)	(5,835)	(12,448)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	13,590	121,100	178,457	89,749	(80,593)

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
INVESTING ACTIVITIES					
Acquisition of property, plant and equipment	(53,886)	(56,425)	(77,002)	(30,452)	(37,647)
Addition to prepaid land lease payments	(10,139)	(9,326)	–	–	–
Net cash from disposal of subsidiaries	(353)	(122)	–	–	–
Repayment from related companies	–	940	–	–	–
Withdrawal of pledged bank deposits	58,194	–	–	23,824	16,818
Deposits to pledged bank deposits	(22,579)	(20,036)	(7,619)	–	–
Interest received	3,008	864	1,545	535	860
Proceeds from disposal of plant and equipment	507	65	203	150	103
NET CASH USED IN INVESTING ACTIVITIES	(25,248)	(84,040)	(82,873)	(5,943)	(19,866)

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
FINANCING ACTIVITIES					
Repayment of bank loans	(195,853)	(403,290)	(468,216)	(203,783)	(195,399)
New bank borrowings raised	268,498	448,569	355,704	105,346	316,879
Interest paid	(11,893)	(20,711)	(21,533)	(11,366)	(13,751)
Repayment of obligations under finance leases	–	(233)	(281)	(139)	(145)
(Repayment to) advance from related companies	(102,763)	(44,552)	(9,318)	(1,579)	1,289
Advance from (repayment to) a director	27,824	(11,044)	(51,634)	(30,406)	(1,458)
Contribution by a shareholder	10,208	44,715	36,853	–	–
Government grant received	2,515	10,200	31,834	4,371	3,049
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(1,464)	23,654	(126,591)	(137,556)	110,464
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(13,122)	60,714	(31,007)	(53,750)	10,005
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/PERIOD	70,991	63,643	124,417	124,417	100,777
EFFECT ON FOREIGN EXCHANGE RATES CHANGES	5,774	60	7,367	1,919	(506)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD, represented by bank balances and cash	63,643	124,417	100,777	72,586	110,276

NOTES TO THE FINANCIAL INFORMATION

For the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014

1. BASIS OF PRESENTATION OF THE FINANCIAL INFORMATION

The Company was incorporated in the Cayman Islands on 16 August 2013 as an exempted company with limited liability under the Companies Law of the Cayman Islands.

The address of the registered office is Offshore Incorporations (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, the Cayman Islands. The address of the principal place of business of the Company is 6th Floor, Liven House, 63 King Yip Street, Kwun Tong, Kowloon, Hong Kong. The Company is engaged in investment holding while the principal subsidiaries are principally engaged in manufacture and sale of LED lighting products.

Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group on 31 December 2013. The Group has been under the control and beneficially owned by Mr. Yiu Chi To (the "Controlling Shareholder") throughout the Track Record Period or since their respective dates of incorporation or establishment up to 31 December 2013. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the Financial Information of the Group has been prepared on the basis as if the Company had always been the holding company of the companies comprising the Group throughout the Track Record Period, using the principles of merger accounting as set out in note 3 below.

The consolidated statements of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows include the results and cash flows of the companies comprising the Group have been prepared as if the current group structure had been in existence throughout the Track Record Period or since their respective date of incorporation up to 31 December 2013. The consolidated statements of financial position of the Group as at 31 December 2011 and 2012 have been prepared to present the assets and liabilities of the companies comprising the Group as if the current group structure had been in existence as at those dates.

The functional currency of the Company and the subsidiaries incorporated in Hong Kong are HK$ and the subsidiaries established in the PRC are RMB. The Financial Information is presented in HK$, which is the same as the functional currency of the Company.

For the group, the functional currency is RMB, this is because the companies in Hong Kong are investment holding companies and not involved in main operations. The main operations are located in PRC, which use RMB as the functional currency. Thus, the functional currency is RMB for the group.

2. APPLICATION OF HKFRSs

For the purpose of preparing and presenting the Financial Information for the Track Record Period, the Group has consistently adopted the HKFRSs, Hong Kong Accounting Standards (''HKASs''), amendments and the interpretations issued by the HKICPA which are effective for the Group's financial year beginning on 1 January 2014 throughout the Track Record Period.

The Group has not early applied the following new and revised HKFRSs, amendments and interpretations that have been issued but are not yet effective.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle[1]
HKFRS 9	Financial Instruments[2]
HKFRS 14	Regulatory Deferral Accounts[3]
Amendments to HKAS 19	Defined Benefit Plans — Employee Contributions[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
HKFRS 15	Revenue from Contracts with Customers[4]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plant[3]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]

1 Effective for annual periods beginning on or after 1 July 2014, with earlier application is permitted.

2 Effective for annual periods beginning on or after 1 January 2018 with earlier application permitted.

3 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

4 Effective for annual periods beginning on or after 1 January 2017.

Annual Improvements to HKFRSs 2010–2012 Cycle

The Annual Improvements to HKFRSs 2010-2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short- term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors of the Company do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2010-2012 Cycle will have a material effect on the Group's consolidated financial information.

Annual Improvements to HKFRSs 2011-2013 Cycle

The Annual Improvements to HKFRSs 2011-2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The directors of the Company do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2011–2013 Cycle will have a material effect on the Group's consolidated financial information.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for general financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to change in the financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKFRS 9. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 Revenue from Contracts with Customers

In May 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition.

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

HKFRS 15 will be effective for annual periods beginning on or after 1 January 2017. The directors of the Company anticipate no material effect on the Group.

Except as described above, the directors of the Company anticipate that the application of the other new and revised HKFRSs that have been issued but are not yet effective will have no material impact on the Group's financial performance and position and/or disclosures set out in the Financial Information.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Listing Rules and the Hong Kong Companies Ordinance which for the Track Record Period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap.622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 of that Ordinance.

The Financial Information has been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where the Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed during the year/period are included in the consolidated statement of profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

All intra-group assets and liabilities, equity, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Investments in subsidiaries

Investments in subsidiaries are stated on the statement of financial position of the Company at cost less impairment.

Business combinations under common control

Business combinations under common control are accounted for using merger accounting. In applying merger accounting, the Financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the Controlling Shareholder.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of profit or loss includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the Financial Information are presented as if the entities or businesses had been consolidated at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

– deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

– liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 *Share-based payment* at the acquisition date; and

– assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another standard.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services or for administrative purposes other than construction in progress as described below are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than construction in progress, less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and carrying amount of the asset and is recognised in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments, including any lump-sum upfront payments, are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefits costs

Payments to state-managed retirement benefit schemes and Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contribution.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before taxation' as reported in the consolidated statements of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investment in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on the tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and bills receivables, deposits and other receivables, amounts due from related companies, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade and bills receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 to 180 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the financial assets' original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and bills receivables and other receivables, where the carrying amounts are reduced through the use of allowance accounts. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and bills receivables and other receivables are considered uncollectible, it is written off against the respective allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premium or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and bills payables, other payables and accruals, bank borrowings, amounts due to related companies, amount due to a director and obligations under finance leases are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Cash and cash equivalents

Bank balances and cash in the consolidated statements of financial position comprise bank deposits with original maturity of three months or less, cash at banks and on hand. For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of bank balances and cash as defined above.

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generation units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the entity's accounting policies

The followings are the critical judgements, apart from those involving estimations that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial information.

Deferred tax assets

Deferred tax assets are recognised for certain deductible temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits. Further details of which are disclosed in note 26.

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values. The determination of the useful lives and residual values involves management's estimation. The Group assesses annually the residual value and the useful life of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year/period and the estimate will be changed in the future period.

Estimated impairment of property, plant and equipment

The Group determines whether the property, plant and equipment are impaired whenever there is indication of impairment presented. The impairment loss for property, plant and equipment are recognised for the amounts by which the carrying amounts exceed their recoverable amounts, in accordance with the Group's accounting policy. The recoverable amounts of property, plant and equipment have been determined based on value-in-use calculations. These calculations require the use of judgements and estimates such as future revenue and discount rates. As at 31 December 2011, 2012 and 2013 and 30 June 2014, the carrying values of property, plant and equipment were approximately HK$224,463,000, HK$247,240,000, HK$292,544,000 and HK$307,026,000 respectively. No impairment was recognised as at 31 December 2011, 2012 and 2013 and 30 June 2014.

Estimated allowance for inventories

The management of the Group reviews an ageing analysis at the end of the reporting period and makes allowance for obsolete and slow-moving items identified that are no longer suitable for sale or use. The Group makes allowance for inventories based on the assessment of the net realisable value. The management estimates the net realisable value for inventories based primarily on the latest invoice prices and current market conditions. As at 31 December 2011, 2012, 2013 and 30 June 2014 the carrying amounts of inventories were approximately, HK$146,620,000, HK$166,293,000, HK$197,743,000 and HK$224,567,000 respectively, net of accumulated allowances for inventories of approximately HK$15,270,000, HK$6,454,000, HK$9,775,000 and HK$9,950,000 respectively.

Estimated impairment of trade and other receivables

The Group performs ongoing credit evaluations of its customers and adjusts credit limits based on payment history and the customer's current credit-worthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from its customers and maintains a provision for estimated credit losses based upon its historical experience. Credit losses have historically been within the Group's expectations and the Group will continue to monitor the collections from customers and maintain an appropriate level of estimated credit losses. As at 31 December 2011, 2012 and 2013 and 30 June 2014, the carrying amounts of trade and other receivables were approximately HK$248,854,000, HK$274,088,000 and HK$401,125,000 and HK$491,888,000 respectively, net of accumulated allowances of impairment losses of trade and other receivables of approximately HK$2,269,000, HK$2,368,000, HK$9,675,000 and HK$8,352,000 respectively.

Income tax

The Group is subject to income taxes in several jurisdictions. There are certain transactions and calculations for which the ultimate tax determination may be uncertain. The Group recognises liabilities for anticipated tax liabilities based on estimates of whether additional taxes will be due. 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 tax provisions in the period in which such determination is made. As at 31 December 2011 2012 and 2013 and 30 June 2014, the carrying amount of income tax payables were approximately HK$8,621,000, HK$3,935,000, HK$13,495,000 and HK$9,702,000 respectively.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the Track Record Period.

The capital structure of the Group consists of bank borrowings, obligations under finance leases, amounts due to related companies, amount due to a director pledged bank deposits and bank balances and cash, and equity attributable to the owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, issuance of new shares as well as the issue of new debts or the redemption of borrowings.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	At 31 December			At 30 June
	2011	2012	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
The Group				
Financial assets				
Loans and receivables (including bank balances and cash)	490,967	586,217	620,765	746,483
Financial liabilities				
Amortised Cost	706,406	768,038	698,840	822,047
The Company				
Financial liabilities				
Amortised cost			73	85

(b) Financial risk management objectives and policies

The Group's and the Company's major financial instruments include trade and bills receivables, deposits and other receivables, amounts due from related companies, pledged bank deposits, bank balances and cash, trade and bills payables, other payables and accruals, amounts due to related companies, amount due to a director, obligations under finance leases and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

The Group has foreign currency sales and purchases, which expose the Group to foreign currency risk. During the three years ended 31 December 2011, 2012 and 2013 and six months ended 30 June 2014, approximately 17%, 15%, 8% and 7% respectively of the Group's sales and approximately 32%, 30%, 33% and 55% respectively of total cost of sales are denominated in United States dollars ("USD") which is different from the functional currencies of the group entities carrying out the transactions.

Also, certain trade and other receivables, cash and bank balances, trade and other payables and bank borrowings are denominated in RMB, USD, HK$ and other currencies which are currency other than the functional currency of the relevant group entities. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets				Liabilities			
	At 31 December			At 30 June	At 31 December			At 30 June
	2011	2012	2013	2014	2011	2012	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Renminbi ("RMB")	–	61,598	4,215	10,594	–	–	–	–
USD	40,172	59,129	68,279	33,564	35,116	42,377	67,269	84,181
HK$	18,854	9,729	9,586	7,443	5,924	2,915	436	602

The Group currently does not have a foreign currency hedging policy. However, the directors of the Company continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

The Group is mainly exposed to HK$, RMB and USD.

The following table details the Group's sensitivity to a 5% for all periods increase or decrease in the functional currencies of the relevant group entities against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of each reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in post-tax profit where the respective functional currencies strengthen 5% against the relevant currency. For a 5% weakening of the respective functional currencies against the relevant foreign currency, there would be an equal and opposite impact on the profit and other equity and the balances below would be negative. The analysis is performed on the basis for the Track Record Period.

	Year ended 31 December			Six months ended 30 June
	2011	2012	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Impact on profit for the year				
RMB	–	(2,572)	(176)	442
USD	(307)	(628)	138	2,127
HK$	(485)	(256)	(343)	(257)

This is mainly attributable to the exposure on pledged bank deposits, bank balances, outstanding trade, bills and other receivables, trade and bills payables and bank borrowings denominated in foreign currencies at the end of the reporting period respectively.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (see Note 24 for details) and obligations under finance leases (see Note 25 for details) for the Track Record Period. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

The Group is exposed to cash flow interest rate risk in relation to variable-rate, pledged bank deposits and bank balances (note 21) and variable rate bank borrowings (note 24) carried at prevailing market rates for the Track Record Period. However, the exposure in bank balances is minimal to the Group for the Track Record Period as the bank balances are all short-term in nature. It is the Group's policy to keep its borrowings at floating rate of interest so as to minimise the fair value interest rate risk.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of reporting period. The analysis is prepared assuming the amount of liability outstanding at the end of reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used for the Track Record Period when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower for the Track Record Period and all other variables were held constant, the Group's post-tax profit for each of the three years ended 31 December 2011, 2012 and 2013 and six months ended 30 June 2014 would decrease/increase by approximately HK$577,000 and HK$218,000, HK$239,000 and HK$336,000 respectively. This is mainly attributable to the Group's exposure to cash flow interest rate risk on its variable rate bank borrowings.

Credit risk

At the end of each reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit quality of the counterparties in respect of amounts due from related companies and amount due from a subsidiary is assessed by taking into account their financial position, credit history and other factors. The directors of the Company are of the opinion that the risk of default by these counterparties is low.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group has concentration of credit risk as 25%, 12%, 13% and 21% of the total trade receivables at 31 December 2011, 2012 and 2013 and 30 June 2014 was due from the Group's largest customer respectively.

The Group has concentration of credit risk as 60%, 50%, 32% and 57% of the total trade receivables at 31 December 2011, 2012 and 2013 and 30 June 2014 was due from the Group's five largest customer respectively.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 81%, 86%, 82% and 93% of the total trade receivables as at 31 December 2011, 2012 and 2013 and 30 June 2014 respectively.

Liquidity risk

In management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of each reporting period.

	As at 31 December 2011				
	On demand or within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total undiscounted cash flows	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade, bills and other payables	271,185	–	–	271,185	271,185
Bank borrowings	287,413	–	–	287,413	278,673
Amounts due to related companies	92,419	–	–	92,419	92,419
Amount due to a director	64,129	–	–	64,129	64,129
	715,146	–	–	715,146	706,406

	As at 31 December 2012				
	On demand or within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total undiscounted cash flows	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade, bills and other payables	341,741	–	–	341,741	341,741
Bank borrowings	333,813	–	–	333,813	324,061
Obligation under finance leases	330	330	743	1,403	1,284
Amounts due to related companies	47,867	–	–	47,867	47,867
Amount due to a director	53,085	–	–	53,085	53,085
	776,836	330	743	777,909	768,038

	As at 31 December 2013				
	On demand or within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total undiscounted cash flows	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade, bills and other payables	472,137	–	–	472,137	472,137
Bank borrowings	228,409	–	–	228,409	223,726
Obligation under finance leases	330	330	413	1,073	1,003
Amounts due to related companies	516	–	–	516	516
Amount due to a director	1,458	–	–	1,458	1,458
	702,850	330	413	703,593	698,840

	As at 30 June 2014				
	On demand or within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total undiscounted cash flows	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade, bills and other payables	476,304	–	–	476,304	476,304
Bank borrowings	353,846	–	–	353,846	343,080
Obligation under finance leases	330	330	248	908	858
Amounts due to related companies	1,805	–	–	1,805	1,805
	832,285	330	248	832,863	822,047

Bank borrowings with a repayment on demand clause are included in the "on demand or within 1 year" time band in the above maturity analysis. At 31 December 2011, 2012, 2013 and 30 June 2014, the aggregate undiscounted principal amounts of these bank loans amounted to HK$55,779,000, HK$Nil, HK$2,975,000 and HK$15,872,000 respectively. Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank loans will be repaid more than one year but not exceeding five years after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK$57,469,000, HK$Nil, HK$3,204,000 and HK$16,894,000 respectively.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of each reporting period.

The Company

As at 31 December 2013 and 30 June 2014, all financial liabilities of the Company are non-interest bearing and repayable on demand.

(c) Fair value

The directors of the Company consider that the carrying amounts of current financial assets and current financial liabilities recorded at amortised cost using the effective interest rate method in the Financial Information approximate to their fair values due to their immediate or short-term maturities.

The directors of the Company consider that the carrying amounts of the other non-current financial liabilities are recorded at amortised cost using the effective interest rate method in the Financial Information approximate to their fair values.

7. TURNOVER, OTHER INCOME AND OTHER GAINS

Turnover represents the amounts received and receivable for goods sold in the normal course of business, net of discounts and sales related taxes. Analysis of the Group's turnover for the Track Record Period is as follows:

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover					
Sales of goods	746,978	753,655	894,033	417,077	571,875
Other Income and other gains					
Bank interest income	3,008	864	1,545	535	860
Government grant *(note)*	1,913	2,458	7,028	2,486	3,162
Sales of scrapped materials	135	465	935	287	107
Exchange gain from treasury product deposits	–	–	2,892	1,219	–
Reversal of impairment loss on trade and other receivables	77	38	190	3	7
Sundry income	1,139	1,673	1,008	473	420
	6,272	5,498	13,598	5,003	4,556

Note:

Included in the amount of government grants recognised during the each of the year ended 31 December 2011, 2012 and 2013 and each of the six months ended 30 June 2013 and 2014 of approximately HK$1,913,000, HK$2,458,000, HK$7,028,000, HK$2,486,000 and HK$3,162,000 respectively were received in respect of certain research projects and export encourage scheme, the relevant granting criteria for which have been fulfilled and were recognised as other income for the year. For the year ended 31 December 2013 and for the six months period ended 30 June 2014, amount of approximately HK$695,000 and HK$3,148,000 were government grants recognised as deferred income utilised during the year/period respectively (note 27).

