丘鈦科技(集團)有限公司

Q Technology (Group) Company Limited

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE : **1478**

GLOBAL OFFERING

Sole Sponsor

中信証券國際
CITIC Securities International

Sole Global Coordinator

CLSA
A CITIC Securities Company

Joint Bookrunners and Joint Lead Managers

CLSA
A CITIC Securities Company

DBS

IMPORTANT

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

Q TECHNOLOGY (GROUP) COMPANY LIMITED
丘鈦科技(集團)有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering :	**250,000,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares :	**25,000,000 Shares (subject to adjustment)**
Number of International Offer Shares :	**225,000,000 Shares (subject to adjustment and the Over-allotment Option)**
Maximum Offer Price :	**HK$3.60 per Offer Share, plus brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value :	**HK$0.01 per Share**
Stock code :	**1478**

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A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix V to 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 for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around 26 November 2014 and, in any event, not later than 30 November 2014. The Offer Price will not be more than HK$3.60 and is currently expected to be not less than HK$2.79. Investors applying for Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK$3.60 for each Offer Share together with a brokerage of 1.0%, a SFC transaction levy of 0.0027% and a Stock Exchange trading fee of 0.005%.

The Sole Sponsor and the Joint Bookrunners, for themselves and on behalf of the Underwriters, may, with our consent, reduce the number of Offer Shares and/or the indicative Offer Price range stated in this prospectus (which is HK$2.79 to HK$3.60 per Offer Share) at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, notice of the reduction in the number of Offer Shares and/or the indicative Offer Price range will be published in The Standard (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Such notice will also be available at the website of the Stock Exchange at **www.hkexnews.hk** and our website at **qtechglobal.com**. Further details are set out in the sections headed "Structure and Conditions of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

If, for any reason, the Joint Bookrunners (for themselves and on behalf of the Underwriters) and us are unable to reach an agreement on the Offer Price by 30 November 2014, the Global Offering will not become unconditional and will lapse immediately.

Prospective investors should note that the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe, and to procure subscribers for, the Hong Kong Offer Shares are subject to termination by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) if certain events shall occur prior to 8:00 a.m. on the day on which trading in our Shares commences on the Stock Exchange. Such grounds are set out in the section headed "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 U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirement under the U.S. Securities Act.

20 November 2014

Latest time to complete electronic applications under the **White Form eIPO** service through the designated website at **www.eipo.com.hk**[2]	11:30 a.m. on Tuesday, 25 November 2014
Application lists of the Hong Kong Public Offering open[3]	11:45 a.m. on Tuesday, 25 November 2014
Latest time to complete payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Tuesday, 25 November 2014
Latest time to lodge **White** and **Yellow** Application Forms	12:00 noon on Tuesday, 25 November 2014
Latest time to give **electronic application instructions** to HKSCC[4]	12:00 noon on Tuesday, 25 November 2014
Application lists of the Hong Kong Public Offering close	12:00 noon on Tuesday, 25 November 2014
Expected Price Determination Date[5]	Wednesday, 26 November 2014

Announcement of:

- the Offer Price
- the level of indications of interest in the International Offering;
- the level of applications under the Hong Kong Public Offering; and
- the basis of allotment of the Hong Kong Offer Shares

to be published in The Standard (in English) and the Hong Kong Economic Times (in Chinese), on the website of the Stock Exchange at **www.hkexnews.hk** and on the website of our Company at **qtechglobal.com** on or before	Monday, 1 December 2014
Announcement of results of allotment in the Hong Kong Public Offering (with successful applicants' identification document numbers where applicable) available through a variety of channels as described in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus	Monday, 1 December 2014
Results of allocations in the Hong Kong Public Offering will be available at **www.iporesults.com.hk** with a "search by ID" function	Monday, 1 December 2014
Despatch of Share certificates in respect of wholly or partially successful applications on or before	Monday, 1 December 2014

Despatch of refund cheques (if applicable) in respect of wholly and partially successful applications (if applicable) or wholly or partially unsuccessful applications on or before . . . . Monday, 1 December 2014

Despatch of **White Form eIPO** e-Refund payment (if applicable) in respect of wholly and partially successful applications (if applicable) or wholly or partially unsuccessful applications on or before[6] . . . . Monday, 1 December 2014

Dealings in our Shares on the Stock Exchange expected to commence on . . . . Tuesday, 2 December 2014

Notes:

(1) All dates and times refer to Hong Kong dates and times, except otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure and Conditions of the Global Offering" in this prospectus. If there is any change in the above expected timetable, we will issue a separate announcement in Hong Kong to be published in The Standard (in English) and the Hong Kong Economic Times (in Chinese).

(2) You will not be permitted to submit your application through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application 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.

(3) 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 Tuesday, 25 November 2014, the application lists will not open and close on that day. Please refer to the section headed "How to Apply for Hong Kong Offer Shares — Effect of bad weather on the opening of the application lists" in this prospectus.

(4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for Hong Kong Offer Shares — Applying by giving **electronic application instructions** to HKSCC" in this prospectus.

(5) The Price Determination Date is expected to be on or about Wednesday, 26 November 2014, and in any event will not be later than Sunday, 30 November 2014. If, for any reason, the Offer Price is not agreed on or before Sunday, 30 November 2014, the Global Offering will not proceed and will lapse.

(6) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the Offer Price is less than the price payable on application.

Share certificates will only become valid certificates of title if the Global Offering has become unconditional in all respects and the Underwriting Agreements have not been terminated in accordance with its terms, which is expected to be at or around 8:00 a.m., on Tuesday, 2 December 2014. Investors who trade in our Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.

If you apply by **White** or **Yellow** Application Form, subject to personal collection as mentioned in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **Yellow** Application Forms, share certificates will be deposited into CCASS as described in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus); and
- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

You should read carefully the sections headed "Underwriting", "Structure and Conditions of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus for details relating to the structure of the Global Offering, how to apply for Hong Kong Offer Shares and the expected timetable including, inter alia, applicable conditions, the effect of bad weather, and the despatch of refund cheques and Share certificates.

We will publish an announcement in case there is any change in the expected timetable of the Hong Kong Public Offering as described above.

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IMPORTANT NOTICE TO INVESTORS

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

You should rely only on the information contained in this prospectus to make your investment decision. We have not authorised anyone to provide you with different information. Any information or representation not included in this prospectus must not be relied on by you as having been authorised by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers or representatives or any other person or party involved in the Global Offering.

CONTENTS

This summary aims to give you an overview of the information contained in this prospectus. As it is 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.

OVERVIEW

We are a leading PRC-based camera module manufacturer focusing on mid-to-high end camera module market for Chinese branded smart phone and tablet PC manufacturers. According to CCID Consulting, we were one of the first few manufacturers in China to use COB and COF assembly technologies in the manufacture of camera modules, and are currently one of the four major manufacturers in China that can mass produce camera modules with resolution of 8 mega pixels and higher. According to CCID Consulting, we ranked second and third, respectively, in the PRC camera module market for smart devices in terms of revenue and sales volume in 2013, and ranked third in terms of both revenue and sales volume in the first half of 2014 with a market share of approximately 6.6% and 6.1%, respectively. We also ranked third in the PRC in terms of revenue and sales volume of mid-to-high end camera modules, being camera modules with resolution of 5 mega pixels and higher, in the first half of 2014, with a market share of approximately 8.4% and 9.1%, respectively, according to CCID Consulting. We believe that our precise positioning to focus on mid-to-high end camera module market and our comparatively lower cost base as a PRC-based manufacturer have provided us with distinctive advantages in the fast growing camera module market.

Our founder and chairman, Mr. He Ningning, established our Group in 2007 as he believed that the future prospect of the industry of mobile telecommunication and related products would be promising after engaging and gaining experience in the industry of electrical and electronic products. Since then, we have been primarily engaged in the design, research, development, manufacture and sales of camera modules.

With professional talents and technologies accumulated throughout the years, we are currently able to offer a wide range of high quality AF and FF camera modules with resolution ranging from 3 mega pixels and lower to 16 mega pixels. We are also able to offer super-thin AF camera module prototype with resolution of 20 mega pixels and camera modules with wide-angle lenses (廣角鏡), larger aperture (大光圈) and functions of OIS and Closed-loop control with our latest technologies. According to CCID Consulting, we are also currently one of the few manufacturers in China that can manufacture and sell camera modules with resolution of 16 and 20 mega pixels. For the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, we sold a total of approximately 15.3 million, 23.9 million, 48.2 million and 35.1 million units of camera modules, respectively. For the year ended 31 December 2013 and the six months ended 30 June 2014, approximately 88.5% and 93.5% of our turnover, respectively, was generated from the sales of our camera modules with resolution of 5 mega pixels and higher. We manufacture all our products at our Kunshan Production Base.

We are committed to provide quality products and customer services to our customers. We have received numerous awards and recognitions from our key customers. We received the "Best Service

Award" (最佳服務獎) in 2012 from and were accredited as "The Best Global Partner" (全球最佳合作夥伴) in 2013 by ZTE. We received the "Most Supportive Supplier Award" (最佳支持供應商) in 2012 and "Core Supplier" (核心供應商) from Coolpad in 2013. We also received the "Best Service Award" (優質服務獎) from TCL in 2013.

We have experienced rapid growth during the Track Record Period. From 2011 to 2013, our turnover and profit for the year grew at a CAGR of 123.1% and 108.7%, respectively. The following table sets out our turnover by product category for the periods indicated:

Our camera modules with resolution of[(1)]	**Year ended 31 December**						**Six months ended 30 June**			
	2011		**2012**		**2013**		**2013**		**2014**	
	RMB ('000)	**% of total turnover**	**RMB ('000)**	**% of total turnover**	**RMB ('000)**	**% of total turnover**	**RMB ('000)**	**% of total turnover**	**RMB ('000)**	**% of total turnover**
							(unaudited)			
3 mega pixels and lower[(2)]	271,685	95.8	292,831	45.9	160,467	11.4	119,116	22.2	62,154	6.5
5 mega pixels	10,408	3.7	319,858	50.2	953,162	67.5	335,661	62.5	584,206	60.5
8 mega pixels	—	—	23,132	3.6	281,796	20.0	81,930	15.2	261,637	27.1
13 mega pixels	—	—	42	0.0	13,923	1.0	193	0.0	57,057	5.9
16 mega pixels	—	—	—	—	—	—	—	—	27	0.0
Others[(3)]	1,349	0.5	1,923	0.3	1,265	0.1	600	0.1	—	—
Total:	**283,442**	**100.0**	**637,786**	**100.0**	**1,410,613**	**100.0**	**537,500**	**100.0**	**965,081**	**100.0**

Notes:

1. We only sold camera modules with resolution ranging from 3 mega pixels and lower to 16 mega pixels during the Track Record Period.
2. Our camera modules with resolution of 3 mega pixels and lower primarily include VGAs, CIFs and camera modules with resolution of 0.04 mega pixels, 1 mega pixels, 1.3 mega pixels, 2 mega pixels and 3 mega pixels.
3. Others include sales of other product prototypes to customers.

COMPETITIVE STRENGTHS

We believe that the following competitive strengths have allowed us to achieve rapid growth and profitability and maintain our leading position in the camera module market in the PRC:

- A leading PRC-based manufacturer focusing on the fast growing mid-to-high end camera module market for Chinese branded smart phone and tablet PC manufacturers;
- Strong in-house design, research and development capabilities with advanced testing platform and production facilities;
- Strong customer base, customer-oriented sales strategy and advanced information system;
- Strong and stable relationship with quality suppliers; and
- Experienced management team with a proven track record.

STRATEGIES

We intend to further strengthen our leading position in the PRC camera module market and to raise our profile in the global camera module market. In the short run, we plan to recruit more talents to strengthen our design, research and development capabilities, expand our product offerings, broaden our products' functionality and application, increase our production capacities and enhance our customer-oriented sales strategy. In the mid-to-long run, we plan to explore strategic partnerships and/or acquisitions to achieve vertical business integration and increase our comparative advantage on cost in order to become an internationally recognised high end camera module manufacturer. We plan to achieve our goals by pursuing the following principal strategies:

- Continue to strengthen relationship with our existing customers and suppliers;
- Continue to expand our customer base and raise our profile in the global camera module market;
- Further expand our design, research and development effort on new technologies and software and broaden the functionality and application of our products;
- Further expand our existing production base and manufacturing capabilities; and
- Pursue strategic partnership or acquisition to achieve vertical business integration.

OUR PRODUCTS

We offer a wide range of high quality AF and FF camera modules that can be used in smart phones and tablet PCs. Our camera modules can be generally divided into the following categories: camera modules with resolution of (i) 3 mega pixels and lower; (ii) 5 mega pixels; (iii) 8 mega pixels; (iv) 13 mega pixels; and (v) 16 mega pixels and higher. Our camera modules with resolution of 3 mega pixels and lower are now generally used as front facing camera modules (前置攝像頭) in mobile phones and tablet PCs, while our camera modules with resolution of 8 mega pixels and 13 mega pixels and higher are now generally used as rear camera modules (後置攝像頭) in mobile phones and tablet PCs. Our camera modules with resolution of 5 mega pixels are now used at both the front and the back of mobile phones and tablet PCs. The following table sets out the sales volume and average selling prices of our camera modules by product category for the periods indicated:

Our camera modules with resolution of[(1)]	**Year ended 31 December**						**Six months ended 30 June**			
	2011		**2012**		**2013**		**2013**		**2014**	
	Sales volume ('000 units)	**Average selling price/unit (RMB)**	**Sales volume ('000 units)**	**Average selling price/unit (RMB)**	**Sales volume ('000 units)**	**Average selling price/unit (RMB)**	**Sales volume ('000 units)**	**Average selling price/unit (RMB)**	**Sales volume ('000 units)**	**Average selling price/unit (RMB)**
3 mega pixels and lower[(2)]	15,017	18.1	15,568	18.8	10,310	15.6	7,105	16.8	5,386	11.5
5 mega pixels	217	48.0	7,859	40.7	32,556	29.3	10,837	31.0	23,222	25.2
8 mega pixels	—	—	373	62.0	4,875	57.8	1,319	62.1	5,637	46.4
13 mega pixels	—	—	0.4	116.7	243	57.3[(3)]	2	91.7	884	64.5[(3)]
16 mega pixels	—	—	—	—	—	—	—	—	0.2	136.4
Others[(4)]	84	16.1	130	14.8	199	6.4	131	4.5	—	—
Total:	**15,318**	**18.5**	**23,930**	**26.7**	**48,183**	**29.3**	**19,394**	**27.7**	**35,129**	**27.5**

Notes:

1. We only sold camera modules with resolution ranging from 3 mega pixels and lower to 16 mega pixels during the Track Record Period.
2. Our camera modules with resolution of 3 mega pixels and lower primarily include VGAs, CIFs and camera modules with resolution of 0.04 mega pixels, 1 mega pixels, 1.3 mega pixels, 2 mega pixels and 3 mega pixels.
3. We sold a majority and a small portion of our camera modules with resolution of 13 mega pixels in the second half of 2013 and the first half of 2014, respectively, to one of our overseas customers who provided us with the sensors associated with the manufacture of such camera modules. As such, the selling price of our camera modules with resolution of 13 mega pixels sold to this customer was generally lower than our camera modules with resolution of 13 mega pixels sold to other customers. The average selling price of our camera modules with resolution of 13 mega pixels would be approximately RMB85.2 per unit for the year ended 31 December 2013 and approximately RMB68.8 per unit for the six months ended 30 June 2014 if we take no account of our sales of camera modules with resolution of 13 mega pixels to this customer.
4. Others include sales of other product prototypes to customers.

Due to rapid changes of technologies, market trends and customers' preferences, average selling prices of our newly launched camera modules with higher resolution and better specifications are generally higher than the average selling prices of camera modules with lower resolution and specifications, but generally decrease over time. The average selling price of our camera modules with resolution of 3 mega pixels and lower decreased from RMB18.1 per unit for the year ended 31 December 2011 to RMB15.6 per unit for the year ended 31 December 2013, and further to RMB11.5 per unit for the six month ended 30 June 2014. The average selling price of our camera modules with resolution of 5 mega pixels also decreased from RMB48.0 per unit for the year ended 31 December 2011 to RMB29.3 per unit for the year ended 31 December 2013, and further to RMB25.2 per unit for the six months ended 30 June 2014, and the average selling price of our camera modules with resolution of 8 mega pixels decreased from RMB62.0 per unit since the year of its launch in 2012 to RMB57.8 per unit for the year ended 31 December 2013, and further to RMB46.4 per unit for the six months ended 30 June 2014. We were, however, able to offset the decline in their average selling prices by continuing to develop and launch new products featuring the latest technologies and specifications, which generally have higher selling prices than our existing products. Overall, we were able to generally increase the average selling price of our camera modules during the Track Record Period, from RMB18.5 per unit for the year ended 31 December 2011 to RMB29.3 per unit for the year ended 31 December 2013, and RMB27.5 per unit for the six months ended 30 June 2014. Please also refer to the section headed "Financial information — Principal consolidated income statements components — Turnover" in this prospectus for more details.