8. SEGMENT INFORMATION

Information reported to the Chief Executive Officer of the Group, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. In addition, for both LED Backlight and LED Lighting operations, the information reported to the chief operating decision maker is further broken down into the different type of products and application of products. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

1. LED Backlight — Manufacture and trading of LED backlight in different sizes and applications

2. LED Lighting — Manufacture and trading of LED lighting products for public and commercial use

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segments.

For the year ended 31 December 2011

	LED Backlight	**LED Lighting**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
REVENUE			
External sales	729,774	17,204	746,978
Segment profit (loss)	131,601	(9,532)	122,069
Unallocated income			4,282
Unallocated expenses			(69,559)
Finance costs			(9,412)
Profit before tax			47,380

For the year ended 31 December 2012

	LED Backlight	LED Lighting	Total
	HK$'000	*HK$'000*	*HK$'000*
REVENUE			
External sales	699,817	53,838	753,655
Segment profit	116,816	10,621	127,437
Unallocated income			3,587
Unallocated expenses			(62,226)
Finance costs			(20,711)
Profit before tax			48,087

For the year ended 31 December 2013

	LED Backlight	LED Lighting	Total
	HK$'000	*HK$'000*	*HK$'000*
REVENUE			
External sales	805,162	88,871	894,033
Segment profit	135,523	34,342	169,865
Unallocated income			6,380
Unallocated expenses			(85,153)
Finance costs			(21,533)
Profit before tax			69,559

For the six months ended 30 June 2013 (unaudited)

	LED Backlight	LED Lighting	Total
	HK$'000	*HK$'000*	*HK$'000*
REVENUE			
External sales	383,013	34,064	417,077
Segment profit	65,207	7,841	73,048
Unallocated income			2,517
Unallocated expenses			(38,049)
Finance costs			(11,366)
Profit before tax			26,150

For the six months ended 30 June 2014

	LED Backlight	LED Lighting	Total
	HK$'000	*HK$'000*	*HK$'000*
REVENUE			
External sales	532,588	39,287	571,875
Segment profit	95,022	11,357	106,379
Unallocated income			1,408
Unallocated expenses			(44,009)
Finance costs			(13,751)
Profit before tax			50,027

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents the profit earned by/(loss from) each segment without allocation of central administration costs, directors' emoluments, investment income and finance costs. This is the measure reported to the Chief Executive Officer for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

Segment assets

	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
LED Backlight	738,590	761,926	888,220	991,672
LED Lighting	49,849	81,595	85,614	110,186
Total segment assets	788,439	843,521	973,834	1,101,858
Unallocated assets	134,440	223,819	208,999	244,576
Consolidated total assets	922,879	1,067,340	1,182,833	1,346,434

Segment liabilities

	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
LED Backlight	281,859	335,847	486,686	462,146
LED Lighting	2,546	20,735	35,496	70,528
Total segment liabilities	284,405	356,582	522,182	532,674
Unallocated liabilities	443,842	430,250	240,198	355,572
Consolidated total liabilities	728,247	786,832	762,380	888,246

For the purposes of monitoring segment performance and allocating resources between segments:

– all assets are allocated to operating segments other than deferred tax assets, amounts due from related companies, pledged bank deposits, bank balances and cash and certain unallocated head office assets. Assets used jointly by operating segments are allocated on the basis of the revenues earned by individual reportable segments; and

– all liabilities are allocated to operating segments other than income tax payables, deferred tax liabilities, bank borrowings, obligations under finance leases, amounts due to related companies, and amount due to a director and certain unallocated head office liabilities. Liabilities for which operating segments are jointly liable are allocated in proportion to segment revenue.

For the year ended 31 December 2011

	LED Backlight	**LED Lighting**	**Unallocated**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:				
Additions to non-current assets#	22,117	37,401	–	59,518
Amortisation of prepaid lease payments	–	–	543	543
Depreciation of property, plant and equipment	13,609	357	4,784	18,750
Impairment loss recognised in respect of trade and other receivables	208	–	–	208
Impairment of inventories	5,117	–	–	5,117
Loss on disposal of property, plant and equipment	5,378	–	–	5,378
Loss on disposal of subsidiaries	–	–	3,202	3,202
Reversal of allowance for trade and other receivables	(77)	–	–	(77)
Amounts regularly provided to the chief executive officer but not included in the measure of segment profit or loss or segment assets:				
Interest income	–	–	3,008	3,008
Finance costs	–	–	9,412	9,412
Income tax expenses (credit)	5,920	(1,158)	–	4,762

For the year ended 31 December 2012

	LED Backlight	LED Lighting	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:				
Additions to non-current assets#	23,942	37,553	–	61,495
Amortisation of prepaid lease payments	–	104	450	554
Depreciation of property, plant and equipment	20,892	546	7,285	28,723
Impairment loss recognised in respect of trade and other receivables	137	–	–	137
Impairment of inventories	5,028	97	–	5,125
Loss on disposal of property, plant and equipment	457	–	–	457
Gain on disposal of a subsidiary	–	–	(585)	(585)
Reversal of allowance for trade and other receivables	(38)	–	–	(38)
Amounts regularly provided to the chief executive officer but not included in the measure of segment profit or loss or segment assets:				
Interest income	–	–	864	864
Finance costs	–	–	20,711	20,711
Income tax expenses	6,629	493	–	7,122

For the year ended 31 December 2013

	LED Backlight HK$'000	LED Lighting HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:				
Additions to non-current assets#	60,681	12,693	–	73,374
Amortisation of prepaid lease payments	–	400	564	964
Depreciation of property, plant and equipment	28,690	685	6,636	36,011
Impairment loss recognised in respect of trade and other receivables	3,510	3,684	126	7,320
Impairment of inventories	6,470	1,728	–	8,198
Loss on disposal of property, plant and equipment	132	–	–	132
Reversal of allowance for trade and other receivables	(190)	–	–	(190)
Amounts regularly provided to the chief executive officer but not included in the measure of segment profit or loss or segment assets:				
Interest income	–	–	1,545	1,545
Finance costs	–	–	21,533	21,533
Income tax expenses	11,233	3,136	–	14,369

Non-current assets excluded deferred tax assets.

For the six months ended 30 June 2013 (unaudited)

	LED Backlight *HK$'000*	LED Lighting *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:				
Additions to non-current assets #	32,003	5,359	–	37,362
Amortisation of prepaid lease payments	–	38	282	320
Depreciation of property, plant and equipment	10,797	209	–	11,006
Impairment loss recognised in respect of trade and other receivables	1,500	2,500	–	4,000
Loss on disposal of property, plant and equipment	37	1	–	38
Amounts regularly provided to the chief executive officer but not included in the measure of segment profit or loss or segment assets:				
Interest income	–	–	535	535
Finance costs	–	–	11,366	11,366
Income tax expenses	3,695	–	–	3,695

Non-current assets excluded deferred tax assets.

For the six months ended 30 June 2014

	LED Backlight	LED Lighting	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:				
Additions to non-current assets #	24,108	13,804	–	37,912
Amortisation of prepaid lease payments	–	201	284	485
Depreciation of property, plant and equipment	20,153	390	–	20,543
Impairment loss recognised in respect of trade and other receivables	409	–	–	409
Allowance for inventories	1,411	27	–	1,438
Loss on disposal of property, plant and equipment	25	–	–	25
Reversal of allowance for trade and other receivables	(7)	–	–	(7)
Amounts regularly provided to the chief executive officer but not included in the measure of segment profit or loss or segment assets:				
Interest income	–	–	860	860
Finance costs	–	–	13,751	13,751
Income tax expenses	7,746	913	–	8,659

Non-current assets excluded deferred tax assets.

Revenue from major products

The following are analyses of the Group's revenue from continuing operations from its major products by:

Analysis by type of products	**For the year ended 31 December**			**For the six months ended 30 June**	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
LED Backlight Products					
–Small dimension	668,586	625,849	670,905	324,167	451,595
–Medium dimension	19,837	11,262	29,055	8,336	19,822
–Large dimension	41,351	62,706	105,202	50,510	61,171
Sub total	729,774	699,817	805,162	383,013	532,588
LED Lighting Products					
–Indoor lighting	7,907	43,611	52,693	27,170	27,309
–Outdoor lighting	9,297	10,227	36,178	6,894	11,978
Sub total	17,204	53,838	88,871	34,064	39,287
Total	746,978	753,655	894,033	417,077	571,875

Analysis by type of products	For the year ended 31 December			For the six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
LED Backlight					
–Smartphone	435,021	407,484	452,351	218,637	328,304
–Automobile displays	22,128	40,898	54,512	24,601	59,365
–Equipment displays	231,274	188,729	193,052	89,099	83,748
–Televisions	41,351	62,706	105,247	50,676	61,171
Sub total	729,774	699,817	805,162	383,013	532,588
LED Lighting					
–Public lighting	2,508	21,757	63,265	17,144	18,247
–Commercial lighting	14,696	32,081	25,606	16,920	21,040
Sub total	17,204	53,838	88,871	34,064	39,287
Total	746,978	753,655	894,033	417,077	571,875

Geographical information

The Group's operations are located in Hong Kong and the PRC (country of domicile). The Group's customers are mainly located in Hong Kong and the PRC.

An analysis of the Group's revenue from external customers is presented based on the location of customers as below:

	Revenue from external customers				
	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
PRC	577,024	608,670	744,875	373,519	487,097
Hong Kong	143,279	110,519	121,348	40,331	81,739
Other	26,675	34,466	27,810	3,227	3,039
	746,978	753,655	894,033	417,077	571,875

The Group's information about its non-current assets is presented based on the location of the assets as below:

	Non-current assets			
	At 31 December			At 30 June
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	226	1,739	1,300	903
The PRC	259,214	289,463	335,210	349,179
	259,440	291,202	336,510	350,082

Non-current assets excluded deferred tax assets.

Information about major customers

Details of the customers accounting for 10% or more of aggregate revenue of the Group during the Track Record Period and the six months ended 30 June 2013 are as follows:

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Customer A**	265,013	195,319	180,465	65,829	97,896
Customer B**	97,568	N/A*	114,819	57,354	N/A*
Customer C**	N/A*	90,600	N/A*	N/A*	70,178

* The corresponding revenue does not contribute over 10% of the total revenue of the Group in the respective year.

** Revenue from LED Backlight.

9. FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Interest expenses on:					
– bank borrowings wholly repayable within five years	11,893	20,697	21,484	11,340	13,731
– finance lease	–	14	49	26	20
Total borrowing costs	11,893	20,711	21,533	11,366	13,751
Less: amounts capitalised	(2,481)	–	–	–	–
	9,412	20,711	21,533	11,366	13,751

10. INCOME TAX EXPENSE

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Current income tax					
– Hong Kong Profits Tax	–	550	–	–	–
– PRC Enterprise Income Tax	8,347	4,109	13,346	3,695	8,721
Deferred taxation *(Note 26)*	(3,585)	2,463	1,023	–	(62)
Total income tax expenses for the year/period	4,762	7,122	14,369	3,695	8,659

i) Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the Track Record Period and the six months ended 30 June 2013.

ii) Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC companies is 25% for the Track Record Period and the six months ended 30 June 2013.

iii) Pursuant to the relevant laws and regulation in the PRC, the Group's subsidiary, Shenzhen Wai Chi, was accredited as a high-tech enterprise. The accreditation is valid for the Track Record Period and the six months ended 30 June 2013. It is entitled to the preferential tax rate of 15% for the Track Record Period and the six months ended 30 June 2013.

The income tax expense for the year can be reconciled to the profit before taxation per the consolidated statements of comprehensive income as follows:

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Profit before taxation	47,380	48,087	69,559	26,150	50,027
Tax at domestic income tax rate of 25%	11,845	12,022	17,390	6,538	12,507
Effect of preferential tax rate in the PRC	(6,175)	(4,678)	(6,049)	(3,358)	(5,007)
Effect of different tax rate of subsidiaries operating in other jurisdictions	78	(359)	936	351	635
Tax effect of expense not deductible for tax purposes	1,206	1,119	1,415	1,064	1,051
Tax effect of income not taxable for tax purposes	(68)	(8)	(54)	–	(36)
Additional tax deduction for research and development	(1,205)	(1,968)	(2,877)	(2,074)	(1,842)
Tax effect of tax losses not recognised	707	1,139	3,608	1,174	1,351
Utilisation of tax losses previously not recognised	(1,626)	(145)	–	–	–
Income tax expense for the year	4,762	7,122	14,369	3,695	8,659

Details of the deferred taxation are set out in Note 26.

11. PROFIT FOR THE YEAR

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Profit for the year has been arrived at after charging (crediting):					
Salaries and allowances (excluding directors' emoluments)	146,204	131,866	140,563	72,397	92,497
Retirement benefit scheme contributions (excluding directors)	5,069	8,498	8,967	4,354	5,908
Total staff costs	151,273	140,364	149,530	76,751	98,405
Cost of inventories sold	576,187	570,624	660,508	313,135	428,190
Impairment of inventories (included in cost of sales)	5,117	5,125	8,198	–	1,438
Loss on disposal of property, plant and equipment	5,378	457	132	38	25
Impairment loss recognised in respect of trade and other receivables	208	137	7,320	4,000	409
Reversal of impairment loss recognised in respect of trade and other receivables	(77)	(38)	(190)	(3)	(7)
Depreciation of property, plant and equipment	18,750	28,723	36,011	11,006	20,543
Amortisation of prepaid lease payments	543	554	964	320	485
Operating lease payment on premises	6,099	7,084	6,584	2,274	3,506
Auditor's remuneration	566	994	674	592	192

12. EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the basis of presentation of the results of the Track Record Period and the six months ended 30 June 2013 as disclosed in Note 1.

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive's emoluments

The details of emoluments paid and payable to the directors and the chief executive of the Group for the Track Record Period and the six months ended 30 June 2013 are as follows:

	Year ended 31 December 2011			
	Fees	Salaries and other allowances	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:				
Mr. Yiu Chi To	–	1,295	7	1,302
Ms.Yiu Kwan Yu	–	194	7	201
Mr. Chen Wei Wu	–	373	7	380
Ms. Yong Jian Hui	–	141	8	149
	–	2,003	29	2,032

	Year ended 31 December 2012			
	Fees	Salaries and other allowances	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:				
Mr. Yiu Chi To	–	1,820	14	1,834
Mr. Chen Chung Po	–	200	10	210
Ms. Yiu Kwan Yu	–	356	14	370
Mr. Chen Wei Wu	–	396	8	404
Ms. Yong Jian Hui	–	150	8	158
	–	2,922	54	2,976

	Year ended 31 December 2013			
	Fees	Salaries and other allowances	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:				
Mr. Yiu Chi To	–	1,734	15	1,749
Mr. Chen Chung Po	–	391	15	406
Ms. Yiu Kwan Yu	–	325	15	340
Mr. Chen Wei Wu	–	300	8	308
Ms. Yong Jian Hui	–	167	9	176
	–	2,917	62	2,979

	Six months ended 30 June 2013 (unaudited)			
	Fees	Salaries and other allowances	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:				
Mr. Yiu Chi To	–	867	8	875
Mr. Chen Chung Po	–	225	8	233
Ms. Yiu Kwan Yu	–	108	8	116
Mr. Chen Wei Wu	–	156	4	160
Ms. Yong Jian Hui	–	83	4	87
	–	1,439	32	1,471

	Six months ended 30 June 2014			
	Fees	Salaries and other allowances	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:				
Mr. Yiu Chi To	–	1,077	8	1,085
Mr. Chen Chung Po	–	440	8	448
Ms. Yiu Kwan Yu	–	275	8	283
Mr. Chen Wei Wu	–	111	4	115
Ms. Yong Jian Hui	–	83	5	88
	–	1,986	33	2,019

None of the directors waived or agreed to waive any emoluments during the Track Record Period and the six months ended 30 June 2013.

Mr. Chen Chung Po is also the chief executive officer of the Company and the emoluments disclosed above include those for services rendered by him as the chief executive officer.

There were no performance incentive payments to the directors and chief executive during the Track Record Period and the six months period ended 30 June 2013.

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, four were directors or chief executive of the Company for the year ended 31 December 2011, 2012 and 2013, and three were directors or chief executive of the Company for the six months ended 30 June 2013 and 2014. The emoluments of these directors are included in the disclosures in Note 13(a) above. The emoluments of the remaining one individual for the year ended 31 December 2011, 2012 and 2013 and two individuals for the six months ended 30 June 2013 and 2014 were as follows:

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK'000*	*HK'000*
				(unaudited)	
Salaries and other allowances	240	265	363	352	286
Retirement benefit scheme contributions	4	4	8	6	4
	244	269	371	358	290

There were no performance related incentive payments during the Track Record Period and the six months ended 30 June 2013.

Their emoluments were within the following bands:

	Number of individuals				
	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
				(unaudited)	
Not more than HK$1,000,000	1	1	1	2	2

During the Track Record Period and the six months ended 30 June 2013, no emoluments were paid or payable by the Group to the directors, chief executive or the five highest paid individuals as inducements to join or upon joining the Group or as a compensation for loss of office.

14. DIVIDEND

No dividends have been paid or declared by the Group during the Track Record Period and the six months ended 30 June 2013 and the Company since its incorporation.

15. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery HK$'000	Motor vehicles HK$'000	Office equipment HK$'000	Leasehold improvements HK$'000	Buildings HK$'000	Construction in progress HK$'000	Total HK$'000
COST							
At 1 January 2011	91,643	2,082	8,078	3,468	–	119,113	224,384
Additions	37,232	511	3,778	936	–	6,922	49,379
Disposals	(8,252)	–	(151)	–	–	–	(8,403)
Eliminated on disposal of subsidiaries	–	(163)	(670)	–	–	–	(833)
Transfer	–	–	–	–	129,019	(129,019)	–
Exchange realignment	5,236	112	471	188	3,072	3,004	12,083
At 31 December 2011 and 1 January 2012	125,859	2,542	11,506	4,592	132,091	20	276,610
Additions	40,213	1,823	349	4,519	–	5,265	52,169
Disposals	(636)	(239)	(25)	–	–	–	(900)
Eliminated on disposal of a subsidiary	–	(154)	(168)	–	–	–	(322)
Exchange realignment	117	(1)	(1)	13	(24)	18	122
At 31 December 2012 and 1 January 2013	165,553	3,971	11,661	9,124	132,067	5,303	327,679
Additions	57,074	766	2,097	4,737	–	8,700	73,374
Disposals	(868)	(520)	(212)	–	–	–	(1,600)
Exchange realignment	6,052	80	394	337	4,136	307	11,306
At 31 December 2013 and 1 January 2014	227,811	4,297	13,940	14,198	136,203	14,310	410,759
Additions	32,997	618	1,430	1,977	–	890	37,912
Transfer	–	–	–	721	–	(721)	–
Disposals	(135)	–	(41)	–	–	–	(176)
Exchange realignment	(2,141)	(26)	(131)	(127)	(1,290)	(142)	(3,857)
At 30 June 2014	258,532	4,889	15,198	16,769	134,913	14,337	444,638

	Plant and machinery HK$'000	Motor vehicles HK$'000	Office equipment HK$'000	Leasehold improvements HK$'000	Buildings HK$'000	Construction in progress HK$'000	Total HK$'000
ACCUMULATED DEPRECIATION							
At 1 January 2011	26,897	444	4,021	2,642	–	–	34,004
Provided for the year	15,109	384	1,453	798	1,006	–	18,750
Eliminated on disposals	(2,418)	–	(100)	–	–	–	(2,518)
Eliminated on disposal of subsidiaries	–	(28)	(130)	–	–	–	(158)
Exchange realignment	1,635	31	230	149	24	–	2,069
At 31 December 2011 and 1 January 2012	41,223	831	5,474	3,589	1,030	–	52,147
Provided for the year	21,349	775	1,485	1,988	3,126	–	28,723
Eliminated on disposals	(137)	(219)	(22)	–	–	–	(378)
Eliminated on disposal of a subsidiary	–	(54)	(88)	–	–	–	(142)
Exchange realignment	68	–	4	6	11	–	89
At 31 December 2012 and 1 January 2013	62,503	1,333	6,853	5,583	4,167	–	80,439
Provided for the year	29,437	932	1,587	1,010	3,045	–	36,011
Eliminated on disposals	(601)	(471)	(193)	–	–	–	(1,265)
Exchange realignment	2,400	30	236	186	178	–	3,030
At 31 December 2013 and 1 January 2014	93,739	1,824	8,483	6,779	7,390	–	118,215
Provided for the year	17,203	492	844	473	1,531	–	20,543
Eliminated on disposals	(13)	–	(35)	–	–	–	(48)
Exchange realignment	(878)	(9)	(80)	(62)	(69)	–	(1,098)
At 30 June 2014	110,051	2,307	9,212	7,190	8,852	–	137,612

	Plant and machinery *HK$'000*	Motor vehicles *HK$'000*	Office equipment *HK$'000*	Leasehold improvements *HK$'000*	Buildings *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
CARRYING VALUES							
At 31 December 2011	84,636	1,711	6,032	1,003	131,061	20	224,463
At 31 December 2012	103,050	2,638	4,808	3,541	127,900	5,303	247,240
At 31 December 2013	134,072	2,473	5,457	7,419	128,813	14,310	292,544
At 30 June 2014	148,481	2,582	5,986	9,579	126,061	14,337	307,026

i) The above items of plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Plant and machinery	10% to 25%
Motor vehicles	10% to 33%
Office equipment	10% to 20%
Leasehold improvements	5% to 25%
Buildings	Over the shorter of term of the lease or 2.5%

ii) As at 31 December 2011, 2012, 2013 and 30 June 2014, buildings with carrying amounts of approximately HK$131,061,000, HK$127,900,000, HK$128,813,000 and HK$126,061,000 have been pledged to secure banking facilities granted to the Group respectively.

16. PREPAID LEASE PAYMENTS

	At 31 December			At 30 June
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Prepaid lease payments comprises of leasehold land held in the PRC under medium-term lease and are analysed for reporting purposes as follows:				
Current asset	556	556	967	967
Non-current asset	34,977	43,962	43,966	43,056
	35,533	44,518	44,933	44,023

As at 31 December 2011, 2012, 2013 and 30 June 2014, leasehold land with carrying amounts of approximately HK$25,665,000, HK$25,105,000, HK$25,318,000 and HK$24,794,000 have been pledged to secure banking facilities granted to the Group respectively.

17. INVENTORIES

	At 31 December			At 30 June
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Raw materials	31,375	38,095	49,993	37,905
Work-in-progress	53,701	50,103	66,586	76,740
Finished goods	61,544	78,095	81,164	109,922
	146,620	166,293	197,743	224,567

18. TRADE AND BILLS RECEIVABLES

	At 31 December			At 30 June
	2011	2012	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	242,891	256,401	393,196	481,251
Less: Impairment	(2,231)	(2,240)	(9,421)	(8,100)
	240,660	254,161	383,775	473,151
Bills receivables	141,163	131,309	54,839	97,114
	381,823	385,470	438,614	570,265

The Group generally allows an average credit period of 30 to 180 days to its trade customers. The Group does not hold any collateral over these balances.

As at 31 December 2011, 31 December 2012, 31 December 2013 and 30 June 2014, trade receivables with carrying amounts of approximately HK$79,664,000, HK$115,485,000, HK$63,505,000 and HK$62,992,000 have been pledged to secure banking facilities granted to the Group respectively.

As at 31 December 2011, 31 December 2012, 31 December 2013 and 30 June 2014, bills receivables with carrying amount of approximately HK$44,103,000, HK$9,188,000, HK$4,870,000 and Nil has been pledged to secure banking facilities granted to the Group respectively.

The following is an aged analysis of trade receivables net of accumulated impairment losses presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates.

	At 31 December			At 30 June
	2011	2012	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 to 90 days	229,847	230,403	330,337	441,274
91 to 180 days	7,407	8,037	22,919	30,751
181 to 365 days	1,996	13,903	11,936	841
Over 365 days	1,410	1,818	18,583	285
	240,660	254,161	383,775	473,151

All the bills receivables are aged within 120 days.

The movements of impairment of trade receivables are as follows:

	At 31 December			At 30 June
	2011	2012	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Balance at the beginning of the year	2,023	2,231	2,240	9,421
Impairment losses recognised on receivables	183	47	7,194	409
Impairment losses reversed	(77)	(38)	(190)	(7)
Written off	–	–	–	(1,650)
Exchange realignment	102	–	177	(73)
Balance at the end of the year	2,231	2,240	9,421	8,100

The Group has individually assessed all receivables and provided in full for all receivables that are considered not recoverable. Impairment losses of approximately HK$183,000, HK$47,000, HK$7,194,000 and HK$409,000 were recognised during each of the three years ended 31 December 2011, 2012 and 2013 and six months ended 30 June 2014 respectively.

At 31 December 2011, 31 December 2012, 31 December 2013 and 30 June 2014, the analysis of trade receivables that was neither past due nor impaired and past due but not impaired are as follows:

		Neither past	Past due but not impaired			
	Total	due nor impaired	Less than 30 days	31 to 60 days	61 to 90 days	Over 90 days
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2011	240,660	211,058	14,761	5,716	5,053	4,072
At 31 December 2012	254,161	210,295	14,548	8,243	6,394	14,681
At 31 December 2013	383,775	278,585	65,824	3,037	3,686	32,643
At 30 June 2014	473,151	424,754	29,782	4,608	6,456	7,551

In determining the recoverability of a trade receivable, the Group considers any change in credit quality of the trade receivable from the date credit was initially granted up to the reporting date. In view of the good settlement history from those receivables of the Group which are past due but not impaired for the Track Record Period, the directors of the Company consider that no allowance is necessary in respect of these balances.

19. PREPAYMENT, DEPOSITS AND OTHER RECEIVABLES

	At 31 December			At 30 June
	2011	2012	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deposits and other receivables	8,232	20,055	17,604	18,989
Less: Impairment	(38)	(128)	(254)	(252)
	8,194	19,927	17,350	18,737
VAT receivables	11,023	8,683	10,121	5,784
Prepayment	6,939	9,510	12,753	14,553
	26,156	38,120	40,224	39,074

The movements of impairment of other receivables are as follows:

	At 31 December			At 30 June
	2011	2012	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Balance at beginning of the year	12	38	128	254
Impairment losses recognised on receivables	25	90	126	–
Exchange realignment	1	–	–	(2)
Balance at end of the year	38	128	254	252

The Group has individually assessed all other receivables and provided in full for those receivables that are considered not recoverable. The Group does not hold any collateral over these balances.

20. AMOUNTS DUE FROM RELATED COMPANIES

Details of the amounts due from related companies disclosed pursuant to section 161B of the Companies Ordinance is as follows:

					Maximum amount outstanding			
	At 31 December			At 30 June	During the year ended 31 December			During the six months ended 30 June
	2011	2012	2013	2014	2011	2012	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
湖北偉志環保發展有限公司	762	39	41	40	4,317	762	41	41
中圖節能科技(常州)有限公司	217	–	–	–	217	217	–	–
	979	39	41	40				

Mr. Yiu Chi To, the Controlling Shareholder, has direct or indirect interests in all of the above companies. The amounts are unsecured, non-interest bearing and repayable on demand.

The amounts due from related companies mainly represented fund advanced to related companies for daily operations.

The amounts have been fully settled in September 2014.

21. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

The bank balances and cash comprised of cash held by the Group and short-term bank deposits with an original maturity of three months or less. The bank balances at 31 December 2011, 31 December 2012, 31 December 2013 and six months ended 30 June 2014 carried interest at the prevailing market rate ranging from 0.001% to 0.5%, 0.001% to 0.36%, 0.001% to 0.35% and 0.001% to 0.35%, respectively. The pledged deposits carried fixed interest rate of 0.50%, 0.35%, 0.35% and 0.35% per annum at 31 December 2011, 2012 and 2013 and 30 June 2014 respectively.

Pledged bank deposits represented deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to approximately HK$36,328,000, HK$56,364,000, HK$63,983,000 and HK$47,165,000 as at 31 December 2011, 31 December 2012, 31 December 2013 and 30 June 2014, respectively had been pledged to secure bank loans and bills falling due within one year and are therefore classified as current assets.

The Group's bank balances and cash denominated in RMB amounted to approximately HK$42,685,000, HK$90,712,000, HK$93,697,000 and HK$110,029,000 at 31 December 2011, 31 December 2012, 31 December 2013 and 30 June 2014, respectively. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations.

22. TRADE, BILLS AND OTHER PAYABLES

The Group

	At 31 December			At 30 June
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables *(Note (i))*	174,565	193,688	186,547	254,505
Bills payables *(Note (i))*	39,313	129,364	263,546	190,417
	213,878	323,052	450,093	444,922
Receipt in advance *(Note (ii))*	2,381	2,911	4,723	2,443
Construction cost payable	10,839	5,066	1,563	1,814
Other payables	35,526	2,612	5,157	6,467
Accrued expenses	13,641	11,374	15,671	23,845
Value added tax payables	7,523	3,181	11,136	19,905
	69,910	25,144	38,250	54,474
	283,788	348,196	488,343	499,396

Notes:

i) An aged analysis of trade payables presented based on the invoice date at the end of the reporting period is as follows:

	At 31 December			At 30 June
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 to 90 days	127,204	141,914	166,607	190,337
91 to 180 days	39,580	43,694	14,062	57,374
181 to 365 days	6,718	5,779	3,718	4,936
Over 365 days	1,063	2,301	2,160	1,858
	174,565	193,688	186,547	254,505

The average credit period on purchase of goods is from 30 days to 90 days. The Group has financial risk management policies or plans for its payables with respect to the credit timeframe.

The bills payables aged within 180 days.

ii) Receipt in advance represented advance payments from customers pursuant to the respective sales and purchase contracts.

The Company

The balance of the company at 31 December 2013 and 30 June 2014 represent other payables.

23. AMOUNTS DUE TO RELATED COMPANIES/A DIRECTOR

Mr. Yiu Chi To, the Controlling Shareholder, has direct or indirect interests in each of the related companies. The amounts are unsecured, non-interest bearing and repayable on demand.

Amount due to a director has been fully settled in April 2014. Amounts due to related companies have been fully settled in September 2014.

24. BANK BORROWINGS

	At 31 December			At 30 June
	2011	2012	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Secured:				
Trust receipts loans *(Note i)*	–	9,661	8,691	38,184
Other bank loans *(Note ii)*	163,032	234,237	123,078	161,778
	163,032	243,898	131,769	199,962
Unsecured:				
Other bank loans *(Note iii)*	115,641	80,163	91,957	143,118
	278,673	324,061	223,726	343,080
Bank borrowings repayable:				
On demand or within one year	235,229	324,061	221,451	331,708
More than one year but not exceeding two years	12,335	–	700	4,500
More than two years but not exceeding five years	31,109	–	1,575	6,872
	278,673	324,061	223,726	343,080
Less: Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	(43,444)	–	(2,275)	(11,372)
Less: Amounts due within one year shown under current liabilities	(235,229)	(324,061)	(221,451)	(331,708)
Amount shown under non-current liabilities	–	–	–	–

Notes:

i) As at 31 December 2012, 31 December 2013 and 30 June 2014, trust receipts loan with carrying amounts of approximately HK$9,661,000, HK$8,691,000 and HK$38,184,000 respectively were carried fixed rate of interest of 3.25%, 3.25% and range from 2.98% to 3.25% per annum respectively and due within 3 months.

ii) As at 31 December 2011, other bank loans with carrying amounts of approximately HK$8,573,000 bore interest at floating rates of interest and due within 1 year. The floating rate borrowings carried interest at London Interbank Borrowing Rate ("LIBOR") plus 260 basis point during the year ended 31 December 2011.

As at 31 December 2011, other bank loans with carrying amount of approximately HK$55,779,000 bore interest at floating rate and due within 5 years after the date of last tranche of drawdown. The floating rate borrowing carried interest at 105% of the rate offered by the Peoples Bank of China ("PBOC" per annum) during the year ended 31 December 2011. The facilities were secured by the building and prepaid lease payments as disclosed in note 15 and note 16 respectively. The facilities contain a repayment on demand clause. The loan was early settled during the year ended 31 December 2012.

As at 31 December 2011, 31 December 2012, 31 December 2013 and 30 June 2014, other bank loans with carrying amounts of approximately HK$74,010,000, HK$141,690,000, HK$55,519,000 and HK$52,913,000, respectively bore interest at floating rates and due within 1 year. The floating rate borrowings carried interest at 120% to 131%, 110% to 120%, 105% to 130% and 115% to 120% of the rate stipulated by the PBOC per annum as at 31 December 2011, 31 December 2012, 31 December 2013 and 30 June 2014, respectively.

As at 31 December 2011, 31 December 2012, 31 December 2013 and 30 June 2014, other bank loans with carrying amounts of approximately HK$24,670,000, HK$92,547,000, HK$34,584,000 and HK$62,992,000 respectively bore interest at fixed rates and due within 1 year. The fixed rate borrowings carried interest at 7.93% per annum, ranging from 5.68% to 6.89%, 5.6% to 6.72% and 7.2% to 8.5% per annum during the years ended 31 December 2011, 31 December 2012, 31 December 2013 and the six months ended 30 June 2014, respectively.

As at 31 December 2013 and 30 June 2014, revolving loan with carrying amounts of HK$30,000,000 and HK$30,000,000 respectively bore interest at floating rate and due within 1 year. The floating rate borrowings carried interest at the Hong Kong dollar best lending rate ("HKD BLR") plus 0.5% per annum.

As at 31 December 2013 and 30 June 2014, machinery loans with principal amount of HK$3,500,000 and HK$17,100,000 respectively carried floating-rate ranging from 1 month Hong Kong Interbank Offered Rate ('HIBOR")/LIBOR plus 3.25% per annum, repayable ranging from 36 to 60 instalments commenced from the day of drawn down. The machinery loans are fully repayable by May 2017 to May 2019. As at 31 December 2013 and 30 June 2014, principal amounts of HK$2,975,000 and HK$15,873,000 is remained unsettled respectively. The facilities contained a repayment on demand clause.

iii) As at 31 December 2011, 31 December 2012, 31 December 2013 and 30 June 2014, other bank loans with carrying amounts of approximately HK$115,641,000, HK$80,163,000, HK$91,957,000, and HK$143,118,000 respectively bore interest at floating rate and due within 1 year. The floating rate borrowings carried interest at 130%, 105% to 120%, 110% to 135% and 110% to 135% of the rate offered by PBOC per annum respectively as at 31 December 2011, 31 December 2012 and 31 December 2013 and 30 June 2014.

The Group's bank borrowings at the end of each reporting period were guaranteed by the followings:

(a) As at 31 December 2012, 31 December 2013 and 30 June 2014, the trust receipts loans were guaranteed by Mr. Yiu Chi To, the Controlling Shareholder.

(b) As at 31 December 2011, 31 December 2012, 31 December 2013 and 30 June 2014, other bank loans with carrying amounts of approximately HK$252,214,000, HK$240,488,000 and HK$206,962,000, HK$214,187,000, respectively were guaranteed by Mr. Yiu Chi To, the Controlling Shareholder.