The following table sets out our gross profit and gross profit margin by product category for the periods indicated:

Our camera modules with resolution of[1]	Year ended 31 December						Six months ended 30 June			
	2011		2012		2013		2013		2014	
	Gross profit RMB ('000)	Gross profit margin %	Gross profit RMB ('000)	Gross profit margin %	Gross profit RMB ('000)	Gross profit margin %	Gross profit RMB ('000)	Gross profit margin %	Gross profit RMB ('000)	Gross profit margin %
							(unaudited)			
3 mega pixels and lower[2]	32,165	11.8	38,019	13.0	16,531	10.3	10,936	9.2	7,977	12.8
5 mega pixels	1,751	16.8	43,128	13.5	159,565	16.7	45,795	13.6	98,598	16.9
8 mega pixels	—	—	5,909	25.5	52,062	18.5	15,144	18.5	49,700	19.0
13 mega pixels . . .	—	—	42[3]	N/A[3]	5,802	41.7[4]	193[3]	N/A[3]	11,944	20.9[4]
16 mega pixels. . . .	—	—	—	—	—	—	—	—	27[5]	N/A[5]
Others[6].	(39)	(2.9)	(237)	(12.3)	86	6.8	13	2.2	—	—
Total:	**33,877**	**12.0**	**86,861**	**13.6**	**234,046**	**16.6**	**72,081**	**13.4**	**168,246**	**17.4**

Notes:

1. We only sold camera modules with resolution ranging from 3 mega pixels and lower to 16 mega pixels during the Track Record Period.
2. Our camera modules with resolution of 3 mega pixels and lower primarily include VGAs, CIFs and camera modules with resolution of 0.04 mega pixels, 1 mega pixels, 1.3 mega pixels, 2 mega pixels and 3 mega pixels.
3. We sold approximately 360 units and 2,100 units of camera modules with resolution of 13 mega pixels to our customers for the year ended 31 December 2012 and the six months ended 30 June 2013, respectively, as product prototype, and we categorised the corresponding raw material and component costs of RMB29,900 and RMB148,200 for the same periods, respectively, into our research and development expenses as they were costs of product prototypes initially incurred during our research stage. Although these product prototypes were subsequently sold to our customers and generated minimal revenue as presented above, no reclassification of such costs to our costs of sales was made subsequently. Hence, the gross profit margins of such camera modules for the year ended 31 December 2012 and the six months ended 30 June 2013 were considered not meaningful and thus presented as "N/A" in the above table.
4. We sold a majority and a small portion of our camera modules with resolution of 13 mega pixels in the second half of 2013 and the first half of 2014, respectively, to one of our overseas customers who provided us with the sensors associated with the manufacture of such camera modules. As such, the selling price and hence, the gross profit margin of our camera modules with resolution of 13 mega pixels sold to this customer was generally lower than our camera modules with resolution of 13 mega pixels sold to other customers.
5. We sold approximately 200 units of camera modules with resolution of 16 mega pixels to our customers for the six months ended 30 June 2014 as product prototype, and we categorised the corresponding raw material and component costs of RMB20,700 for the same period into our research and development expenses as they were costs of product prototypes initially incurred during our research stage. Although these product prototypes were subsequently sold to our customers and generated minimal revenue as presented above, no reclassification of such costs to our costs of sales was made subsequently. Hence, the gross profit margin of such camera modules for the six months ended 30 June 2014 was considered not meaningful and thus presented as "N/A" in the above table.
6. Others include sales of other product prototypes to customers.

We have maintained a steady growth in our gross profit and gross profit margin during the Track Record Period, primarily as a result of the general decrease in the prices of our principal raw materials and components used, our increased bargaining position with the suppliers and increased production automation and improved production efficiency. During the Track Record Period, we also continued to adjust our product mix in response to the market trends and customers' demand, and develop new products and increase the sales of our camera modules with higher resolution and/or better specifications, which generally had higher average selling prices and higher gross profit margins. Please also refer to the section headed “Financial information — Principal consolidated income statements components — Gross profit and gross profit margin” in this prospectus for more details.

OUR DESIGN, RESEARCH AND DEVELOPMENT

We have a dedicated design, research and development team consisted of a total of 189 staff as of 30 June 2014, to focus on the design, research and development of our products, software and production equipment and the improvement of our production know-how. We are currently able to offer a wide range of high quality AF and FF camera modules with resolution ranging from 3 mega pixels and lower to 16 mega pixels. We are also able to offer super-thin AF camera module prototype with resolution of 20 mega pixels and camera modules with wide-angle lenses (廣角鏡), larger aperture (大光圈) and functions of OIS and Closed-loop control with our latest technologies. According to CCID Consulting, we are also currently one of the few manufacturers in China that can manufacture and sell camera modules with resolution of 16 and 20 mega pixels. In addition, we are able to develop and upgrade some of our software and production equipment, such as OTP burning devices (OTP燒錄機), automated functional testing machines (自動功能測試機) and testing algorithms (測試算法). As of the Latest Practicable Date, we obtained a total of 20 registered patents in the PRC for our new design and development in relation to the manufacture of camera modules. For the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, we incurred approximately RMB8.9 million, RMB25.0 million, RMB51.1 million and RMB33.2 million, respectively, on our design, research and development activities, representing approximately 3.1%, 3.9%, 3.6% and 3.4%, respectively, of our turnover for the same periods.

OUR SALES AND PROCUREMENT

We primarily sell our products to our customers in the PRC. For some of our key customers in the PRC, there is normally a tender process every quarter or half year where we are required to submit a bidding proposal for our customers’ new projects. With our design, research and development capabilities, product quality control and customer-oriented sales strategy, we have gained a reputation and maintained a stable and strong customer base. Our key customers are leading Chinese branded smart phone and tablet PC manufacturers including Lenovo, ZTE, Coolpad, TCL, BBK and Hisense, among which, Lenovo, ZTE and Coolpad were also the world’s top ten smart phone manufacturers in 2013 and our top five customers during the Track Record Period. For the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, sales to our top five customers represented 96.2%, 92.2%, 82.1% and 80.1% of our total turnover, respectively. Sales to our largest customer represented 61.4%, 47.7%, 22.8% and 25.4%, respectively, of our total turnover for the same periods.

We formulate our procurement planning and budget for our purchases of our raw materials and components based on our sales orders. Our major suppliers are global leading industrial players in their respective fields, such as OmniVision Technologies (豪威科技) for sensors and Largan Precision Co., Ltd. (大立光電股份有限公司) for lenses. We closely communicate and collaborate with our suppliers to regularly obtain the latest market information of technologies and make new product prototypes in anticipation of our customers’ future needs. For the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, purchases from our top five suppliers accounted for approximately 64.6%, 50.4%, 51.9% and 46.7% of our total purchases, respectively. Purchases from our largest supplier accounted for approximately 40.0%, 17.1%, 26.8% and 22.0% of our total purchases, respectively, for the same periods.

OUR PRODUCTION

During 2007 to August 2012, we manufactured all of our products at our Former Production Base located in Yushan Village, Kunshan, Jiangsu province, the PRC. In August 2012, we relocated to our Kunshan Production Base located in Hi-tech Industrial Development Zone, Kunshan, Jiangsu province, the PRC. Our Kunshan Production Base has a site area of approximately 72,190.1 sq.m. and a total gross floor area of approximately 46,337.1 sq.m. In June 2014, our monthly production capacity of camera modules has reached approximately 8.5 million units.

SHAREHOLDER INFORMATION

Upon completion of the Capitalisation Issue and the Global Offering, our Controlling Shareholder, Mr. He Ningning, via QT Investment, beneficially owns in total approximately 75.0% of the issued share capital of our Company taking no account of the Shares which may be issued pursuant to the exercise of the Over-allotment Option or Shares which may be issued upon the exercise of options granted under the Pre-IPO Share Option Scheme or the Share Option Scheme.

In recognition of the contributions of certain employees and executive officers of our Group made or may have been made to the growth of our Group, we introduced the Pre-IPO Share Option Scheme and a total of 47 eligible participants have been granted such options under our Pre-IPO Share Option Scheme. For further details, please refer to the section headed "Statutory and General Information — D. Other information — 2. Pre-IPO Share Option Scheme" in Appendix IV to this prospectus.

RISK FACTORS

Our Directors believe that there are certain risks involved in our operations. Many of these risks beyond our control. A detailed discussion of the risk factors that we believe are particularly relevant to us is set out in the section headed "Risk Factors" in this prospectus. Set out below are some of the major risks that may materially and adversely affect us:

- Demand for our products depends on the trends and developments in the markets, and decrease in demand for our products may materially and adversely affect our business, financial condition and results of operations;

- We depend on a few key customers for a significant portion of our turnover and loss of any one or more of these customers may materially and adversely affect our business, financial condition and results of operations;

- We may fail to further refine our technology and develop and introduce new products or encounter technological obsolescence relating to our production machinery and equipment and production methods due to revolutionary changes of our current assembly technologies, which may in turn materially and adversely affect our business, financial condition and results of operations;

- We may not be able to pass onto our suppliers any or all decreases in average selling prices of our certain products, which may in turn adversely affect our profitability;

- We had net current liabilities as of 31 December 2011 and 2012, respectively, and net operating cash outflows for the three years ended 31 December 2011, 2012 and 2013, and we may have net current liabilities and/or net operating cash outflows in the future;

- Our wealth management products may expose us to default risk which may materially and adversely affect our business, financial condition and results of operations; and

- Further expansion of our Kunshan Production Base may not be successful as we have planned or such expansion may result in over-capacity or significant increases in depreciation and amortisation, which may materially and adversely affect our business, financial condition and results of operations.

NON-COMPLIANCES

During the Track Record Period, there had been some instances of non-compliances in relation to social insurance and housing provident fund contributions. For further details, please refer to the section headed "Business — Compliance and legal proceedings — Non-compliances" in this prospectus.

SUMMARY HISTORICAL FINANCIAL INFORMATION

The tables below present the financial information of our Group for the Track Record Period. The summary consolidated income statements for the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014, the summary consolidated statements of financial position as of 31 December 2011, 2012 and 2013 and 30 June 2014 and the summary consolidated cash flow statements for the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014 are derived from, and should be read in conjunction with our financial information, including the notes thereto, set out in the accountants' report in Appendix I to this prospectus.

Summary consolidated income statements

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Turnover	283,442	637,786	1,410,613	537,500	965,081
Cost of sales	(249,565)	(550,925)	(1,176,567)	(465,419)	(796,835)
Gross profit	33,877	86,861	234,046	72,081	168,246
Other revenue	6,011	9,299	11,483	5,064	7,195
Other net income/(loss)	17,346	1,650	15,341	1,665	(5,888)
Selling and distribution expenses	(1,291)	(2,192)	(3,259)	(1,747)	(2,400)
Administrative and other operating expenses	(2,597)	(7,352)	(14,572)	(5,907)	(18,129)
Research and development expenses	(8,886)	(24,956)	(51,058)	(16,544)	(33,224)
Profit from operations	44,460	63,310	191,981	54,612	115,800
Finance costs	(591)	(5,307)	(9,010)	(3,035)	(10,203)
Share of (losses)/profit of an associate	(1,618)	(3,681)	5,201	2,778	—
Profit before taxation	42,251	54,322	188,172	54,355	105,597
Income tax	(4,804)	(3,852)	(25,011)	(7,152)	(16,645)
Profit for the year/period	37,447	50,470	163,161	47,203	88,952

We have experienced rapid growth during the Track Record Period. For the three years ended 31 December 2011, 2012 and 2013, we recorded a total turnover of RMB283.4 million, RMB637.8 million and RMB1,410.6 million, respectively, representing a CAGR of 123.1% from 2011 to 2013. Our turnover also increased from RMB537.5 million for the six months ended 30 June 2013 to RMB965.1 million for the six months ended 30 June 2014. Such increases were primarily due to the increase in demand and sales of our products, especially our camera modules with resolution of 5 mega pixels and 8 mega pixels, accompanied by their relatively higher average selling prices during the first few years of their introduction. Our profit for the three years ended 31 December 2011, 2012 and 2013 were RMB37.4 million, RMB50.5 million and RMB163.2 million, respectively, representing a CAGR of 108.7% from 2011 to 2013. Our profit for the period also increased from RMB47.2 million for the six months ended 30 June 2013 to RMB89.0 million for the six months ended 30 June 2014. Such increases were primarily due to the increased demand and sales of our camera modules, the increase in our gross profit margin from 12.0% for the year ended 31 December 2011 to 16.6% for the year ended 31 December 2013 and further to 17.4% for the six months ended 30 June 2014 primarily as a result of the change of our product mix, and our efforts in monitoring and controlling our selling and distribution expenses and administrative and other operating expenses. Please also refer to section headed "Financial Information — Principal consolidated income statements components — Gross profit and gross profit margin", "— Selling and distribution expenses" and "— Administrative and other operating expenses" in this prospectus for more details.

Summary consolidated statements of financial position

	As of 31 December			As of 30 June	As of 30 September
	2011	2012	2013	2014	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 *(unaudited)*
Current assets					
- Inventories	46,501	79,650	129,305	185,011	121,815
- Trade and other receivables	197,426	608,088	871,803	826,851	906,636
- Other financial assets	17,150	117,046	416,074	457,180	305,888
- Pledged bank deposits	58,866	53,434	8,939	135,500	273,923
- Cash and cash equivalents	1,723	26,926	42,145	121,342	272,060
	321,666	885,144	1,468,266	1,725,884	1,880,322
Current liabilities					
- Bank borrowings	—	84,527	427,581	830,745	1,119,258
- Trade and other payables	423,259	927,848	904,350	692,725	464,736
- Current tax payable	2,397	3,828	15,368	18,175	17,936
	425,656	1,016,203	1,347,299	1,541,645	1,601,930
Net current (liabilities)/assets	**(103,990)**	**(131,059)**	**120,967**	**184,239**	**278,392**

As of 31 December 2011 and 2012, our net current liabilities were RMB104.0 million and RMB131.1 million, respectively. This was primarily a result of our increased trade and other payables, which in turn, was due to (i) our increased purchases of raw materials and components as a result of increased demand and sales of our camera modules and our increased purchases of more advanced production and testing machinery and equipment for our Kunshan Production Base; (ii) an increase in the amounts due to our related parties mainly resulting from our funding arrangements with them; and (iii) our increased bank borrowings. Our bank borrowings continued to increased primarily as a result of our increased use of banking facilities, instead of relying on funding arrangement with our related parties that were mainly interest-free, to support our general working capital as our business continued to grow. We also increased our bank borrowings in 2014 for the purpose of settling our non-trade related party balances before Listing. In addition, during the Track Record Period, we also from time to time purchased certain daily/short-term wealth management products and mainly pledged them as security for our bank borrowings and bills payables. For a detailed discussion of our wealth management products and our relevant treasury and internal investment policies, please refer to the sections headed "Business — Risk management", "Business — Treasury policy" and "Financial Information — Certain items of consolidated statements of financial position — Other financial assets" in this prospectus. As of 30 September 2014, the majority of our bank borrowings were secured by our available-for-sale wealth management products, pledged bank deposits and bills receivables. Our liquidity position subsequently improved and we recorded net current assets of RMB121.0 million and RMB184.2 million as of 31 December 2013 and 30 June 2014, respectively.