(c) As at 31 December 2011, 31 December 2012, 31 December 2013 and 30 June 2014, certain banking facilities of the Group were secured by a property held by Maxtone Electronics Limited ("Maxtone"), a related company which Mr. Yiu Chi To, the Controlling Shareholder has beneficial interest.

(d) As at 31 December 2011, 31 December 2012, 31 December 2013 and 30 June 2014, certain banking facilities of the Group were secured by the Group's pledged bank deposits as set out in note 21 and the Group's buildings as set out in note 15.

25. OBLIGATIONS UNDER FINANCE LEASES

It is the Group's policy to lease certain of its motor vehicles under finance leases. The average lease term of these leases is five years throughout the Track Record Period.

At the end of each reporting period, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments				Present value of minimum lease payments			
	At 31 December			At 30 June	At 31 December			At 30 June
	2011	2012	2013	2014	2011	2012	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts payable under finance leases:								
Within one year	–	330	330	330	–	281	294	301
More than one year but not exceeding two years	–	330	330	330	–	294	281	557
More than two years, but not exceeding five years	–	743	413	248	–	709	428	–
	–	1,403	1,073	908	–	1,284	1,003	858
Less: Future finance charges	–	(119)	(70)	(50)	–	N/A	N/A	N/A
Present value of lease obligations	–	1,284	1,003	858	–	1,284	1,003	858
Less: Amounts due within one year shown under current liabilities					–	(281)	(294)	(301)
Amounts due after one year					–	1,003	709	557

All obligations under finance leases of the Group bore fixed interest rates. The underlying interest rates of these obligations under finance leases were 1.75% per annum during both year ended 31 December 2012 and 31 December 2013 and six months ended 30 June 2014. The Group's obligation under finance leases were secured by the lessor's charge over the leased assets. These leases had purchase options. During the Track Record Period, the Company's obligations under a finance lease was guaranteed by Mr. Yiu Chi To and Maxtone.

26. DEFERRED TAXATION

The following is the analysis of the deferred tax balances for financial reporting purposes:

	At 31 December			At 30 June
	2011	2012	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deferred tax assets	7,334	4,879	3,974	3,998
Deferred tax liabilities	–	(18)	–	–
	7,334	4,861	3,974	3,998

The movements in deferred tax assets (liabilities) of the Group during the Track Record Period are as follows:

	Difference between depreciation allowance and related depreciation	Impairment and allowances	Tax losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2011	–	3,490	–	3,490
Credited to consolidated statement of comprehensive income during the year *(Note 10)*	–	1,135	2,450	3,585
Exchange realignment	–	200	59	259
At 31 December 2011	–	4,825	2,509	7,334
Charged to consolidated statement of comprehensive income during the year *(Note 10)*	(18)	(1,350)	(1,095)	(2,463)
Exchange realignment	–	(6)	(4)	(10)
At 31 December 2012	(18)	3,469	1,410	4,861
Credited (charged) to consolidated statement of comprehensive income during the year *(Note 10)*	40	369	(1,432)	(1,023)
Exchange realignment	–	114	22	136
At 31 December 2013	22	3,952	–	3,974

	Difference between depreciation allowance and related depreciation	Impairment and allowances	Tax losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Credited (charged) to consolidated statement of comprehensive income during the year *(Note 10)*	(14)	76	–	62
Exchange realignment	–	(38)	–	(38)
At 30 June 2014	8	3,990	–	3,998

At 31 December 2011, 2012 and 2013 and 30 June 2014, certain subsidiaries of the Group had aggregate tax losses of approximately HK$17,261,000, HK$16,564,000, HK$26,667,000 and HK$31,842,000 available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses of approximately HK$7,227,000, HK$10,927,000, HK$26,667,000 and HK$31,842,000 respectively due to the unpredictability of future income stream of these subsidiaries. At 31 December 2011, 2012 and 2013 and 30 June 2014, tax losses of approximately of HK$16,388,000, HK$16,564,000, HK$24,126,000 and HK$27,509,000 will be expired within 5 years. Other than the tax losses, there is no other significant unrecognised temporary difference.

Under the EIT Law of PRC, withholding tax is imposed on dividends in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards (the "Post-2008 Earnings"). As at 31 December 2011, 2012 and 2013 and 30 June 2014, deferred taxation has not been provided for in the consolidated financial statements in respect of temporary difference attributable to the "Post-2008 Earnings" amounting to approximately HK$165 million, HK$166 million, HK$231 million and HK$274 million respectively as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

27. GOVERNMENT GRANTS

	HK$'000
At 1 January 2011	–
Government grants raised during the year	602
Exchange realignment	15
At 31 December 2011	617
Government grants raised during the year	7,742
Exchange realignment	27
At 31 December 2012	8,386
Government grants raised during the year	25,501
Government grants utilised during the year	(695)
Exchange realignment	647
At 31 December 2013	33,839
Government grants raised during the year	3,035
Government grants utilised during the year	(3,148)
Exchange realignment	(321)
At 30 June 2014	33,405

As at 31 December 2011, 2012 and 2013 and 30 June 2014, the government grants of approximately HK$617,000, HK$8,386,000, HK$33,839,000 and HK$33,405,000 which were designated for certain research projects, export incentives, technical innovation, localisation incentives and fiscal refund granted by the PRC municipal government. The amount is stated as non-current liabilities in the consolidated statement of financial position as the directors of the Company are of the opinion that certain conditions in respect of these grants will not be fulfilled within the next twelve months from the end of the each reporting period.

28. SHARE CAPITAL

The Share capital of the Group as at 31 December 2011 and 31 December 2012 represented the share capital of Wai Chi Group.

The share capital of the Group at 31 December 2013 and 30 June 2014 represented aggregate of share capital of the Company and the 100,000 shares of HK$1 each of Wai Chi Group directly held by the controlling shareholder.

	Number of shares	**Share capital**
		HK$'000
Authorised		
Ordinary share of US$1 each as at date of incorporation and as at 30 June 2014 *(note a)*	50,000	390
Issued and fully paid		
Ordinary share of US$1 each as at date of incorporation *(note a)*	1	–
Issue in consideration for acquisition of a subsidiary *(note b)*	135	1
At 30 June 2014	136	1

Notes:

(a) On 16 August 2013, the Company was incorporated in the Cayman Islands as an exempted company with limited liabilities under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands with an authorised share capital of US$50,000 dividend into 50,000 shares of US$1 each. As the date of incorporation; 1 fully paid share of US$1 was issued.

(b) On 31 December 2013, the Company allotted and issued 135 shares at HK$1,000,000 each credited as fully paid and in return acquired all the outstanding ordinary shares of Windrider Technology.

29. RESERVES

(a) Capital reserve

The amount represented the surplus amount of shareholder contributions to Shenzhen Wai Chi over the registered capital of Shenzhen Wai Chi.

During the year ended 31 December 2011 and 2012, the Controlling Shareholder contributed approximately HK$10,208,000 and HK$44,715,000 respectively to Shenzhen Wai Chi. Such contributions were recognised in capital reserve.

During the year ended 31 December 2012, approximately HK$37,893,000 of the retained profits of Shenzhen Wai Chi was reinvested in capital reserve by the way of capitalisation.

During the year ended 31 December 2013, the Controlling Shareholder contributed approximately HK$74,853,000 to the Group through capitalisation of amount due to a related company of HK$38,000,000 and cash contribution of HK$36,853,000. Such contribution was recognised in capital reserve.

(b) Statutory reserve

As stipulated by regulations in the PRC, the Company's subsidiaries established and operated in the PRC are required to appropriate 10% of their after-tax profit (after offsetting prior year losses) as determined in accordance with the PRC accounting rules and regulations, to statutory reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to equity owners.

(c) Merger Reserve

Merger reserve represented the difference between share capital of the new holding Company and the aggregate of the share capital of the then holding company of the Group and the companies comprising the Group.

During the year 2011, as part of the Reorganisation, the entire equity of Shenzhen Wai Chi was acquired by Wai Chi Group from the controlling shareholder at a consideration of approximately HK$44,238,000 and became the holding company of the Group since then.

During the year 2013, as part of the Reorganisation, the Company issued 135 shares of HK$1,000,000 each which, through its subsidiaries, was used to subscribe for new shares issued and allot by Wai Chi Group and become the holding company of the Group. The difference between the proceed from the issuance of shares and the then share capital and capital reserve subscribed was recognised in the merger reserve.

The Company

Reserves of the Company represents share premium of HK$134,999,000 and accumulated loss of HK$73,000 and HK$85,000 as at 31 December 2013 and 30 June 2014 respectively.

30. DISPOSAL OF SUBSIDIARIES

For the year ended 31 December 2011

(a) On 12 April 2011, the Group entered into the sale and purchase agreement with an independent third party, pursuant to which the Group agreed to disposed of its 51% equity interest in Shenzhen Jie Neng at a consideration of approximately RMB100 (equivalent to approximately HK$120). The disposal of 51% of Shenzhen Jie Neng was completed on 26 May 2011.

Consideration:

	HK$'000
Cash	–

Analysis of assets and liabilities over which control was lost:

	HK$'000
Property, plant and equipment	46
Trade and other receivables	466
Inventories	272
Tax recoverable	4
Cash and bank balances	226
Other payables	(1,248)
	(234)

Gain on disposal of a subsidiary:

	HK$'000
Consideration received	–
Less: net liabilities disposed of	234
Non-controlling interests	2
	236

Net cash outflow arising on disposal:

	HK$'000
Cash consideration received	–
Less: bank balances and cash disposed	(226)
	(226)

There is no significant impact on the total turnover and profit of the Group as the revenue and results of the disposed subsidiary are insignificant for the year ended 31 December 2011. The subsidiary disposed of had no significant effect on the cash flows of the Group for the year ended 31 December 2011.

(b) On 13 April 2011, the Group entered into the sale and purchase agreement with an independent third party, pursuant to which the Group agreed to disposed of its 51% equity interest in Shijiazhuang Wai Chi at a consideration of approximately RMB10,000 (equivalent to approximately HK$12,000). The disposal of 51% of Shijiazhuang Wai Chi was completed on 13 April 2011.

Consideration received:

	HK$'000
Cash	12

Analysis of assets and liabilities over which control was lost:

	HK$'000
Inventories	86
Trade and other receivables	25
Cash and bank balances	65
Tax payables	(3)
Other payables	(405)
	(232)

Gain on disposal of a subsidiary:

	HK$'000
Consideration received	12
Less: net liabilities disposed of	232
	244

Net cash outflow arising on disposal:

	HK$'000
Cash consideration received	12
Less: bank balances and cash disposed	(65)
	(53)

There is no significant impact on the total turnover and profit of the Group as the revenue and results of the disposed subsidiary are insignificant for the year ended 31 December 2011. The subsidiary disposed of had no significant effect on the cash flows of the Group for the year ended 31 December 2011.

(c) On 7 July 2011, the Group entered into the sale and purchase agreement with an independent third party, pursuant to which the Group agreed to disposed of its 95% equity interest in Liaoning Wai Chi at a consideration of approximately RMB10,000 (equivalent to approximately HK$12,000). The disposal of 95% of Liaoning Wai Chi was completed on 7 July 2011.

Consideration received:

	HK$'000
Cash	12

Analysis of assets and liabilities over which control was lost:

	HK$'000
Property, plant and equipment	629
Trade and other receivables	628
Inventories	3,183
Tax recoverable	550
Cash and bank balances	86
Other payables	(1,382)
	3,694

Loss on disposal of a subsidiary:

	HK$'000
Consideration received	12
Less: net assets disposed of	(3,694)
	(3,682)

Net cash outflow arising on disposal:

	HK$'000
Cash consideration received	12
Less: bank balances and cash disposed	(86)
	(74)

For the year ended 31 December 2011

(c) There is no significant impact on the total turnover and profit of the Group as the revenue and results of the disposed subsidiary is insignificant for the year ended 31 December 2011. The disposed subsidiary had no significant effect on the cash flows of the Group for the year ended 31 December 2011.

For the year ended 31 December 2012

(d) On 26 July 2012, the Group entered into the sale and purchase agreement with an independent third party, pursuant to which the Group agreed to disposed of its 80% equity interest in Dalian Wai Chi at a consideration of approximately RMB100 (equivalent to approximately HK$120). The disposal of 80% of Dalian Wai Chi was completed on 26 July 2012.

Consideration transferred:

	HK$'000
Cash	–

Analysis of assets and liabilities over which control was lost:

	HK$'000
Property, plant and equipment	180
Other receivables	47
Inventories	161
Cash and bank balances	122
Other payables	(1,095)
	(585)

Gain on disposal of a subsidiary:

	HK$'000
Consideration transferred	–
Less: net liabilities disposed of	585
	585

Net cash outflow arising on disposal:

	HK$'000
Cash consideration received	–
Less: bank balances and cash disposed	(122)
	(122)

There is no significant impact on the total turnover and profit of the Group as the revenue and results of the disposed subsidiary are insignificant for the year ended 31 December 2012. The disposed subsidiary had no significant effect on the cash flows of the Group for the year ended 31 December 2012.

31. MAJOR NON-CASH-TRANSACTION

During the year ended 31 December 2012, the Group entered into a finance lease arrangement in respect of asset with a total capital value at the inception of the lease of approximately HK$1,517,000.

During the year ended 31 December 2013, amount due to a related company of HK$38,000,000 was capitalised and reorganised in capital reserve.

32. TRANSFER OF FINANCIAL ASSETS

The following table details the Group's trade and bills receivables as at the end of the reporting period that were transferred to banks by discounting those receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing (see note 24). These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

	At 31 December			At 30 June
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Carrying amount of transferred assets	123,767	124,673	71,261	63,505
Carrying amount of associated liabilities	(98,680)	(122,739)	(64,665)	(52,913)
	25,087	1,934	6,596	10,592

33. OPERATING LEASE COMMITMENT

The Group leases certain of its factory premises and offices under operating lease arrangements. Lease for properties are negotiated for terms ranging from one to three years and rentals are fixed.

At the end of each reporting period, the Group had future minimum lease payments under non-cancellable operating lease which fall due as follows:

	Year ended 31 December			At 30 June
	2011	2012	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	6,826	3,854	5,817	5,067
In the second to fifth year inclusive	3,221	27	3,028	1,311
	10,047	3,881	8,845	6,378

34. CAPITAL COMMITMENT

	At 31 December			At 30 June
	2011	2012	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditure contracted for but not provided in the Financial Information in respect of:				
Property, plant and equipment	–	13,042	–	5,839

35. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in the consolidated financial statements, the Group has entered into the following significant transactions with related parties during the Track Record Period and the six months ended 30 June 2013.

(a) Compensation of key management personnel

Other than the remuneration paid to the directors and employees of the Group as set out in Note 13, who are considered as the key management personnel of the Group, the Group did not have any other significant compensations to key management personnel.

The remuneration of the directors and key management personnel is determined by the board of directors of the Company having regard to the performance of individuals and market trends.

(b) Banking facilities

At 31 December 2011, 31 December 2012, 31 December 2013 and 30 June 2014, certain banking facilities of the Group were jointly guaranteed by Mr. Yiu Chi To, the Controlling Shareholder of the Company to the following extent:

	At 31 December			At 30 June
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Yiu Chi To	325,387	370,317	588,757	421,010

The banking facilities were also secured by a charge over properties owned by Maxtone. Details of the guarantees are set out in Note 24.

The guarantee provided by Mr. Yiu Chi To and Maxtone will be released upon the listing of the Company's shares on the Main Board of the Stock Exchange.

(c) Other related parties transactions

Name of company	Nature of transaction	Year ended 31 December			Six months ended 30 June	
		2011	2012	2013	2013	2014
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Wai Chi Electronics Limited	Sales of goods	(91,983)	–	–	–	–
	Purchase of goods	43,432	–	–	–	–
Wai Chi Lighting International Limited	Purchase of goods	931	–	–	–	–
Dalian Wai Chi	Sales of goods	(2)	(167)	–	–	–
Maxtone	Rental expenses	1,044	796	816	408	408

The above transactions were at terms determined and agreed by the Company and the relevant parties. Mr. Yiu Chi To has beneficial interest in all of the above companies.

(d) Other guarantees

During the Track Record Period, the Company's obligations under a finance lease as disclosed in note 25 was guaranteed by Mr. Yiu Chi To and Maxtone. The guarantees provided by Mr. Yiu Chi To and Maxtone will be released upon the listing of the Company's shares on the Main Board of the Stock Exchange.

36. RETIREMENT BENEFIT SCHEMES

The Group participates in a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant costs to the scheme, which contribution is matched by employees. The contributions from each of the employer and employees are subject to a cap of HK$1,000 per month, HK$1,250 per month since June 2012 and HK$1,500 since June 2014.

The employees of the Company's subsidiary established in the PRC are members of state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiary is required to contribute certain percentage of its payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the scheme.

The Group made contributions to the retirement benefits schemes of approximately HK$5,098,000, HK$8,552,000, HK$9,029,000, HK$3,859,000 (unaudited) and HK$5,941,000 for the year ended 31 December 2011, 2012 and 2013 and six months ended 30 June 2013 and 2014 respectively.

B. SUBSEQUENT EVENTS

The following significant events took place subsequent to 30 June 2014.

1. Share option scheme

Pursuant to the written resolutions of the shareholders of the Company passed on 27 October 2014, the Company has conditionally adopted a share option scheme. The principal terms of the share option scheme are set out in section headed "Share Option Scheme" in Appendix V to the Prospectus.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group, the Company nor any of its subsidiaries in respect of any period subsequent to 30 June 2014.

Yours faithfully,

SHINEWING (HK) CPA Limited
Certified Public Accountants
Wong Chuen Fai
Practising Certificate Number: P05589

Hong Kong

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set out in this Appendix does not form part of the Accountants' Report prepared by the reporting accountants of the Company, SHINEWING (HK) CPA Limited as set out in Appendix I to this prospectus, and is included herein for information only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report as set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted consolidated net tangible assets of the Group (the "Unaudited Pro Forma NTA") prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Share Offer on the consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2014 as if the Share Offer had taken place on 30 June 2014 assuming the Over-allotment is not exercised.