Summary consolidated cash flow statements

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 *(unaudited)*	RMB'000
Net cash (used in)/generated from operating activities	(133,225)	(329,216)	(302,345)	(257,250)	11,104
Net cash used in investing activities	(78,259)	(178,482)	(434,502)	(80,717)	(48,206)
Net cash generated from financing activities	212,941	532,925	752,798	327,654	115,859
Net increase/(decrease) in cash and cash equivalents	1,457	25,227	15,951	(10,313)	78,757
Cash and cash equivalents at 1 January	289	1,723	26,926	26,926	42,145
Effect of foreign rate changes	(23)	(24)	(732)	(785)	440
Cash and cash equivalents at 31 December/30 June	**1,723**	**26,926**	**42,145**	**15,828**	**121,342**

For the three years ended 31 December 2011, 2012 and 2013, we had net operating cash outflows of approximately RMB133.2 million, RMB329.2 million, RMB302.3 million, respectively. Our net operating cash outflows were primarily due to our repayment of advances from Heyuan CK (which resulted in cash inflows from our financing activities) through endorsement of bills receivables of approximately RMB113.2 million, RMB361.4 million and RMB329.7 million for the three years ended 31 December 2011, 2012 and 2013. Such repayment, which were non-cash transactions, would not result in cash inflows from our operating activities that we would otherwise receive upon maturity of these bills or discounting such bills to the banks. We have ceased such arrangement with and repaid all advances from Heyuan CK by the end of 2013. Our net operating cash flows during the Track Record Period were also partially affected by the fact that our average turnover days of trade and bills receivables were slightly longer than our average turnover days of trade and bills payables. Please also refer to the section headed "Financial Information — Liquidity and capital resources — Cash flow" and "— Certain items of consolidated statements of financial position — Trade and bills receivables" in this prospectus for more details of our net cash used in operating activities. For the six months ended 30 June 2014, we had net operating cash inflows of approximately RMB11.1 million.

Key financial ratios

	Year ended/As of 31 December			Six months ended/As of 30 June
	2011	2012	2013	2014
Gross profit margin(1)	12.0%	13.6%	16.6%	17.4%
Net profit margin(2)	13.2%	7.9%	11.6%	9.2%
Return on equity(3)	81.7%	49.8%	60.7%	24.2%
Current ratio(4)	0.8	0.9	1.1	1.1
Quick ratio(5)	0.6	0.8	1.0	1.0
Gearing ratio(6)	—	144.6%	213.6%	262.9%

Notes:

(1) Gross profit margin represents gross profit for the year/period divided by turnover for the same year/period.

(2) Net profit margin represents profit for the year/period divided by turnover for the same year/period. Our net profit margin decreased from 13.2% for the year ended 31 December 2011 to 7.9% for the year ended 31 December 2012, primarily as a result of our Group recording a net gain of RMB16.6 million in 2011 arising from CK Great China's deemed disposal of its equity interest in Huatian Kunshan following the capital injection into Huatian Kunshan by several of its equity holders. Our net profit margin increased to 11.6 % for the year ended 31 December 2013, primarily as a result of our increased gross profit margin, net foreign exchange gain and our Group recording a net gain arising from disposal of equity interest in Huatian Kunshan for the year ended 31 December 2013. Our net profit margin decreased to 9.2% for the six months ended 30 June 2014, primarily as a result of our net foreign exchange loss for the same period and that we normally have higher sales in the second half of the year.

(3) Return on equity represents profit for the year/period divided by total equity as of the end of the year/period.

(4) Current ratio represents total current assets divided by total current liabilities as of the end of the year/period.

(5) Quick ratio represents total current assets less inventories divided by total current liabilities as of the end of the year/period.

(6) Gearing ratio represents bank borrowings and related parties' loans divided by total equity as of the end of the year/period. Our gearing ratio increased significantly during the Track Record Period, primarily as a result of our increased bank borrowings, instead of relying on funding arrangement with our related parties, to support our working capital as our business continued to grow. We also increased our bank borrowings in 2014 for the purpose of settling our non-trade related party balances before Listing. As of 30 September 2014, the majority of our bank borrowings were secured by our available-for-sale wealth management products, pledged bank deposits and bills receivables.

RECENT DEVELOPMENT

As far as we are aware, the growth of PRC camera module market remained steady after the Track Record Period and there was no material change in our market share in terms of revenue and sales volume up to the Latest Practicable Date. However, the camera module industry is characterised by rapid launches of new products, continuous technological advancements and changing of market trends and customers' preferences, all of which translate to shorter life cycle and a general decrease in the average selling prices of camera modules over time. For example, the average selling prices of our camera modules with resolution of 5 and 8 mega pixels, which are our two main product categories, decreased slightly from approximately RMB25.2 per unit and RMB46.4 per unit for the six months ended 30 June 2014, respectively, to approximately RMB24.0 per unit and RMB45.3 per unit for the eight months ended 31 August 2014, respectively. Notwithstanding the above, the average selling price of our camera modules with resolution of 3 mega pixels and lower increased slightly from approximately RMB11.5 per unit for the six months ended 30 June 2014 to approximately RMB11.9 per unit for the eight months ended 31 August 2014, primarily as a result of the decreased proportion of our sales of VGAs and increased proportion of our sales of camera modules with resolution of 2 and 3 mega pixels. The average selling price of our camera modules with resolution of 13 mega pixels also increased slightly from approximately RMB64.5 per unit for the six months ended 30 June 2014 to approximately RMB66.4 per unit for the eight months ended 31 August 2014, primarily as a result of decreased proportion of our sales of such products with a lower selling price to an overseas customer who provided us with the sensors associated with the manufacture of such camera modules. We expect that the average selling prices of our camera modules with similar resolution and specifications to continue to decrease over time due to the above reasons. Please also refer to the section headed "Rick Factors — We may not be able to pass onto our suppliers any or all decreases in average selling prices of our certain products, which may in turn adversely affect our profitability" in this prospectus for more detail.

Notwithstanding the above, we did not experience any significant drop in our turnover, gross profit or gross profit margin or significant increase in cost of sales or other costs subsequent to the Track Record Period up to the Latest Practicable Date as (i) we continue to focus on mid-to-high end camera module market and develop and launch new products featuring the latest technologies and specifications, which generally have higher selling prices than our existing products, to offset the decline in the average selling prices of our respective products; and (ii) there were no significant changes to the general business model of our Group and economic environment. We, however, expect our direct labour cost and staff salaries and benefits to continue to increase due to the general increase in the level of salaries and benefits of the employees and increase in the number of our employees, especially our production team staff who manually handle our packaging procedure as a result of increased production demand and expansion of our production capacity.

Our reporting accountants have reviewed the financial information derived from our unaudited interim consolidated financial statements for the eight months ended 31 August 2014 in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". As of 31 August 2014, our net current asset was approximately RMB286.4 million. For the eight months ended 31 August 2014, our net operating cash inflow was approximately RMB11.2 million, our turnover was approximately RMB1,414.4 million and our gross profit margin was approximately 16.8%. Our turnover increased by 69.9% for the eight months ended 31 August 2014 compared with the same period in 2013, primarily as a result of our increased demand and sales, in particular the increase in demand and sales of our camera modules with resolution of 5 and 8 mega pixels. Our gross profit margin also increased from approximately 14.9% for the eight months ended 31 August 2013 to approximately 16.8% for the eight months ended 31 August 2014, primarily due to the increase in gross profit margins of our camera modules with resolution of 5 and 8 mega pixels, primarily as a result of our increased production automation, improved production technique and efficiency, and a general decrease in depreciation and amortisation expenses and prices of principal raw materials and components in association with the manufacture of such camera modules.

As of 30 September 2014, being the latest practicable date for the purpose of indebtedness statement in this prospectus, we had net current assets of approximately RMB278.4 million and unutilised banking facilities of RMB210.9 million with no restriction on their drawdown. We intend to continue to use a significant portion of these banking facilities to settle our non-trade related party balances before Listing and support our general working capital as our business continued to grow, rather than relying on funding arrangement with related parties that were mainly interest-free. As such, we also expect our finance costs to increase due to our increased bank borrowings. In addition, our Controlling Shareholder, Mr. He Ningning, has injected further capital of approximately US$20.0 million via QT Investment to our Company in August 2014 to improve our liquidity position in view of our net current liabilities and net operating cash outflows during the Track Record Period. Our Directors believe that, with our available banking facilities, the recent capital injection from Mr. He, the future cash generated from our operating activities and the net proceeds we expect to receive from the Global Offering, we will be able to further improve our liquidity position and working capital after Listing. Please refer to the section headed "Financial information — Liquidity and capital resources — Current assets and liabilities" in this prospectus for further details of our liquidity position.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there had 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 in Appendix I to this prospectus.