This Unaudited Pro Forma NTA has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at 30 June 2014 or at any future dates following the Share Offer. It is prepared based on the consolidated net tangible assets attributable to owners of the Company as at 30 June 2014 as set out in the Accountants' Report of the Group, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The Unaudited Pro Forma NTA does not form part of the Accountants' Report as set out in Appendix I to this prospectus.

	Audited consolidated net tangible assets attributable to owners of the Company as at 30 June 2014	Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company immediately after the completion of the Share Offer	Unaudited pro forma adjusted consolidated net tangible assets per Share as at 30 June 2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*
Based on the Share Offer Price of HK$3.0 per Share	458,188	133,249	591,437	2.96
Based on the Share Offer Price of HK$3.7 per Share	458,188	167,021	625,209	3.13

Notes:

1. The audited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2014 has been derived from the audited consolidated net assets of the Group attributable to the owners of the Company of approximately HK$458,188,000 as at 30 June 2014 extracted from the Accountants' Report set out in Appendix I to this prospectus.

2. The estimated net proceeds from the Share Offer are based on the respective low and high-ends of the indicative Share Offer Price range of HK$3.0 and HK$3.7 per Share, respectively, after deducting the underwriting fees and commissions and estimated expenses payable by the Company in relation to the Share Offer. The estimated net proceeds do not take into account any Shares which may be issued upon the exercise of the Over-allotment Option and any options granted under the Share Option Scheme.

3. The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after adjustment for the estimated net proceeds from the Share Offer payable to the Company as described in note 2 and on the basis that a total of 200,000,000 Shares were in issue as at 30 June 2014 (including Shares in issue as at the date of this prospectus and those Shares are expected to be issued pursuant to the Share Offer and the Capitalisation Issue but not taking into account any Shares which may be issued upon the exercise of the Over-allotment Option and any options granted under the Share Option Scheme).

4. The prepaid lease payments and buildings of the Group is valued by RHL Appraisal Ltd. According to the valuation report, the prepaid lease payments and buildings of the Group as of 31 August 2014 amounted to approximately HK$178,164,000. Comparing this amount with the unaudited carrying value of the prepaid lease payments and buildings of the Group as of 31 August 2014 of approximately HK$169,380,000, there is a surplus of approximately HK$8,784,000. Had the prepaid lease payments and buildings been stated at the revaluation amount, additional annual amortisation and depreciation of approximately HK$220,000 would be incurred. The surplus on revaluation will not be incorporated in the Group's consolidated financial information in subsequent years as the Group has elected to state the properties at cost basis.

5. No adjustments have been made to reflect any trading result or other transactions of the Group enters into subsequent to 30 June 2014.

B. REPORT FROM THE REPORTING ACCOUNTANT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from our reporting accountants, SHINEWING (HK) CPA Limited, for the purpose of incorporation in this prospectus.

信永中和
ShineWing

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

4 November 2014

The Directors
Wai Chi Holdings Company Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Wai Chi Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the pro forma net asset statement and related notes as set out in Appendix II to the prospectus ("Prospectus") dated 4 November 2014 in connection with the proposed share offer of 50,000,000 shares of HK$0.01 each in the Company (the "Share Offer"). The applicable criteria on the basis of which the directors of the Company have compiled the pro forma financial information are described in Appendix II to the Prospectus. The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Share Offer on the Group's financial position as 30 June 2014 as if the Share Offer had taken place at 30 June 2014.

Directors' Responsibility for the unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in the Prospectus is solely to illustrate the impact of the Share Offer on unadjusted financial information of the Group as if the Share Offer had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Share Offer at 30 June 2014 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Wong Chuen Fai
Practising Certificate Number: P05589

The following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this document received from RHL Appraisal Limited., an independent valuer, in connection with its valuation as at 31 August 2014 of the property interests held by Wai Chi Holdings Company Limited and its subsidiaries.

RHL International 永利行

永利行評值顧問有限公司
RHL Appraisal Limited
Corporate Valuation & Advisory

T +852 2730 6212
F +852 2736 9284

Room 1010, 10/F, Star House
Tsimshatsui, Hong Kong

4 November 2014

The Board of Directors
Wai Chi Holdings Company Limited
6th Floor,
Liven House,
Kwun Tong,
Kowloon,
Hong Kong

Dear Sirs/Madam,

INSTRUCTIONS

We refer to your instruction for us to value the property interests held by Wai Chi Holdings Company Limited (the "Company") and its subsidiaries (the "Group") located in Hong Kong and the People's Republic of China (the "PRC"). We confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interests as at 31 August 2014 (the "Valuation Date").

This letter which forms part of our valuation report explains the basis and methodologies of valuation, clarifying assumptions, valuation considerations, title investigations and limiting conditions of this valuation.

BASIS OF VALUATION

The valuation is our opinion of the market value which we would define as intended to mean the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably prudently and without compulsion.

Market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, joint ventures, management agreements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. Market value is also estimated without regard to costs of sale or purchase and without offset for any associated taxes or potential taxes.

VALUATION METHODOLOGY

In valuing the property interests of Group I, we have adopted the depreciated replacement costs ("DRC") method. DRC is based on an estimate of the market value of the land in its existing use, plus the current cost of replacement of the improvements, less allowance for physical deterioration and all relevant forms of obsolescence and optimization. This figure includes fees and finance charges payable during the construction periods and other associated expenses directly related to the construction of the building. DRC generally furnishes a reliable indication of value for property with specific nature and design of buildings, in the absence of identifiable market sales comparables.

In valuing the property interests of Group II, we have adopted direct comparison method by assuming sale with the benefit of vacant possession in their existing states by making reference to comparable sales transactions as available in the relevant market and have also taken into account the expended construction costs and the costs that will be expended to complete the developments.

We have attributed no commercial value to the property interests in Groups III and IV due either to the short-term nature of the leases or the prohibition against assignments or sub-lettings or otherwise due to the lack of substantial profit rent.

VALUATION CONSIDERATIONS

In valuing the property interests, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards 2012 Edition issued by The Hong Kong Institute of Surveyors.

VALUATION ASSUMPTION

In our valuation, unless otherwise stated, we have assumed that:

a. transferable land use rights in respect of the properties for specific terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid;

b. the owners of the properties have enforceable titles to the properties and have free and uninterrupted right to use, occupy or assign the properties for the whole of the respective unexpired terms as granted;

c. no deleterious or hazardous materials or techniques have been used in the construction of the properties; and

d. the properties are connected to main services and sewers which are available on normal terms.

TITLE INVESTIGATION

We have caused title search for the property interest located in Hong Kong and have been provided with copies of title documents relating to the property interests located in the PRC. However, we have not examined the original documents to verify the existing titles to the property interests or any amendment which does not appear on the copies handed to us. We have relied considerably on the information given by the Group's PRC legal advisers, Jun He Law Offices, concerning the validity of the titles to the property interests located in the PRC.

LIMITING CONDITIONS

We have inspected the exterior and, where possible, the interior of the properties. During the course of our inspections, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report whether the properties are free from rot infestation or any other defects. No tests were carried out on any of the services. Moreover, we have not carried out investigations on site to determine the suitability of the ground conditions and the services etc., for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and no extraordinary expenses or delay will be incurred during the development period.

We have not carried out detailed on-site measurement to verify the correctness of the areas in respect of the property but have assumed that the areas shown on the documents handed to us are correct. All dimensions, measurements and areas are approximate. No on-site measurement has been taken.

We have relied to a considerable extent on information provided by the Group and accepted advices given to us on such matters, in particular, but not limited to tenure, planning approvals, statutory notices, easements, particulars of occupancy, size and floor areas and all other relevant matters in the identification of the properties.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also been advised by the Group that no material fact has been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

No allowance has been made in our report for any charges, mortgages or amounts owing on the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interest is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

The reported market value only applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

REMARKS

We have valued the property interests in the PRC in Renminbi (RMB) and the property interest in Hong Kong in Hong Kong dollars (HK$).

We have conducted on-site inspections to the properties in July 2013 by our Ms. Peggy Y. Y. Lai (MHKIS, MRICS, RPS(GP), BSC).

Our summary of values and valuation certificates are herewith attached.

Yours faithfully,
For and on behalf of
RHL Appraisal Ltd.

Serena S. W. Lau	**Peggy Y. Y. Lai**
FHKIS, AAPI, MRICS, RPS(GP), MBA(HKU)	*MHKIS, MRICS, RPS(GP), BSC*
Managing Director	*Senior Associate Director*

Ms. Serena S. W. Lau is a Registered Professional Surveyor (GP) with over 19 years' experience in valuation of properties in HKSAR, Macau SAR, mainland China and the Asia Pacific Region. Ms. Lau is a Professional Member of The Royal Institution of Chartered Surveyors, an Associate of Australian Property Institute, a Fellow of The Hong Kong Institute of Surveyors as well as a registered real estate appraiser in the PRC.

Ms. Peggy Y.Y. Lai is a Registered Professional Surveyor (GP) with over 18 years' experience in valuation of properties in HKSAR, Macau SAR, United Kingdom, Canada, mainland China and the Asia Pacific Region. Ms. Lai is a Professional Member of The Royal Institution of Chartered Surveyors, a Member of The Hong Kong Institute of Surveyors as well as a Member of China Institute of Real Estate Appraisers and Agents in the PRC.

SUMMARY OF VALUES

		Market Value in existing state as at 31 August 2014
		RMB
Group I – Property interest held by the Group for occupation in the PRC		
1.	An Industrial Complex located in Sanxu Village, Luoyang Town, Boluo County, Huizhou, Guangdong Province, the PRC	123,000,000
	Sub-total:	123,000,000
Group II – Property interest held by the Group for future development in the PRC		
2.	A Land Parcel located in Yanjiahe Village, Xiaoxita, Yiling District, Yichang, Hubei Province, the PRC	18,400,000
	Sub-total:	18,400,000
	Total:	141,400,000
Group III – Property interests leased by the Group for occupation in the PRC		
3.	Various blocks of industrial buildings and dormitories located in Sanwei Industrial Zone, Xixiang Town, Bao'an District, Shenzhen, Guangdong province, the PRC	No commercial value

		Market Value in existing state as at 31 August 2014
		RMB
4.	A Workshop located in Phase II, Sanxia Yimin Jiuye Base, Yiling Economic Development Zone, Yichang, Hubei Province, the PRC	No commercial value
5.	Room no. A234 on 7/F, No. 28 Xin Xi Road, Hai Dian Area, Beijing City, the PRC	No commercial value

Group IV – Property interest leased by the Group for occupation in Hong Kong

		Market Value in existing state as at 31 August 2014
		HKD
6.	Unit A, 6th Floor, Liven House, Nos. 61-63 King Yip Street, Kowloon, Hong Kong	No commercial value

VALUATION CERTIFICATE

Group I –Property interest held by the Group for occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 August 2014 *RMB*
1.	An Industrial Complex located in Sanxu Village and Meihua Village, Luoyang Town, Boluo County, Huizhou, Guangdong Province, the PRC	The property comprises a parcel of land with a site area of approximately 71,049.00 sq.m. (764,771 sq.ft.) on which various industrial buildings and structures completed in 2011 erected thereon. The industrial buildings comprises mainly a 6-storey industrial building, a 9-storey industrial building and two 6-storey dormitories and have a total gross floor area of approximately 96,891.36 sq.m. (1,042,938 sq.ft.) The land use rights of the property have been granted for a term expiring on 5 March 2058 for industrial use.	The property is occupied by the Group for industrial use.	123,000,000 (RENMINBI ONE HUNDRED AND TWENTY THREE MILLION)

Notes:

1. Pursuant to a State-owned Land Use Right Certificate – Bo Fu Guo Yong (2012) Di 011073 Hao (博府國用(2012)第011073號), the land use rights of the property with a site area of approximately 71,049.00 sq.m. were granted to Huizhou Wai Chi Electronics Company Limited ("Huizhou Electronics") for a term expiring on 5 March 2058 for industrial uses.

2. Pursuant to 4 Building Ownership Certificates – Yue Fang Di Quan Zheng Zi Di DJ00152067-DJ00152070 Hao (粵房地權証字第DJ00152067-DJ00152070), the building ownerships of the

property with a total gross floor area of approximately 96,891.36 sq.m. are vested Huizhou Electronics. Details of the said certificates are, inter alia as follows:

Certificate No.	Use	Gross Floor Area (sq.m.)
Yue Fang Di Quan Zheng Zi Di DJ00152067 Hao 粵房地權証字第DJ00152067號	Industrial	46,290.53
Yue Fang Di Quan Zheng Zi Di DJ00152068 Hao 粵房地權証字第DJ00152068號	Industrial	13,379.1
Yue Fang Di Quan Zheng Zi Di DJ00152069 Hao 粵房地權証字第DJ00152069號	Residential	28,602.14
Yue Fang Di Quan Zheng Zi Di DJ00152070 Hao 粵房地權証字第DJ00152070號	Residential	8,619.59
Total		**96,891.36**

3. We have been provided with a legal opinion regarding the property interest by the Group's PRC legal adviser, which contains, inter alia, the followings:

   i. the property is legally held by Huizhou Electronics;

   ii. the land use rights mentioned in Note 1 and the building ownership mentioned in Note 2 are subject to a mortgage in favour of China Construction Bank Corporation, Shenzhen Branch;

   iii. subject to the mortgage mentioned in Note 3 ii, Huizhou Electronics is entitled to occupy, use, transfer, lease or dispose of the property freely in the market.

VALUATION CERTIFICATE

Group II – Property interest held by the Group for future development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 August 2014 *RMB*
2.	A Land Parcel located in Yanjiahe Village, Xiaoxita, Yiling District, Yichang, Hubei Province, the PRC	The property comprises a parcel of land with a site area of approximately 55,332.15 sq.m. (595,595 sq.ft.) which planned to develop into an industrial complex. The land use rights of the property have been granted for a term expiring on 12 April 2062 for industrial use.	The property is a bare site and pending for future development.	18,400,000 (RENMINBI EIGHTEEN MILLION AND FOUR HUNDRED THOUSAND)

Notes:

1. Pursuant to a Land Use Rights Contract (Contract No. 鄂 YC (YL) – 2012-0000683) signed between the Land and Resources Bureau, Yiling District, Yichang City and Sanxia Wai Chi Opto Technology (Yichang) Limited ("Sanxia Wai Chi") dated 13 January 2012, the land use rights of the property with a site area of approximately 55,332.15 sq.m. were granted to Sanxia Wai Chi at a land premium of RMB15,590,000. The salient conditions as stipulated in the said contract, inter alia, cited as follows:

i.	Site Area	:	55,332.15 sq.m.
ii.	Land premium	:	RMB15,590,000
iii.	Use	:	Industrial
iv.	Land use term	:	50 years from the handover date (before 13 April 2012)
v.	Plot ratio	:	Not less than 0.7 and not more than 1.2
vi.	Site Coverage	:	Not less than 30% and not more than 45%
vii.	Greenery Ratio	:	Not less than 10% and not more than 20%
viii.	Building Covenant	:	Construction complete before 13 April 2015.

2. Pursuant to a State-owned Land Use Right Certificate – Yi Shi Yi Ling Guo Yong (2012) Di 0200100038 Hao (宜市夷陵國用(2012)第0200100038號), the land use rights of the property with a site area of approximately 55,332.15 sq.m. were granted to Sanxia Wai Chi for a term expiring on 12 April 2062 for industrial uses.

3. We have been provided with a legal opinion regarding the property interest by the Group's PRC legal adviser, which contains, inter alia, the followings:

   i. the property is legally held by Sanxia Wai Chi;

   ii. Sanxia Wai Chi is entitled to occupy, use, transfer, lease, mortgage or dispose of the property freely in the market;

   iii. all the land premium and the deed tax payable have been settled; and

   iv. the property is free from any mortgages or third parties' encumbrances.

   v. According to the approval from the Lands Bureau of Yi Chang Shi Yiling District, Sanxia Wai Chi was allowed to firstly develop a block of factory building ("No. 3 Factory") on or before 13 April 2015 ("completion date"). It will not be regarded as a breach of the building covenant and Sanxia Wai Chi will not be subject to the penalty due to the non-compliance of the building covenant as originally stated in the Land Use Right Contract, if No. 3 Factory cannot be completed on completion date and the completion date can be postponed to 13 April 2016.

VALUATION CERTIFICATE

Group III – Property interests leased by the Group for occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 August 2014 *RMB*
3.	Various blocks of industrial buildings and dormitories located in Sanwei Industrial Zone, Xixiang Town, Bao'an District, Shenzhen, Guangdong province, the PRC.	The property comprises industrial area regarding levels 1 to 3 of Block A, level 2 of Block B, levels 1 to 4 of Block C, levels 1 to 2 of Block D, a whole block of industrial building and various dormitories completed in about 2000's. The property has a total gross floor area of approximately 26,190 sq.m. (approximately 281,909.16 sq.ft.. The property is leased to the Group for terms with latest one expiring on 31 March 2020. (Please also refer to Notes 1-3 below for details.)	The property is occupied by the Group for industrial uses.	No commercial value

Notes:

1. Pursuant to a tenancy agreement entered between Shenzhen Bao'an Rong Sheng Limited* (深圳市寶安榮勝實業有限公司) and Wai Chi Opto Technology (Shenzhen) Limited ("Shenzhen Wai Chi")), portions of the property with a total gross floor area of approximately 16,940 sq.m. is leased to Shenzhen Wai Chi for a term from 1 April 2014 to 31 March 2020. The monthly rental commencing for a term from 1 April 2014 to 31 August 2015, 1 September 2015 to 31 August 2018 and 1 September 2018 to 31 March 2020 is RMB203,280, RMB271,040 and RMB298,144 respectively ("Leased Property A").