DIVIDEND POLICY AND DISTRIBUTION

During the Track Record Period and up to the Latest Practicable Date, we had not distributed any dividends to the then equity holders of our Group. Going forward, we may distribute dividends depend on our results of operations, cash flows, financial condition, statutory and regulatory restrictions on the payment of dividends by us, future prospects, and other facts that we may consider relevant. Please also refer to the section headed "Financial Information — Dividend policy" in this prospectus for more details.

THE GLOBAL OFFERING

The Global Offering consists of:

- the offer of initially 25,000,000 Hong Kong Offer Shares for subscription by the public in Hong Kong, referred to in this prospectus as the Hong Kong Public Offering; and

- the offer of initially 225,000,000 International Offer Shares outside the United States in offshore transactions in reliance on Regulation S, including to professional and institutional investors in Hong Kong, referred to in this prospectus as the International Offering.

KEY OFFERING STATISTICS(1)

	Based on an Offer Price of HK$2.79 per Offer Share	Based on an Offer Price of HK$3.60 per Offer Share
Market capitalisation of our Shares(2)	HK$2,790.0 million	HK$3,600.0 million
Pro forma adjusted net tangible asset value per Share(3)	HK$1.11	HK$1.31

Notes:

(1) All statistics in this table assume the Over-allotment Option is not exercised.

(2) The calculation of market capitalisation is based on 1,000,000,000 Shares expected to be in issue immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised at all).

(3) The pro forma adjusted net tangible asset value per Share is arrived at after the adjustments referred to in the section headed "Financial Information — Unaudited pro forma adjusted net tangible assets" in this prospectus and on the basis of 250,000,000 Shares issued at the respective indicative Offer Prices of HK$2.79 per Offer Share and HK$3.60 per Offer Share following the Global Offering.

LISTING EXPENSES

For the year ended 31 December 2013, we incurred listing expenses of approximately HK$0.8 million for the Global Offering, which was charged to our consolidated income statements for the same period. For the six months ended 30 June 2014, we incurred listing expenses of approximately HK$14.5 million, of which HK$11.0 million was charged to our consolidated income statements and the remaining amount of HK$3.5 million was recorded as prepayment which is to be net off with share premium after Listing. We expect to further incur listing expenses (including underwriting commissions) of approximately HK$48.5 million (based on mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised and without taking into account any discretionary incentive fees, if applicable) by the completion of the Global Offering, of which an estimated amount of approximately HK$19.3 million will be charged to our consolidated income statements for the year ending 31 December 2014 and an estimated amount of approximately HK$29.2 million will be capitalised. We do not expect these listing expenses to have a material impact on our business and results of operations for the year ending 31 December 2014.

USE OF PROCEEDS

We estimate that the aggregate net proceeds of the Global Offering (after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering, and assuming an Offer Price of HK$3.195 per Offer Share, being the mid-point of the indicative Offer Price range of HK$2.79 to HK$3.60 per Offer Share) will be approximately HK$734.9 million, assuming that the Over-allotment Option is not exercised. We currently intend to apply such net proceeds in the following manner:

- approximately HK$286.6 million, representing approximately 39.0% of the net proceeds from the Global Offering, is expected to be used primarily for purchasing additional advanced production and testing machinery and equipment;

- approximately HK$183.7 million, representing approximately 25.0% of the net proceeds from the Global Offering, is expected to be used primarily for further enhancing our design, research and development capabilities;

- approximately HK$113.9 million, representing approximately 15.5% of the net proceeds from the Global Offering, is expected to be used primarily for expanding and modernising our Kunshan Production Base;

- approximately HK$52.2 million, representing approximately 7.1% of the net proceeds from the Global Offering, is expected to be used to repay part of the principal amount and the accrued interest of our bank borrowings;

- approximately HK$25.0 million, representing approximately 3.4% of the net proceeds from the Global Offering, is expected to be used primarily for our operational and administrative needs for our Overseas Sales and Procurement and future expansion to the overseas markets; and

- the remaining approximately HK$73.5 million, representing approximately 10.0% of the net proceeds from the Global Offering, is expected to be used to fund our working capital and for general corporate purposes.

Please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus for further details of our use of net proceeds of the Global Offering.

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below.

"affiliate(s)"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Application Form(s)"	**White** Application Form(s), **Yellow** Application Form(s) and **Green** Application Form(s), or where the context so requires, any of them, relating to the Hong Kong Public Offering
"Articles of Association" or "Articles"	the amended and restated articles of association of our Company, conditionally adopted on 13 November 2014 and will come into effect upon Listing, as amended from time to time, a summary of which is set out in the section headed "Summary of the Constitution of the Company and Cayman Islands Company Law — Articles of Association" in Appendix III to this prospectus
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"BBK"	Guang Dong BBK Electronic Industry Co., Ltd.* (廣東步步高電子工業有限公司) and/or its subsidiaries and associated companies from time to time, our customer during the Track Record Period and an Independent Third Party
"Board"	the board of Directors
"Business Day"	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"BVI"	British Virgin Islands
"C-Flex Electronic"	C-Flex Electronic (Heyuan) Ltd.* (河源西普電子有限公司), (formerly known as C-Flex Electronic (Heyuan) Co., Ltd.) (西普電子(河源)有限公司), an enterprise established under the laws of the PRC with limited liability on 10 July 2007 and is wholly-owned by Shenzhen Handi, and a connected person of our Company
"CAGR"	compound annual growth rate
"Capitalisation Issue"	the issue of the Shares to be made upon capitalisation of certain sum standing to the credit of the share premium account of our Company as referred to in the section headed "Statutory and General Information — A. Further information about our Group — 3. Resolutions in writing of our Shareholders passed on 13 November 2014" in Appendix IV to this prospectus

"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"CCID Consulting"	CCID Consulting Company Limited, an Independent Third Party, and a PRC based professional market research and consulting firm listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8235)
"Chengdu CK"	Chengdu CK Technology Limited* (成都西可科技有限公司), an enterprise established under the laws of the PRC with limited liability on 18 January 2011, and is owned as to 95.0% by Shenzhen Handi and 5.0% by Shenzhen CK, both of which are connected persons of our Company
"Chengdu design, research and development centre"	our design, research and development centre established on 6 June 2014 in Chengdu, Sichuan province, the PRC
"Chengdu QT Subsidiary"	Chengdu Q Technology Limited* (成都丘鈦微電子科技有限公司), an enterprise established under the laws of the PRC with limited liability on 6 June 2014 and an indirect wholly-owned subsidiary of our Company
"CK Great China"	CK Telecom (Great China) Inc., a company incorporated under the laws of the BVI with limited liability on 3 July 2007 and a direct wholly-owned subsidiary of our Company
"CK Telecom"	CK Telecom Inc., a company incorporated under the laws of the BVI with limited liability on 9 November 2004 and is wholly-owned by an executive Director and a Controlling Shareholder, Mr. He Ningning, and a connected person of our Company
"Companies Law" or "Cayman 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, as amended, supplemented or otherwise modified from time to time

"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	Q Technology (Group) Company Limited (丘鈦科技(集團)有限公司), an exempted company incorporated under the laws of the Cayman Islands with limited liability on 5 May 2014
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and unless the context requires otherwise, collectively refers to Mr. He Ningning and QT Investment
"Coolpad"	Coolpad Group Limited (酷派集團有限公司) and/or its subsidiaries and associated companies from time to time, including but not limited to Dongguan Yulong Telecommunication Technology Co., Ltd.* (東莞宇龍通信科技有限公司), our customer during the Track Record Period and an Independent Third Party
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Deed of Non-competition"	a deed of non-competition dated 13 November 2014 entered into by the Controlling Shareholders in favour of our Company, details of which are disclosed in the section headed "Relationship with Controlling Shareholders — Non-competition undertakings " in this prospectus
"Director(s)"	the director(s) of our Company as of the date of this prospectus
"EIT Law"	the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法)
"ERP"	enterprise resource planning, systems that integrate internal and external management information across an entire organisation, embracing finance and accounting, manufacturing, sales and service, customer relationship management and etc. ERP systems automate this activity with an integrated software application
"Focus"	Focus Technology Limited (盛輝科技有限公司), a company incorporated under the laws of Hong Kong with limited liability on 2 April 2004 and is owned as to 99.0% by Mr. He Ningning, an executive Director and a Controlling Shareholder, and 1.0% by Mr. Wang Jianqiang, an executive Director, and a connected person of our Company

"Former Production Base"	our former production base located in Yushan Village, Kunshan, Jiangsu province, the PRC with a total gross floor area of approximately 1,227.0 sq.m.
"GDP"	gross domestic product
"Global Offering"	the Hong Kong Public Offering and the International Offering
"**Green** Application Form(s)"	the application form(s) to be completed by the **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited
"Group", "our Group", "we", "our" or "us"	our Company and its subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be)
"Guangzhou CK"	Guangzhou CK Telecom Limited (廣州西可通信技術設備有限公司), a company incorporated under the laws of Hong Kong with limited liability on 16 January 2004 and is wholly-owned by Mr. Wang Jianqiang, an executive Director, and a connected person of our Company
"Heyuan CK"	CK Telecom Limited (西可通信技術設備(河源)有限公司), an enterprise established under the laws of the PRC with limited liability on 1 December 2004 and is wholly-owned by CK Telecom, and a connected person of our Company
"Hisense"	Hisense Co., Ltd. (海信集團有限公司) and/or its subsidiaries and associated companies from time to time, including but not limited to Hisense Communications Co., Ltd. (青島海信通信有限公司)), our customer during the Track Record Period and an Independent Third Party
"HK$", "HK dollars" and "cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"HKAS"	Hong Kong Accounting Standards
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong", "HKSAR" or "HK"	the Hong Kong Special Administrative Region of the PRC

"Hong Kong Offer Shares"	the 25,000,000 Offer Shares being initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering, subject to reallocation as described in the section headed "Structure and Conditions of the Global Offering" in this prospectus
"Hong Kong Public Offering"	the offer for subscription of Offer Shares to the public in Hong Kong (subject to adjustment as described in the section headed "Structure and Conditions of the Global Offering") at the Offer Price (plus brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) and on and subject to the terms and conditions described in this prospectus and the Application Forms, as further described in the section headed "Structure and Conditions of the Global Offering" in this prospectus
"Hong Kong Sales and Delivery"	a small portion of our sales which are required to be delivered to locations or warehouses in Hong Kong designated by our customers
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering whose names are set out in the section headed "Underwriting — Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement dated 19 November 2014 relating to the Hong Kong Public Offering entered into by, among other parties, our Company, our Controlling Shareholders, the Sole Global Coordinator, the Joint Bookrunners and the Hong Kong Underwriters
"Hong Kong Xitai"	Kunshan Q Technology (Hong Kong) Ltd. (formerly known as Kunshan Q Technology Ltd.), a company incorporated under the laws of the BVI with limited liability on 28 March 2008 and is wholly-owned by CK Telecom, and a connected person of our Company
"Huatian Kunshan"	Huatian Technology (Kunshan) Electronic Co., Ltd.* (華天科技(昆山)電子有限公司) (formerly known as Kunshan Technology Limited* (昆山西鈦微電子科技有限公司)), an enterprise established under the laws of the PRC with limited liability on 10 June 2008, and our then associate and currently an Independent Third Party
"IECQ"	International Electrotechnical Commission Quality Assessment System for Electronic Components

"IFRS"	International Financial Reporting Standards
"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any Director, chief executive or Substantial Shareholders of our Company, its subsidiaries or any of their respective associates
"International Offering"	the offer of International Offer Shares as further described in the section headed "Structure and Conditions of the Global Offering" in this prospectus
"International Offer Shares"	225,000,000 Offer Shares being initially offered by our Company pursuant to the International Offering, together with any additional Shares offered pursuant to any exercise of the Over-allotment Option, subject to reallocation as described in the section headed "Structure and Conditions of the Global Offering" in this prospectus
"International Underwriters"	the underwriters of the International Offering and parties to the International Underwriting Agreement as described in the section headed "Underwriting — International Offering" in the prospectus
"International Underwriting Agreement"	the underwriting agreement relating to the International Offering, which is expected to be entered into by, among other parties, our Company, our Controlling Shareholders, the Sole Global Coordinator, the Joint Bookrunners and the International Underwriters
"Joint Bookrunners"	CLSA Limited and DBS Asia Capital Limited
"Joint Lead Managers"	CLSA Limited and DBS Asia Capital Limited
"Kunshan design, research and development centre"	our design, research and development centre established in 2007 in Kunshan, Jiangsu province, the PRC
"Kunshan Production Base"	our headquarters, Kunshan design, research and development centre and production facilities located at No. 3 Taihong Road, Hi-tech Industry Park, Kunshan, Jiangsu province, the PRC, details of which are set out in the section headed "Business — Production process — Production base" in this prospectus
"Kunshan QT China"	Kunshan Q Technology Limited* (昆山丘鈦微電子科技有限公司), an enterprise established under the laws of the PRC with limited liability on 15 October 2007 and an indirect wholly-owned subsidiary of our Company

"Kunshan QT Hong Kong"	Kunshan Q Technology (Hong Kong) Limited, a company incorporated under the laws of Hong Kong with limited liability on 21 January 2013 and an indirect wholly-owned subsidiary of our Company
"Latest Practicable Date"	12 November 2014, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
"Lenovo"	Lenovo Group Ltd. (聯想集團有限公司) and/or its subsidiaries and associated companies from time to time, including but not limited to Lenovo Mobile Communication Technology Ltd. (聯想移動通信科技有限公司) and Lenovo Mobile Communication (Wuhan) Company Limited* (聯想移動通信(武漢)有限公司), our customers during the Track Record Period and each of whom is an Independent Third Party
"Listing"	the listing of our Shares on the Main Board
"Listing Committee"	the listing committee of the Stock Exchange
"Listing Date"	the date expected to be on or about 2 December 2014, on which our Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange. For the avoidance of doubt, the Main Board excludes the Growth Enterprise Market of the Stock Exchange
"Memorandum of Association" or "Memorandum"	the memorandum of association of our Company, adopted on 13 November 2014, as amended from time to time, a summary of which is set out in the section headed "Summary of the Constitution of the Company and Cayman Islands Company Law — Memorandum of Association" in Appendix III to this prospectus
"MES"	computerised systems used in manufacturing, which can provide the right information at the right time and show the manufacturing decision maker how the current conditions on the plant floor can be optimised to improve production output
"MOFCOM"	The Ministry of Commerce of the PRC (中華人民共和國商務部)

"Mr. He" or "Mr. He Ningning"	Mr. He Ningning (何寧寧), our executive Director and our Controlling Shareholder
"Offer Price"	the final price per Share in Hong Kong dollars (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%) of no more than HK$3.60 at which the Offer Shares are to be subscribed for and issued pursuant to the Global Offering, to be determined as further described in the section headed "Structure and Conditions of the Global Offering — Price payable on application" in this prospectus
"Offer Shares"	the Hong Kong Offer Shares and the International Offer Shares, together, where relevant, with any additional Shares issued pursuant to the Over-allotment Option
"Over-allotment Option"	the option to be granted by us to the Sole Global Coordinator and the International Underwriters on behalf of the International Underwriters, exercisable by the Sole Global Coordinator for itself and on behalf of the International Underwriters pursuant to the International Underwriting Agreement, pursuant to which our Company may be required to allot and issue up to an aggregate of 37,500,000 additional Shares at the Offer Price, representing approximately 15.0% of total number of Offer Shares initially available under the Global Offering, to cover, among other things, over-allocation in the International Offering, if any
"Overseas Sales and Procurement"	our overseas sales, overseas procurement and Hong Kong Sales and Delivery
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC" or "China"	People's Republic of China, but for the purpose of this prospectus and for geographical reference only and except where the context requires otherwise, references in this prospectus to "China" and the "PRC" do not apply to Hong Kong, Macau and Taiwan
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme adopted by our Company on 13 November 2014, the principal terms of which are summarised under the section headed "Statutory and General Information — Pre-IPO Share Option Scheme" in Appendix IV to this prospectus