2. Pursuant to a tenancy agreement entered between Rong Sheng and Shenzhen Wai Chi Lighting Company Limited ("Shenzhen Lighting"), portions of the property with a total gross floor area of approximately 800 sq.m. is leased to Shenzhen Lighting for a term commencing on 1 April 2014 to 31 March 2020. The monthly rental for a term from 1 April 2014 to 31 August 2015, 1 September 2015 to 31 August 2018 and 1 September 2018 to 31 March 2020 is RMB9,600, RMB12,800 and RMB14,080 respectively ("Leased Property B").

3. Pursuant to a tenancy agreement entered between Shenzhen Lianfa Holdings Limited* (深圳市聯發股份合作公司) and Shenzhen Wai Chi portions of the property with a total gross floor area of approximately 5,530.00 sq.m. is leased to Shenzhen Wai Chi for a term commencing on 1 November 2013 and expiring on 30 June 2015 at a monthly rental of RMB82,950 exclusive of management fees. As advised, the tenancy is expected to be renewed.

4. Pursuant to a tenancy agreement entered between Shenzhen Sanwei Holding Limited *(深圳市三圍股份合作公司) and Shenzhen Wai Chi, portion of the property with a gross floor area of approximately 2,920 sq.m. is leased to Shenzhen Wai Chi for a term commencing from 1 January 2013 and expiring on 31 December 2015 at a monthly rental of RMB33,580 exclusive of management fee. As advised, the tenancy is expected to be renewed.

5. We have been provided with a legal opinion regarding the property interest by the Group's PRC legal adviser, which contains, inter alia, the followings:

   i. No proof of ownership could be provided by the lessors. The lessors have no right to lease the property. However, if in case Shenzhen Lighting and Shenzhen Wai Chi cannot continue to lease the property because of the above reason, then Huizhou Wai Chi Electronics Company Limited will lease its other industrial area of about 22,000 sq.m to Shenzhen Lighting and Shenzhen Wai Chi as confirmed by Huizhou Electronics.

   ii. The tenancy agreement has not been registered in the relevant government department; however, non-registration of the tenancy will not affect its validity but the lessees may subject to a penalty by relevant government department of 10% of the total rental amount.

   iii. As such Shenzhen Wai Chi and Shenzhen Lighting may be subject to a penalty of RMB1,887,793.6 and RMB89,152 respectively.

   iv. According to the relevant tenancy agreements, the payment in lieu of notice as a result of early termination of the lease agreements with Shenzhen Sanwei Holding Limited and Shenzhen Lianfa Holding Limited is RMB109,500 and RMB251,850 respectively.

   v. Considering that the relocation is scheduled to be completed in the second half of the year 2018 pursuant to the 5-year Relocation Plan of Shenzhen Production Plant, and since neither the Group nor Rong Sheng can unilaterally terminate the tenancy agreements even if the Group has completed the relocation to the Huizhou Production Plant in December 2018 as scheduled, the Group shall continue to pay a total rental of approximately RMB4.5 million for the Leased Property A and approximately RMB0.2 million for the Leased Property B to Rong Sheng until the expiry of the tenancy agreements.

      The above total rental payments are calculated based on the rental charges of RMB298,144 and RMB14,080 per month for Leased Property A and Leased Property B respectively, representing the monthly rental payable by the Group for the period between January 2019 and March 2020 (the date of expiry both of the tenancy agreements).

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 August 2014 *RMB*
4.	A Workshop located in Phase II, Sanxia Yimin Jiuye Base, Yiling Economic Development Zone, Yichang, Hubei Province, the PRC	The property comprises a 3-storey workshop located in Phase II of Sanxia Yimin Jiuye Base completed in about 2000's. The property has a gross floor area of approximately 2,574 sq.m. (27,706 sq.ft.) The property is leased to the Group for a term expiring on 31 December 2016. (Please also refer to Note 1 below for details.)	The property is occupied by the Group for industrial uses.	No commercial value

Notes:

1. Pursuant to a tenancy agreement entered into between Administrative Bureau of Economic Development Zone, Yiling District, Hubei Province* (湖北夷陵經濟開發區管委會) and Sanxia Wai Chi Opto Technology (Yichang) Limited ("Sanxia Wai Chi"), the property with a gross floor area of approximately 2,574 sq.m. is leased to Sanxia Wai Chi for a term commencing on 1 January 2014 and expiring on 31 December 2016 at an annual rental of RMB308,880.

2. We have been provided with a legal opinion regarding the property interest by the Group's PRC legal adviser, which contains, inter alia, the followings:

   i. The tenancy agreement has not been registered in the relevant government department; however, non-registration of the tenancy will not affect its validity. The risk of being penalised by the relevant government department is low.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 August 2014 *RMB*
5.	Room no. A234 on 7/F., No. 28 Xin Xi Road Hai Dian Area, Beijing City, the PRC	The property comprises an office unit on 7/F of a 11-storey office building completed in about 2003. The property has a total gross floor area of approximately 10 sq.m. (100.76 sq.ft.) The property is leased to the Group for a term expiring on 30 November 2014. (Please also refer to Note 1 below for details.)	The property is occupied by the Group for office uses.	No commercial value

Notes:

1. Pursuant to a tenancy agreement entered into between Beijing Winner Office Company Limited* (北京贏家偉業國際商務服務有限責任公司) and Beijing Senhuan Energy Management Technology Company Limited ("Beijing Senhuan"), the property with a gross floor area of approximately 10 sq.m. is leased to Beijing Senhuan for a term commencing on 1 December 2013 and expiring on 30 November 2014 at a yearly rental of RMB6,500.

2. We have been provided with a legal opinion regarding the property interest by the Group's PRC legal adviser, which contains, inter alia, the followings:

   i. The tenancy agreement has not been registered in the relevant government department; however, non-registration of the tenancy will not affect its validity but Beijing Senhuan may subject to a penalty by relevant government department for an amount not less than RMB200 but not more than RMB500.

VALUATION CERTIFICATE

Group IV – Property interest leased by the Group for occupation in Hong Kong

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 August 2014 *HKD*
6.	Unit A, 6th Floor, Liven House, Nos. 61-63 King Yip Street, Kowloon, Hong Kong	The property comprises portion of 6th floor of a 13-storey non-domestic building completed in about 1979. As advised, the property has a leasable floor area of approximately 789.67 sq.m. (8,500 sq.ft.). The property is held under Government Lease for a leasehold term of 21 years renewable for 21 years commencing on 1 July 1955 and is statutorily extended to 30 June 2047. The property is currently leased from connected person to the Group for a term of 2 years commencing from 1 April 2013 to 31 March 2015 at a monthly rent of HK$68,000 exclusive of rates, air-conditioning, management charges and other outgoings.	The property is occupied by the Group for office/warehouse use.	No commercial value

Notes:

1. The registered owner of the property is Maxtone Electronics Limited vide memorial no. 06022400770026 dated 15 February 2006 at a consideration of HK$10,385,000.00.

2. The property is subject to Deed of Mutual Covenant vide memorial no. UB1663717 dated 8 January 1979.

3. The property is subject to a Mortage in favour of the Hongkong and Shanghai Banking Corporation Limited vide memorial no. 09060302090052 dated 12 May 2009.

4. The property is subject to a Deed of Variation and Further Charge in favour of the Hongkong and Shanghai Banking Corporation Limited vide memorial no. 11090202720027 dated 10 August 2011.

5. The property is subject to a Deed of Variation in favour of the Hongkong and Shanghai Banking Corporation Limited vide memorial no. 13011502680011 dated 21 December 2012.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 16 August 2013 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"). The Memorandum of Association (the "Memorandum") and the Articles of Association (the "Articles") comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall full power and authority to carry out any object and shall have and be capable of from time to time and at all times exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate provided that the Company shall only carry on the business for which a licence is required under the laws of the Cayman Island when so licensed under the terms of such laws.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 27 October 2014. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates (as defined in the Articles) is materially interested, but this prohibition shall not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

(aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;

(bb) becomes of unsound mind or dies;

(cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) if he is prohibited from being a director by law;

(ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) Register of Directors and Officers

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

(i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;

(ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company shall make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

(i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers;

(ee) the fixing of the remuneration of the directors and of the auditors;

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 3 December 2013.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

(n) Winding up

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman (Cayman) Limited, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES

1. Incorporation

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 16 August 2013. Our Company has established a place of business in Hong Kong at 6th Floor, Liven House, 63 King Yip Street, Kwun Tong, Kowloon, Hong Kong and was registered in Hong Kong as a non-Hong Kong company under Part XI of the Predecessor Companies Ordinance on 17 February 2014. Mr. C.P. Chen and Mr. Cheung Wai Hung were respectively appointed as the authorised representatives of our Company on 1 January 2014 and 11 March 2014 for the acceptance of service of process and notice on behalf of our Company in Hong Kong at the above address.

As our Company was incorporated in the Cayman Islands, it operates subject to the Companies Law and to its constitution comprising the Memorandum and Articles. A summary of certain provisions of its constitution and certain aspects of Cayman company law is set out in Appendix IV to this prospectus.

2. Changes in the share capital of our company

Our Company was incorporated with an authorised share capital of US$50,000 divided into 50,000 Shares of US$1.00 each. The following alterations in the share capital of our Company have taken place since its date of incorporation:

(i) on 16 August 2013, our Company issued and allotted one fully paid share of US$1.00 each ("USD shares") to the initial subscriber.

(ii) on 18 December 2013, such USD shares was transferred to Rexell Technology.

(iii) on 31 December 2013, our Company issued and allotted 135 USD shares to Rexell Technology for the consideration of US$17,307,675.

(iv) on 21 October 2014, the authorised share capital of our Company was increased by HK$10,000,000 by the creation of 1,000,000,000 new shares of HK$0.01 each, of which 106,080 new share of HK$0.01 was allotted and issued fully paid at par value to Rexell Technology on the same date. In return, our Company repurchased the 136 issued USD shares and cancelled all of the 50,000 USD shares in the authorised share capital in our Company.

3. Written resolutions of the sole shareholder of our Company

Pursuant to the written resolutions passed by the sole shareholder of our Company on 27 October 2014, the following resolutions, among other resolutions, were duly passed:

(i) our Company approved and adopted the Articles, the relevant provisions of which are summarised in Appendix IV to this prospectus;

(ii) conditional on the share premium account of our Company being credited as a result of the Share Offer, the Capitalisation Issue was approved, and our Directors were authorised to capitalise and apply an aggregate amount of HK$1,498,939.20 standing to the credit of our Company's share premium, to pay up in full at par 149,893,920 Shares for allotment and issuance to the holders of Shares whose names appear on the register of members of our Company as at the close of business on 27 October 2014, each ranking pari passu in all respects with the then existing issued Shares;

(iii) conditional upon (a) the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus and any Shares to be issued upon the exercise of any options to be granted under the Share Option Scheme; and (b) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with their terms or otherwise in each case on or before the day falling 30 days after the date of the Prospectus:

(a) the Public Offer upon the terms set out in this prospectus (subject to the adjustments as described in this prospectus) was approved and the Directors were authorised to effect the Public Offer and to allot and issue new Shares pursuant thereto;

(b) the Placing upon the terms set out in this prospectus (subject to the adjustments as described in the prospectus and the Over-allotment Option) was approved and the Directors were authorised to effect the Placing and to allot and issue new Shares pursuant thereto;

(c) the grant of the Over-allotment Option by the upon the terms set out in this prospectus was approved and the Directors were authorised to effect the same and to allot and issue new Shares upon an exercise of the Over-allotment Option pursuant to the terms thereto;

(d) the rules of the Share Option Scheme was approved and the Directors were authorised to implement the same, to grant options to subscribe for Shares thereunder and to allotment and issue Shares upon an exercise of any options which may be granted under the Share Option Scheme;

(iv) a general mandate (the "General Mandate") was given to the Board to allot Shares (including the power to make and grant any offers, agreements or option which would or might require Shares to be allotted, whether during the continuance of such mandate or thereafter), other than pursuant to Shares issued as a result of a rights issue, an exercise of options under the Share Option Scheme scrip dividend or similar arrangement pursuant to the Articles from time to time, but which Shares shall not exceed the aggregate of (a) 20% of aggregate nominal amount of the share capital of our Company in issue and to be issued immediately following completion of the Capitalisation Issue and Share Offer (excluding any Shares which may be issued upon the exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme); and (b) the nominal amount of share capital of our Company repurchased by our Company under the authority granted to our Directors as referred to in paragraph (v) below;

(v) a general mandate (the "Repurchase Mandate") was given to our Board to exercise all powers of our Company to purchase Shares on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and/or requirements of the Listing Rules or equivalent rules or regulations of such other stock exchange, but which aggregate nominal amount of Shares our Board is authorised to purchase pursuant to the Repurchase Mandate shall not exceed 10% of the aggregate nominal amount of the share capital of our Company in issue and to be issued immediately following completion of the Capitalisation Issue and Share Offer (excluding any Shares which may be issued upon the exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme);

The General Mandate and Repurchase Mandate referred to in paragraphs (iv) and (v) above will remain in effect until whichever is the earliest of:

(a) the conclusion of our next annual general meeting;

(b) the date by which our next annual general meeting is required by the Articles or any applicable law to be held; or

(c) the date on which the above mandates are resolved or valid by our Shareholders in a general meeting.

4. Corporate Reorganisation

The companies comprising our Group underwent the Reorganization in preparation for the listing of our Shares on the Stock Exchange. For information relating to the Reorganisation, please refer to the section headed "History and Development — Reorganisation".

Following the completion of the Reorganisation, our Company became the ultimate holding company of our principal operating subsidiary.

5. Changes in the share capital of our subsidiaries

Save as disclosed in the section headed "History and Development" to this prospectus, no other alteration in the share capital of each of the Company's subsidiaries took place within two years preceding the date of this prospectus.

6. Particulars of our principal subsidiaries

Our principal subsidiaries are set out in the Accountant's Report, the text of which is set out in Appendix I to this prospectus.

7. Repurchases of our own securities

This section includes information relating to the repurchase of the Shares, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

(i) Relevant legal and regulatory requirements in Hong Kong

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, and the key restrictions are summarised below:

(a) Shareholders' approval

All the proposed repurchases of Shares (which must be fully paid up) must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

(b) *Source of funds*

Repurchases by our Company must be funded out of funds legally available for such purpose in accordance with the Articles and the applicable laws and regulations of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(c) *Trading restrictions*

The total number of Shares which our Company may repurchase on the Stock Exchange is Shares representing up to a maximum of 10% of the existing issued share capital. The Shares proposed to be repurchased must be fully paid-up. Our Company may not issue or announce a proposed issue of Shares for a period of 30 days immediately following a repurchase of Shares, other than an issue of securities pursuant to an exercise of share options or similar instruments requiring our Company to issue securities which were outstanding prior to such repurchase, without the prior approval of the Stock Exchange. Our Company is also prohibited from repurchasing Shares on the Stock Exchange if the repurchase would result in the number of listed Shares which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. Our Company is required to procure that the broker appointed by us to effect a repurchase of Shares discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require. Also, our Company shall not purchase its Shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which the Shares were traded on the Stock Exchange.

The Controlling Shareholder as disclosed in this prospectus shall not or shall procure not to dispose of its Shares in the six-months period commencing from the Listing Date. No further Shares or securities convertible into equity securities of our Company may be issued or form the subject of any agreement to such an issue within six months from the Listing Date unless such an issue falls within one of the exceptions under the Listing Rules.

(d) Status of repurchased Shares

All repurchased Shares (whether effected on the Stock Exchange or otherwise) will be automatically cancelled and the certificates for those Shares must be cancelled and destroyed.

(e) Suspension of repurchase

Pursuant to the Listing Rules, our Company may not make any repurchase of Shares at any time after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of: (aa) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (bb) the deadline for our Company to announce our results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and in each case ending on the date of the results announcement, our Company may not repurchase our Shares on the Stock Exchange, unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit a repurchase of the Shares on the Stock Exchange if our Company has breached the Listing Rules.

(f) Reporting requirements

In the event that our Directors exercise the power to repurchase Shares under the Repurchase Mandate, under the Listing Rules, repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange in the prescribed form no later than 8:30 a.m. (Hong Kong time) on the following business day. In addition, our Company is required to disclose in our annual report details regarding repurchases of securities made during the year, including but not limited to, in respect of each month, the number of securities repurchased and the aggregate prices paid.

(g) Connected parties

Our Company is prohibited from knowingly repurchasing Shares on the Stock Exchange from a Core Connected Person and a Core Connected Person shall not knowingly sell his securities to our Company on the Stock Exchange.

(ii) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and the Shareholders to have a general authority from our Shareholders to enable our Directors to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of our Company's net assets and/or our earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and the Shareholders.

Our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(iii) General

The exercise in full of the Repurchase Mandate, on the basis of 200,000,000 Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any shares which may be issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme), would result in up to 20,000,000 Shares being repurchased by our Company during the period prior to the next annual general meeting of our Company following the passing of the resolutions referred to above.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates, has any present intention, in the event that the Repurchase Mandate is exercised, to sell any Shares to our Company or its subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

No Core Connected Person of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) are or may be material and have been entered into by us within the two years preceding the date of this prospectus:

(i) the equity transfer agreement* (股份轉讓協議書) dated 17 June 2013 entered into between Wai Chi Group as purchaser, Shenzhen Chicheng Wanli Investments Limited* (深圳市馳騁萬里投資有限公司), Shenzhen Huicui Qunying Investments Enterprise (Limited Partnership)* (深圳市薈萃群英投資企業(有限合伙)), and Shenzhen Shengliyuan Investment Enterprise (Limited Partnership)* (深圳市生力源投資企業(有限合伙)) as vendors, pursuant to which Wai Chi Group acquired an aggregate of 15.69% of the equity interest in Shenzhen Wai Chi Opto Technology Joint-stock Company Limited* (深圳市偉志光電股份有限公司), now known as Shenzhen Wai Chi from the above vendors for a total consideration of approximately RMB46,378,365;

(ii) the equity transfer agreement* (公司股權轉讓協議書) dated 27 June 2013 entered into between Shenzhen Lighting as purchaser and Mr. Chen Jianghua* (陳江華) and Ms. Ze Wenxia* (昃文霞) as vendors, pursuant to which Shenzhen Lighting acquired the entire equity interest in Beijing Senhuan for a total consideration of RMB5,800,000;

(iii) the loan assignment and loan capitalisation agreement* (貸款轉讓以及貸款資本化合同) dated 31 December 2013 entered into between Mr. Yiu, Alled Solution, Rexell Technology, Wai Chi Group, our Company, Wai Chi Electronics Limited, and Windrider Technology, in respect of, among other things, the assignment of the unsecured loan in the amount of HK$38,000,000 due from Wai Chi Group;

(iv) the shares buy-back agreement dated 27 October 2014 entered into between Mr. Yiu and Wai Chi Group pursuant to which Wai Chi Group agreed to buy-back from Mr. Yiu 100,000 shares in the capital of Wai Chi Group for a consideration of HK$100,000;

(v) the deed of indemnity* (彌償保証契約) dated 27 October 2014 given by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of our subsidiaries) in respect of, amongst others, taxation and property matters referred to in the sub-section headed "Estate duty and tax indemnities" in this Appendix;

(vi) the deed of indemnity dated 27 October 2014 given by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of our subsidiaries) in respect of all claims, damages, losses, costs, expenses, actions and proceedings (if any) arising out of or in connection with any non-compliance or alleged non-compliance with any applicable PRC rules, regulations and laws in relation to the leased site on which Shenzhen Production Plant is situated referred to in the sub-section headed "Other indemnities" in this Appendix;

(vii) the Deed of Non-competition* (不競爭契約) dated 27 October 2014 given by our Controlling Shareholders in favor of our Company referred to the section headed "Relationship with the Controlling Shareholders — Non-competition Undertaking" in this prospectus; and

(viii) the Public Offer Underwriting Agreement.

2. Intellectual property

Trademarks

As of the Latest Practicable Date, our Group had registered the following trademarks in the PRC:

Trademark	Class	Registration no.	Registration period	Registered owner
WAICHI	11	7122990	14 October 2010 to 13 October 2020	Shenzhen Wai Chi
	11	7176205	21 October 2010 to 20 October 2020	Shenzhen Wai Chi
WAICHI 中偉志	9 11	7663204, 7663527	7 March 2011 to 6 March 2021	Shenzhen Wai Chi
WAICHI 中偉志	7	7663567	28 November 2010 to 27 November 2020	Shenzhen Wai Chi
WAICHI 中偉志	28	7663599	14 February 2011 to 13 February 2021	Shenzhen Wai Chi

Trademark	Class	Registration no.	Registration period	Registered owner
WAICHI 中偉志	35	7666662	7 February 2011 to 6 February 2021	Shenzhen Wai Chi
WAICHI 中偉志	13 14 15 16 25 12 20 21 30 31 32 33 34 36 37 38 39 40 41 42 43 44 45 1 2 3 4 5 6 10	9045093, 9045094, 9045095, 9045096, 9045099, 9045102, 9045106, 9045108, 9045111, 9045112, 9045113, 9045114, 9045115, 9045116, 9045117, 9045118, 9045119, 9045120, 9045121, 9045122, 9045123, 9045124, 9045125, 9045345, 9045346, 9045347, 9045348, 9045349, 9045350, 9045352	21 January 2012 to 20 January 2022	Shenzhen Wai Chi
WAICHI 中偉志	24	9045098	28 January 2012 to 27 January 2022	Shenzhen Wai Chi
WAICHI 中偉志	19 17 29	9045105, 9045097, 9045110	21 February 2012 to 20 February 2022	Shenzhen Wai Chi
WAICHI 中偉志	11 8	9045101, 9045351	28 March 2012 to 27 March 2022	Shenzhen Wai Chi

Trademark	Class	Registration no.	Registration period	Registered owner
WAICHI	11	8183458	7 May 2011 to 6 May 2021	Shenzhen Wai Chi
WAICHI	9	8183459	7 April 2011 to 6 April 2021	Shenzhen Wai Chi
WAICHI	11	9600666	14 August 2012 to 13 August 2022	Shenzhen Wai Chi
eco 艾 可 方	9	9666802	14 October 2012 to 13 October 2022	Shenzhen Wai Chi
	9	4278582	14 April 2007 to 13 April 2017	Huizhou Electronics

As of the Latest Practicable Date, our Group had registered the following trademark in Hong Kong:

Trademark	Class(es)	Trademark no.	Registered owner	Registration date	Next renewal date
eco	9, 11 and 42	301918440	Wai Chi Opto	17 May 2011	16 May 2021
Bring light to life	9,11 and 42	301814012	Wai Chi Opto	18 January 2011	17 January 2021
	9	300337202	Wai Chi Opto	14 December 2004	13 December 2014
WAICHI	9 and 11	301765558	Wai Chi Opto	17 November 2010	16 November 2020
WAICHI	9, 11, 35 and 42	302981485	Wai Chi Opto	30 April 2014	29 April 2024
WAICHI	9, 11, 35 and 42	302981494	Wai Chi Opto	30 April 2014	29 April 2024

The class number represents the specifications of products or services which have already been registered or are in the process of registration. Detailed specifications of the products or services represented by that class number are set out in the relevant registration certificates or application forms.

3. Domain names

As of the Latest Practicable Date, our Group was the registered proprietor of the following domain names that are material to our business:

	Domain name	Registrant	Expiration date
(i)	waichi.com	Wai Chi Group	18 February 2016
(ii)	waichiholdings.com	Wai Chi Group	12 February 2024

4. Patents

As of the Latest Practicable Date, our Group has registered the following patents in the PRC:

	Patent	Type	Application no.	Application date	Patent holder
(i)	New medical film viewerlight	Utility Patent	ZL200620122380.7	10 July 2006	Shenzhen Wai Chi
(ii)	Light-diffusing LED light source	Utility Patent	ZL20062 0123718.0	6 July 2006	Shenzhen Wai Chi
(iii)	Hand crank rechargeable flash light	Utility Patent	ZL20052006210 6.0	2 August 2005	Shenzhen Wai Chi
(iv)	An Energy-saving LED street light with novel structure	Utility Patent	ZL200820131719.9	23 July 2008	Shenzhen Wai Chi
(v)	PCB plastic shell integration package LED lighting	Utility Patent	ZL200820235044.2	15 December 2008	Shenzhen Wai Chi
(vi)	White LED dispenser with novel structure	Utility Patent	ZL201020640144.0	1 December 2010	Shenzhen Wai Chi
(vii)	An Environmental friendly energy-saving LED advertisement light strip	Utility Patent	ZL201020619089.7	22 November 2010	Shenzhen Wai Chi
(viii)	A small and medium size LED backlight with a positioning device	Utility Patent	ZL 201120322113.5	30 August 2011	Shenzhen Wai Chi
(ix)	A medium size LED backlight utilizing a single display LED	Utility Patent	ZL 201120322129.6	30 August 2011	Shenzhen Wai Chi
(x)	a three-piece LED backlight suitable for applications in complex structures with narrow rims	Utility Patent	ZL201120322140.2	30 August 2011	Shenzhen Wai Chi
(xi)	A LED backlight with wedge-shaped light guide plate	Utility Patent	ZL201120322167.1	30 August 2011	Shenzhen Wai Chi
(xii)	A novel mobile phone backlight for a main screen with a rimless structure	Utility Patent	ZL201320194609.8	18 April 2013	Shenzhen Wai Chi
(xiii)	A LED light (for use in petrol stations)	Design Patent	ZL201130300766.9	30 August 2011	Shenzhen Wai Chi
(xiv)	An environmental friendly energy-saving LED light	Utility Patent	ZL 201120446567.3	10 November 2011	Huizhou Electronics
(xv)	An environmental friendly energy-saving LED T5 light tube	Utility Patent	ZL201120446550.8	10 November 2011	Huizhou Electronics

	Patent	Type	Application no.	Application date	Patent holder
(xvi)	An environmental friendly energy-saving LED T8 light tube	Utility Patent	ZL201120446577.7	10 November 2011	Huizhou Electronics
(xvii)	A solar powered LED street light controller	Utility Patent	ZL201120446572.4	10 November 2011	Huizhou Electronics
(xviii)	An environmental friendly energy-saving double- sided LED advertisement light strip	Utility Patent	ZL201120118518.7	19 April 2011	Huizhou Electronics
(xix)	A LED light bulb with plastic casing	Utility Patent	ZL201120118505.X	19 April 2011	Shenzhen Wai Chi
(xx)	An environmental friendly energy-saving LED wall lamp	Utility Patent	ZL201120118526.1	19 April 2011	Shenzhen Wai Chi
(xxi)	A lighting fixture for LED	Utility Patent	ZL201220559936.4	26 October 2012	Huizhou Electronics
(xxii)	A novel LED glass light tube	Utility Patent	ZL201320340666.2	14 June 2013	Huizhou Electronics
(xxiii)	A backlight source with a rimless structure	Utility Patent	ZL201320415208.0	12 July 2013	Huizhou Electronics
(xxiv)	A LED fishing light with a novel structure	Utility Patent	ZL201320415165.6	12 July 2013	Huizhou Electronics
(xxv)	A new high power LED light source	Utility Patent	ZL201320416042.4	12 July 2013	Huizhou Electronics
(xxvi)	A LED backlight with built in antistatics	Utility Patent	ZL201320439599.X	23 July 2013	Shenzhen Wai Chi

As of the Latest Practicable Date, our Group had registered the following patent in Hong Kong:

Patent	Type	Patent No.	Registration date	Patent holder
LED wall lamp	Patent	HK1150144	4 November 2011	Wai Chi Opto

As of the Latest Practicable Date, our Group has filed applications for registration of the following patents in the PRC:

	Patent	Type	Application no.	Application date	Patent holder
(i)	A new LED light source	Invention	201110354114.2	25 October 2011	Shenzhen Wai Chi
(ii)	A plastic shell LED light bulb and its craftsmanship	Invention	201110100079.1	19 April 2011	Huizhou Electronics
(iii)	A new cooling method	Invention	201210049077.9	29 February 2012	Huizhou Electronics
(iv)	A LED lighting and its craftsmanship	Invention	201210421225.5	26 October 2012	Huizhou Electronics
(v)	Miniature LED plant factory	Invention	201310052139.6	6 February 2013	Huizhou Electronics
(vi)	A novel high-power LED light source and the methodology for its implementation	Invention	201310293451.4	12 July 2013	Huizhou Electronics
(vii)	A wireless control system for novel high-power fishing lights	Invention	201310292939.5	12 July 2013	Huizhou Electronics

	Patent	Type	Application no.	Application date	Patent holder
(viii)	A novel LED fishing light	Invention	201310292983.6	12 July 2013	Huizhou Electronics
(ix)	A blast- proof glass LED light tube	Utility Patent	201320340556.6	14 June 2013	Huizhou Electronics

5. Copyrights

As of the Latest Practicable Date, our Group has registered the following computer software copyrights:

Registrant	Title of Computer Software	Computer Software Copyright Registration Certification Number	Place of Registration	Registration Date
Shenzhen Wai Chi	背光源BM-7自動測光控制系統軟件 (BM-7 backlight unit automatic luminance measuring program*)	2011SR030556	PRC	21 May 2011
Shenzhen Wai Chi	三軸數控LED專用點膠控制系統軟件 (Triaxial LED dispensing data control system*)	2011SR030547	PRC	21 May 2011

* *English translation*

Save as disclosed above, there are no other copyrights, patents or other intellectual property rights that are material to our business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUBSTANTIAL SHAREHOLDERS, SENIOR MANAGEMENT AND STAFF

1. Directors' interests and short positions in the share capital and debentures of our Company and its associated corporations

Immediately following the completion of the Share Offer (but without taking account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options which have been or may be granted under the Share Option Scheme), the interest or short positions of our Directors in the Shares, underlying Shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, once the Shares are listed are as follows:

Interest in the Shares of our Company

Name of Director	Nature of interest	Number and class of Shares	Approximate percentage of shareholding immediately after completion of the Share Offer
Mr. Yiu	Interest of a controlled corporation(1)	120,000,000	75%

(1) Mr. Yiu beneficially owns 100% of the issued share capital of Rexell Technology Company Limited. By virtue of the SFO, Mr. Yiu is deemed to be interested in 120,000,000 Shares held by Rexell Technology Company Limited.

2. Particulars of Directors' service agreements

Each of our executive Directors and independent non-executive Directors has entered into a service agreement with our Company on 27 October 2014 for a term of three years commencing from the Listing Date, and such service agreement may be terminated in accordance with the terms of the service agreements.

Save as disclosed above, none of our Directors has entered or has proposed to enter into any service agreements with our Company or any member of our Group (other than agreements expiring or terminable by the employer within one year without payment of compensation other than statutory compensation).

3. Substantial shareholders' interests and short positions in the share capital and debentures of our Company and its associated corporations

So far as our Directors are aware, immediately following the completion of the Share Offer and the Capitalisation Issue (without taking into account of any Shares which may be issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme), the following persons (other than a Director or the chief executive of our Company) will have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Interest in the Shares of our Company

Name	Nature of interest	Number and class of Shares	Approximate percentage of shareholding immediately after completion of the Share Offer
Rexell Technology	Beneficial owner	120,000,000	75%
Mr. Yiu[(1)]	Interest of controlled corporation	120,000,000	75%
Ms. Luk Fong[(2)]	Interest of spouse	120,000,000	75%

(1) Mr. Yiu beneficially owns 100% of the issued share capital of Rexell Technology Company Limited. By virtue of the SFO, Mr. Yiu is deemed to be interested in 120,000,000 Shares held by Rexell Technology Company Limited.

(2) Ms. Luk Fong is the spouse of Mr. Yiu. By virtue of the SFO, Ms. Luk Fong is deemed to be interested in 120,000,000 Shares held by Rexell Technology Company Limited.

4. Remuneration of Directors

The aggregate amount of salaries, allowances, discretionary bonus and retirement benefits scheme contributions paid and benefits in kind granted to our Directors for each of the three years ended 31 December 2011, 2012 and 2013, and the six months ended 30 June 2014 were approximately HK$2.0 million, HK$3.0 million, HK$3.0 million and HK$2.0 million, respectively.

Under the arrangements currently in force, the estimated aggregate remuneration payable to, and benefits in kind receivable by (excluding any discretionary bonus), our Directors in respect of the year ending 31 December 2014 will be approximately HK$4.1 million.

5. Agency fees or commissions received

Save as disclosed in this prospectus, no commission, discounts, brokerages or other special terms were granted within the two years preceding the date of this prospectus in connection with the issue or sale of any capital of any member of our Group.

6. Disclaimers

Save as disclosed in this prospectus:

(i) none of our Directors or chief executive of our Company has any interest or short position in the Shares, underlying Shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies once the Shares are listed;

(ii) none of our Directors or experts referred to under the heading "Consent of experts" in this appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(iii) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;

(iv) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));

(v) excluding Shares which may be taken up under the Share Offer, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Share Offer, have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of

Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group;

(vi) none of the experts referred to under the heading "Consent of experts" in this appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and

(vii) so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the Listing Rules) or Shareholders of our Company who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

D. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally approved by a resolution of our sole shareholder of our Company passed on 27 October 2014 and adopted by a resolution of our Board on 27 October 2014. The terms of the Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules.

1. Purpose

The purpose of the Share Option Scheme is to recognise and acknowledge the contributions of the Eligible Participants (as defined in paragraph D.2 below) to the Group by granting options to them as incentives and rewards.

The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable our Group to reward employees, our Directors and other selected participants for their contributions to our Group. Given that under the Share Option Scheme the Board is entitled to impose any conditions, restrictions or limitations as it may think fit when making an offer to grant options ("Offer"), and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by our Directors, it is expected that the grantees of an option will make an effort to contribute to the development of our Group so as to bring about an increased market price of the Shares in order to capitalise on the benefits of the options granted.

2. Eligible Participants

The Board may during the Scheme Period (as defined in paragraph D.10 below) at its absolute discretion (subject to any conditions as it may think fit) offer to grant options to subscribe for such number of Shares as the Board may determine at an option price determined in accordance with paragraph D.3 below to the following persons ("Eligible Participants"):

(i) any executive, employee, director (including non-executive director and independent non-executive director), consultant, adviser and/or agent of any member of the Group (or person(s) proposed to be appointed as such provided that the Offer to such proposed appointee(s) shall be conditional upon the proposed appointment taking effect); and

(ii) other individuals as may be proposed by the Board.

3. Option Price

The subscription price of a Share payable on the exercise of any option granted under the Share Option Scheme shall be such price as determined by the Board, save that such price shall at least be the highest of:

(i) the nominal value of the Shares;

(ii) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of Offer, which must be a day on which the Stock Exchange is open for the business of dealing in securities ("Business Day"); and

(iii) the average closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date of Offer;

or (where applicable) such price as from time to time adjusted pursuant to the Share Option Scheme.

4. Acceptance of Offer

HK$1.00 is payable by an Eligible Participant on acceptance of an Offer. Any Offer may be accepted, in whole or in part, in a board lot of dealing in Shares on the Stock Exchange or an integral multiple thereof and in writing received by any Director or the secretary of the Company until 5:00 p.m. on the date specified in the Offer provided that no such Offer shall be open for acceptance after the expiry of the Scheme Period (as defined in paragraph D.10 below) or after the Share Option Scheme has been terminated in accordance with the rules thereof.

5. Maximum Number of Shares in respect of which Options may be Granted

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other schemes of the Group must not in aggregate exceed 10% of the Shares in issue as at the Listing Date ("Limit") unless further Shareholders' approval has been obtained pursuant to the rules of the Share Option Scheme. Options which have lapsed in accordance with the terms of the Share Option Scheme will not be counted for the purpose of calculating the Limit.

Subject to the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Company may refresh the Limit at any time provided that:

(i) the Limit as refreshed does not exceed 10% of the Shares in issue as at the date of the approval by the refreshed Limit;

(ii) the options previously granted (including those outstanding, cancelled, lapsed in accordance with the provisions of the Share Option Scheme or exercised options) will not be counted for the purpose of calculating the Limit as refreshed; and

(iii) a circular containing the information and the disclaimer, respectively required under Rules 17.02(2)(d) and Rule 17.02(4) of the Listing Rules shall be despatched to the Shareholders together with the notice of the relevant general meeting.

The Company may also with the approval of Shareholders in general meeting grant options in respect of Shares in excess of the Limit or the referred Limit (as the case may be) to Eligible Participants specifically identified by the Company before such approval is sought. The circular issued by the Company to the Shareholders in respect of such a grant of options shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 17.02(2)(d), the disclaimer required under Rule 17.02(4) of the Listing Rules together with the notice of the relevant general meeting.

Notwithstanding the foregoing, the total number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Company at anytime shall not exceed 30% of the Shares in issue from time to time. No Offer may be made under any schemes of the Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded.

6. Maximum entitlement of each Eligible Participant

The total number of Shares issued and which fall to be issued upon an exercise of the options granted and to be granted under the Share Option Scheme and any other schemes of the Group (including both exercised and outstanding options) to each Eligible Participant in any period of 12 consecutive months up to and including the date of grant of the options shall not exceed 1% of the Shares in issue as at the date of grant of the options.

Any further grant of options in excess of this 1% limit shall be subject to:

(i) the issue of a circular by the Company disclosing the identity of the Eligible Participant, the number of and terms of the options granted and to be granted (and options previously granted to such participant) and the information as required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules together with the notice of the relevant general meeting;

(ii) the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his close associates abstaining from voting;

The number and terms (including the option price) of options to be granted to such Eligible Participant must be fixed before the Shareholders' approval and the date of the Board meeting at which the Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant of the options for the purpose of calculating the option price.

7. Granting options to connected persons

Any grant of options to a director, chief executive (as defined in the Listing Rules) or substantial shareholder (as defined in the Listing Rules) of the Company or any of their respective close associates is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is proposed to be an option holder).

If the Company proposes to grant options to a substantial shareholder (as defined in the Listing Rules) or any independent non-executive director of the Company or their respective associates which will result in the number of Shares issued and to be issued upon exercise of all options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% of the Shares in issue; and

(ii) having an aggregate value in excess of HK$5 million, based on the closing price of the Shares at the date of each grant,

such further grant of options will be subject to the issue of a circular by the Company together with the notice of the relevant general meeting and the approval of the Shareholders in general meeting at which all Connected Persons of the Company shall abstain from voting in favour of the relevant resolution at such general meeting except that any Connected Person may vote against the relevant resolution at the general meeting provided that his intention to vote against the proposed grant has been stated in the Shareholders' circular, and/or such other requirements prescribed under the Listing Rules from time to time.

8. Restrictions on the times of grant of options

No offer shall be made after any inside information has come to the knowledge of the Company until such inside information has been published in accordance with the requirements of the Listing Rules. In particular, no Offer may be made during the period commencing one month immediately preceding the earlier of:

(i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and

(ii) the deadline for the Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the date of publication of the results announcement.

The Directors must not make any offer to an Eligible Participant who is a Director during the periods or times in which the Directors are prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by the Company.

9. Rights are personal to option holder

An option is personal to the option holder. No option holder shall in any way sell, transfer, assign, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any other person over or in relation to any options, except for the transmission of an option on the death of the option holder to his personal representative(s) on terms of the Share Option Scheme.

10. Exercise period and duration of the Share Option Scheme

Subject to the rules of the Share Option Scheme, options may be exercised by an Eligible Participant, in whole or in part, at any time during the period commencing from the date of grant and ending on such date as the Board may determine in granting the option, but in any event not exceeding ten years from the date of grant except that no option may be exercised until the expiry of 12 months after the date of grant of the options. Subject to earlier termination by the Company in general meeting, the Share Option Scheme shall be valid and effective for a period commencing from 27 October 2014 and expiring at 5:00 p.m. on the business day preceding the tenth anniversary of such date ("Scheme Period").

11. Rights of exercise for option holders

An Eligible Participant to whom any option is granted is not required to achieve any performance target before an option can be exercised.

No Director shall deal in any securities of the Company unless he fully complies with the provisions of the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules.

In the event that an option holder ceases to be an Eligible Participant under the Share Option Scheme during any relevant option period by reason of ill-health, injury, disability or death or because his employing company ceases to be a member of the Group before exercising his options in full, the option holder or his personal representative, as the case may be, may exercise the options (to the extent not already exercised) within a period of six months of such ill-health, injury, disability or death or cessation, failing which such options will lapse and determine at the end of the relevant period.

In the event that an option holder ceases to be an Eligible Participant under the Share Option Scheme by reason of retirement in accordance with his contract of employment or upon expiration of his contract of employment or term of directorship before exercising his options in full, the option holder may exercise the options (to the extent not already exercised) within a period of six months after he so retires or expiration of his contract of employment or term of directorship, failing which such options will lapse and determine at the end of the relevant period.

In the event that an option holder ceases to be an Eligible Participant under the Share Option Scheme by reason of voluntary resignation other than by reason of the circumstances set out above or by termination of his employment in accordance with the termination provisions of his contract of employment by his employing company before exercising his options in full, such options will lapse and determine on the date of the resignation or termination.

12. Discretion of the Board

Notwithstanding the aforesaid in paragraph D.11 above, in each case, the Board may in its absolute discretion decide that any option shall not so lapse or determine subject to such conditions or limitations as the Board may decide.

13. Rights on general offers

If a general offer by way of takeover is made to all the Shareholders and the offeror shall have obtained control of the Company as a consequence, option holders shall, subject to paragraph D.11 above, be entitled at any time within the period of one month after control has been obtained to exercise the option in whole or in part (to the extent not already exercised). Save as otherwise provided for in the rules of the Share Option Scheme, any option that has not been so exercised within the one-month period shall cease and determine.

14. Rights on winding-up

In the event a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, each option holder shall be entitled to exercise all or any of his or her options (to the extent not already exercised) at any time thereafter until such resolution is duly passed or defeated or the general meeting concluded or adjourned sine die, whichever shall first occur. If such resolution is duly passed, all options shall, to the extent that they have not been exercised, lapse and determine and all outstanding Offer shall lapse.

15. Rights on compromise or arrangement between the Company and its members or creditors

If a compromise or arrangement between the Company and its members or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other companies pursuant to the laws of the jurisdiction in which the Company was incorporated, the Company shall give notice to all the option holders on the same date as it gives notice of the meeting to its members or creditors summoning the meeting to consider such compromise or arrangement and each option holder (or where permitted his personal representative) shall forthwith be entitled to exercise his or her option until the earlier of the date two months thereafter or the date on which the compromise or arrangement is sanctioned by the court. But the exercise of the option as aforesaid shall be conditional upon the compromise or arrangement being sanctioned by the court and becoming effective.

Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine and all outstanding Offer shall lapse.

16. Ranking of Shares issued upon exercise of options

The Shares to be allotted and issued upon the exercise of an option will not carry voting rights until completion of the registration of the option holder (or any other person nominated by the option holder) as the Shareholder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank pari passu in all respects with Shares in issue on the date of the exercise and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation, as attached to the other fully-paid Shares in issue on the date of exercise, save that they will not rank for any dividend or other distribution declared or recommended or resolved to be paid or made by reference to a record date falling on or before the date of exercise.

17. Effect of alterations to capital

Upon any variation in the share capital of the Company arising from any reduction, sub-division or consolidation of share capital, any rights issue or the issue of any share capital by way of capitalisation of profits or reserves or in connection with an open offer to the Shareholders (each a "**Relevant Event**"), the number or nominal amount of Shares comprised in each option and/or the option price thereunder may be adjusted in any manner as the Board (having received a statement in writing from the auditors of the Company or an approved independent financial adviser that in their/its opinion the adjustments proposed satisfy the requirements of the note to Rule 17.03(13) of the Listing Rules and/or the rules, requirements and guidelines issued by the Stock Exchange from time to time) may deem appropriate provided always that:

(i) no increase shall be made in the aggregate subscription price relating to any option;

(ii) any adjustments should give each option holder the same proportion of the share capital of the Company as that to which he was previously entitled prior to such adjustments;

(iii) no adjustments shall be made which will enable a Share to be issued at less than its nominal value; and

(iv) where the Relevant Event arises from an issue of Shares, references to options shall include references to options that have been exercised prior to the date of the adjustment in respect of Shares which otherwise do not rank and are not entitled to participate in the issue by reason of the option holder not having been then registered as the holder of the relevant Shares.

18. Lapse of options

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

(i) the date of expiry of the Scheme Period;

(ii) the date of lapse as provided in paragraphs D.11, 13, 14 or 15 above; and

(iii) the date on which the option holder commits a breach of paragraph D.9 above.

19. Alteration of the Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

(i) any alteration to the advantage of the option holders or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; and

(ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted,

shall first be approved by the Shareholders in general meeting except where the proposed alteration takes effect automatically under the existing terms of the Share Option Scheme. Any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by Shareholders in general meeting.

20. Cancellation of options

Any unexercised option may be cancelled if the relevant option holder so agrees. Issuance of new options to the same option holder may only be made if there are unissued options available under the Share Option Scheme (excluding the cancelled options) within the Limit or the Limit as refreshed pursuant to paragraph D5 and in compliance with the terms of the Share Option Scheme in force from time to time.

21. Termination of the Share Option Scheme

The Company may by ordinary resolution in general meeting at any time terminate the Share Option Scheme and in such event no further options shall be granted but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option

Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

22. Administration of the Share Option Scheme

The Share Option Scheme shall be administered by the Board whose decision (save as otherwise provided therein) shall be final and binding on all parties.

23. Condition of the Share Option Scheme

The Share Option Scheme is conditional upon: (1) the approval for the listing of, and permission to deal in, the Shares in issue and to be issued, and any Shares to be issued pursuant to the exercise of Options under the Share Option Scheme, being granted by the Listing Committee of the Stock Exchange; (2) the Share Offer becoming unconditional and not being terminated according to the terms thereof; and (3) the commencement of dealing of the Shares on the Stock Exchange.

24. Present status of the Share Option Scheme

As at the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee of the Stock Exchange for listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

25. Value of Options

Our Directors consider it inappropriate to disclose the value of the options which may be granted under the Share Option Scheme as if they had been granted at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. Our Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and to a certain extent would be misleading to investors.

E. OTHER INFORMATION

1. Tax

Dealings in the Shares will be subject to Hong Kong stamp duty.

Intending holders of the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasized that none of us, our Directors or any other parties involved in the Share Offer accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in the Shares.

2. Estate duty and tax indemnities

The Controlling Shareholders have entered into a deed of indemnity with and in favor of our Company (for itself and as trustee for each of our subsidiaries) (being the contract referred to in paragraph (v) of the sub-section headed "Summary of material contracts" in this Appendix) to provide indemnities on a joint and several basis, in respect of, among other matters, (i) any liability for Hong Kong estate duty which might be incurred by any member of our Group, by reason of any transfer of property (within the meaning of Sections 35 and 43 of the Estate Duty Ordinance, Chapter 111 of the Laws of Hong Kong, as amended by The Revenue (Abolition of Estate Duty) Ordinance 2005, or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any member of our Group at any time on or before the Listing Date whether alone or in conjunction with any other circumstances whenever occurring and whether or not the tax liabilities are chargeable against or attributable to any other person, firm, company or corporation; and (ii) tax liabilities (including all reasonable fines, penalties, costs, charges, expenses and interest relation to taxation) which might be payable by any member of our Group in respect of any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into or occurring on or before the Listing Date.

3. Other indemnities

The Controlling Shareholders have also entered into a separate deed of indemnity with and in favor of our Company (for itself and as trustee for each of our subsidiaries) (being the contract referred to in paragraph (vi) of the sub-section headed "Summary of material contracts" in this Appendix) to indemnify our Group from and against all claims, damages, losses, costs, expenses, actions and proceedings (if any) arising out of or in connection with any non-compliance or alleged non-compliance by any member company of our Group or the owner/lessor of the Shenzhen Leased Site with any applicable PRC rules, regulations and laws in relation to the Shenzhen Leased Site, including but not limited to, (a) the penalties that may be imposed on our Group in relation to such non-compliance or alleged non-compliance; (b) the costs, expenses and losses that may arise from our Group being forced to move out of the Shenzhen Production Plant as a result of such non-compliance (including without limitation) (i) the losses and damages that may be incurred and suffered by our Group due to the cessation of production during the period of relocation; and (ii) the costs and expenses that may arise from and be sustained by our Group in connection with the relocation of the production lines and equipment and personnel from the Shenzhen Production Plant to the Huizhou Production Plant.

The Controlling Shareholders have further undertaken to indemnify the Group against the costs arising from or in connection with the relocation, including (i) relocation and testing expenses relating to the relocation of machinery, production lines and office equipment; (ii) expansion of the staff restaurant in our Huizhou Production Plant; (iii) the procurement of supplemental equipment and machinery; (iv) the training and recruitment costs; (v) any rental payable by the Group under such lease agreement(s) for the period after the relocation has taken place and until expiry of such lease agreement(s) in the event of any fixed term lease agreement(s) in respect of any part of the Shenzhen Leased Site that cannot be terminated prior to the expiry of the relevant term; and (vi) the relocation insurance (if any).

4. Litigation

Our Directors confirm that, as of the Latest Practicable Date, save as disclosed in the section headed "Business — Legal Compliance", no litigation, arbitration, proceedings or claims of material importance are pending, in process or threatened against any member of our Group that would have a material adverse effect on the results of operations or financial condition of our Group.

5. The Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for listing of, and permission to deal in our Shares to be issued pursuant to the Share Offer (including any Shares to be issued pursuant to the exercise of the Over-allotment Option and the options to be granted under the Share Option Scheme). All necessary arrangements have been made enabling the securities to be admitted to CCASS.

6. Sole Sponsor and Fees

The Sole Sponsor has made an application on our behalf to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, our Shares to be issued as mentioned in this prospectus.

Our Company agreed to pay the Sole Sponsor a fee of HK$4.0 million as the sponsor to our Company for the Share Offer (the "Sponsor Fee"). The Sponsor Fee relates solely to services provided by the Sole Sponsor in the capacity of a sponsor, and not other services which it may provide, such as (without limitation) bookbuilding, pricing and underwriting.

7. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK$62,700.00 and are payable by our Company.

8. Promoters

Our Company has no promoter for the purposes of the Listing Rules.

9. Qualifications of experts

The qualifications of the experts who have given an opinion or advice in this prospectus as follows:

Name	Qualification
Changjiang Corporate Finance (HK) Limited	Licensed corporation under the SFO to carry Type 6 (advising on corporate finance) regulated activities as defined in the SFO
SHINEWING (HK) CPA Limited	Certified Public Accountants
Conyers Dill & Pearman (Cayman) Limited	Cayman Islands attorneys at law
Jun He Law Offices	PRC legal adviser to the Company
RHL Appraisal Limited	Property valuer

10. Consent of experts

Each of the experts referred to in paragraph E.9 above has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report(s) and/or letter(s) and/or opinion(s) and/or the reference(s) to its name included herein in the form and context in which they are respectively included.

11. Interests of experts in our Company

None of the persons named in paragraph E.9 of this Appendix is interested beneficially or otherwise in any Shares or shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares or securities in any member of our Group.

12. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (WUMP) Ordinance so far as applicable.

13. No material adverse change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 30 June 2014 (being the date to which the latest audited consolidated financial statements of our Group were prepared).

14. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

F. MISCELLANEOUS

(i) Save as disclosed in this prospectus, within the two years preceding the date of this prospectus:

(a) no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for consideration other than cash;

(b) no Share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(c) no founders or management or deferred Shares of or any debentures in our Company or any of its subsidiaries have been issued or agreed to be issued;

(d) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of its subsidiaries;

(e) no commission has been paid or payable, except for the commission payable to the Underwriters, for subscription of, agreeing to subscribe or procuring subscription of any shares in our Company or any of its subsidiaries; and

(f) we have no outstanding convertible debt securities.

(ii) Our Directors confirm that there has not been any interruption in the business of our Group which may have or have had a material adverse effect on the financial position of our Group in the 12 months preceding the date of this prospectus.

(iii) No company within our Group is presently listed on any stock exchange or traded on any trading system.

(iv) All necessary arrangements have been made to enable our Shares to be admitted into CCASS for clearing and settlement.

(v) There are no arrangements in existence under which future dividends are to be or agreed to be waived.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were (i) copies of the **WHITE**, **YELLOW**, and **GREEN** Application Forms; (ii) copies of each of the material contracts referred to in the section headed "Appendix V — Statutory and General Information — B. Further Information about our Business — 1. Summary of material contracts"; (iii) the written consents referred to in "Appendix V — Statutory and General Information — E. Other Information — 8. Consent of experts".

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Minter Ellison, Level 25, One Pacific Place, 88 Queensway, Admiralty, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) our Memorandum and the Articles;

(b) the Accountant's Report on the financial information of our Group and the for the three financial years ended 31 December 2013 and six months ended 30 June 2014, the text of which is set out in Appendix I to this prospectus;

(c) the report from SHINEWING (HK) CPA Limited on the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;

(d) the property valuation report prepared by RHL Appraisal Limited, the text of which is set out in Appendix III to this prospectus.

(e) the material contracts referred to in the section headed "Appendix V — Statutory and General Information — B. Further Information about our Business — 1. Summary of material contracts";

(f) the written consents referred to in "Appendix V — Statutory and General Information — E. Other Information — 8. Consent of experts";

(g) the legal opinions prepared by Jun He Law Offices, our legal advisor as to the PRC law, in respect of certain aspects of our Group and the property interest;

(h) the research report prepared by Euromonitor International Limited;

(i) the letter prepared by Conyers Dill and Pearman (Cayman) Limited summarizing certain aspects of Cayman Islands company law referred to in Appendix IV to this prospectus;

(j) the Share Option Scheme; and

(k) the Companies Law.

Wai Chi Holdings Company Limited
偉志控股有限公司