"Price Determination Date"	the date, expected to be on or around 26 November 2014 but no later than 30 November 2014, on which the Offer Price is to be fixed by agreement between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) for the purposes of the Global Offering
"provinces"	include provinces, autonomous regions and municipalities under the direct administration of the central government of the PRC
"QT Investment"	Q Technology Investment Inc. (丘鈦投資有限公司), a company incorporated under the laws of the BVI with limited liability on 11 April 2014 and is wholly-owned by Mr. He Ningning, an executive Director and a Controlling Shareholder, and a connected person of our Company
"Regulation S"	Regulation S under the U.S. Securities Act
"Renminbi" or "RMB"	the lawful currency of the PRC
"Reorganisation"	the corporate reorganisation of our Group conducted in preparation for the Listing, details of which are set out in the section headed "History, Reorganisation and Corporate Structure — Reorganisation" in this prospectus
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAIC"	the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"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 Option Scheme"	the share option scheme conditionally approved and adopted by our Company on 13 November 2014, the principal terms of which are summarised under the section headed "Statutory and General Information — Share Option Scheme" in Appendix IV to this prospectus
"Shareholder(s)"	holder(s) of our Share(s)
"Shares"	ordinary shares of our Company with a nominal value of HK$0.01 each in our share capital

"Shenzhen CK"	Shenzhen Xike Dexin Telecom Equipment Co., Ltd. * (深圳市西可德信通信技術設備有限公司), an enterprise established under the laws of the PRC with limited liability on 8 June 2004 and is owned as to 90.0% by Mr. He Ningning, an executive Director and a Controlling Shareholder, and 10.0% by Mr. Wang Jianqiang, an executive Director, and a connected person of our Company
"Shenzhen Handi"	Shenzhen Handi Venture Capital Investment Co., Ltd.* (深圳市漢迪創業投資有限公司) (formerly known as Shenzhen Handi Investment Co., Ltd.* (深圳市漢迪投資有限公司)), an enterprise established under the laws of the PRC with limited liability on 31 July 2009 and is wholly-owned by Shenzhen CK, and a connected person of our Company
"Samart"	Samart I-Mobile Public Company Limited
"Sole Global Coordinator"	CLSA Limited
"Sole Sponsor"	CITIC Securities Corporate Finance (HK) Limited
"sq.m."	square metres
"Stabilising Manager"	CLSA Limited
"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into between CLSA Limited and QT Investment
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"Substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"TCL"	TCL Communication Technology Holdings Limited (TCL通訊科技控股有限公司) and/or its subsidiaries and associated companies from time to time, including but not limited to Huizhou TCL Mobile Communication Co., Ltd. (惠州TCL移動通信有限公司), and TCL Mobile Communication (HK) Company Limited (王牌通訊(香港)有限公司), our customers during the Track Record Period and each of whom is an Independent Third Party
"Track Record Period"	the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014
"Underwriters"	the Hong Kong Underwriters and the International Underwriters

"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"United States" or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. dollars" or "US$"	United States dollars, the lawful currency of the united States
"U.S. Securities Act"	the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"Van Telecom BVI"	Van Telecom Asia Pacific Ltd., a company incorporated under the laws of the BVI with limited liability on 16 January 2007 and is wholly-owned by Mr. He Ningning, an executive Director and a Controlling Shareholder, and a connected person of our Company
"Van Telecom PRC"	Van Telecom Limited (唯安科技有限公司), an enterprise established under the laws of the PRC with limited liability on 12 July 2005 and is wholly-owned by CK Telecom, and a connected person of our Company
"WFOE"	wholly foreign-owned enterprise
"**White Form eIPO**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of **White Form eIPO — www.eipo.com.hk**
"**White Form eIPO** Service Provider"	Computershare Hong Kong Investor Services Limited
"**Yellow** Application Form(s)"	the application form(s) to be completed in accordance with the instructions in section headed "How to Apply for Hong Kong Offer Shares — Applying for Hong Kong Offer Shares — Which application method to use" in this prospectus
"ZTE"	ZTE Corporation (中興通訊股份有限公司) and/or its subsidiaries and associated companies from time to time, including but not limited to Shenzhen Zhongxin Mobile Technology Company Limited* (深圳市中興移動通信有限公司), and ZTE Kangxun Telecom Company Limited* (深圳市中興康訊電子有限公司), our customers during the Track Record Period and each of whom is an Independent Third Party
"%"	per cent

All dates and times refer to Hong Kong dates and time.

Unless otherwise specified, amounts denominated in HK$ have been translated, for the purpose of illustration only, into RMB or US$, and vice versa, in this prospectus (i) at the rate of RMB1.00 to HK$1.2623, being the PBOC rate prevailing on the Latest Practicable Date, and (ii) at the rate of US$1.00 to HK$7.7523, being the exchange rate on 7 November 2014 set forth in the H.10 statistical release of the Board of Governors of the Federal Reserve System of the United States (the "**Federal Reserve Board**"). No representation is made that any amounts in RMB, HK$ and US$ can be or could have been at the relevant date converted at the above rate or any other rates or at all.

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 as arithmetic aggregation of the figures receding them.

If there is any inconsistency between the Chinese names of entities or enterprises established in China and their English translations, the Chinese names shall prevail. The English translation of company names in Chinese or another language which are marked with "" and the Chinese translation of company names in English which are marked with "*" are for identification purpose only.*

This glossary contains explanations of certain terms used in this prospectus in connection with our Group and our business. The terms and their meanings may not correspond to standard industry meaning or usage of these terms.

"3G"	third-generation mobile communication technology
"4G"	fourth-generation mobile communication technology
"AF"	auto focus, a feature of some optical systems that allows them to obtain correct focus on a subject, instead of requiring the operator to adjust focus manually
"camera module"	an optoelectronic assembly of lens components and sensors or other parts, such as PCB or FPC, with various assembly technologies (封裝技術) including CSP, COB, COF and FC. It is used to capture images which will be transmitted or saved in magnetic tape or memory card of the camera for replaying or printing by electronic devices in the future
"CIF"	common intermediate format, a format used to standardise the horizontal and vertical resolution, and generally refers to camera modules with resolution of 0.08 mega pixels
"Cleanroom"	an environment, typically used in manufacturing or scientific research, with a low level of environmental pollutants such as dust, airborne microbes, aerosol particles, and chemical vapours
"Class 10 Cleanroom"	Cleanrooms that permit approximately 3,500 particles per cubic meter in the size of 0.5 micrometre and larger in diameter
"Class 1,000 Cleanroom"	Cleanrooms that permit approximately 35,000 particles per cubic meter in the size of 0.5 micrometre and larger in diameter
"Closed-loop control"	also known as a feedback control system (閉環控制) and is a control system which uses the concept of an open loop system as its forward path but has one or more feedback loops or paths between its output and its input
"COB"	chip on board, technology wherein the microchip or die is directly mounted on and electrically interconnected to its final circuit board
"COF"	chip on flex, which is a technology mainly applied in LCDs whereby the LCD driver chip is mounted directly onto a flexible circuit, functioning as a connector to the contact edge of the liquid crystal panel

"CSP"	chip scale package, which is any semiconductor package in which the package is no more than 1.2 times the size of the semiconductor die
"die"	one individual chip cut from a wafer before being packaged
"FC"	flip chip, also known as controlled collapse chip connection, a method for interconnecting semiconductor devices
"FF"	fix-focus, which the focus is set at the time of manufacture, and remains fixed
"FPC"	flexible printed circuit board, a patterned arrangement of printed wiring utilising flexible base material with or without flexible cover layers
"IR"	infrared filter
"ISO"	the International Organisation for Standardisation, a non-governmental organisation based in Geneva, Switzerland, for assessing the quality system of business organisations
"LCD"	liquid-crystal display
"mega"	a unit prefix in the metric system denoting a factor of one million (10^6 or 1,000,000)
"ODM"	original design manufacturing, where a manufacturer designs and manufactures a product which is specified by the customer and eventually sold under the brand name of the customer or under no specific brand
"OEM"	original equipment manufacturer, a business that manufactures goods or equipment for branding and resale by others
"OIS"	optical image stabilisation (光學防抖), a mechanism used in a still camera or video camera that stabilises the recorded image by varying the optical path to the sensor
"OTP"	one-time programmable, a type of programmable read-only memory in electronics
"PC"	personal computer
"PCB"	printed circuit board, a flat plate or base of insulating material containing a pattern of conducting materials, which becomes an electronic circuits when components are attached and soldered to it
"PCBA"	printed circuit board assemblies (印製電路板封裝)

"pixel(s)"	picture element, basic unit of programmable colour on a computer display or in computer image
"SMT"	surface mount technology, a process by which electronic components are mounted directly on the surface(s) of a PCB, increasing board capacity, facilitating product miniaturisation and enabling advanced automation of production
"USB"	universal serial bus, an industry standard developed in the mid-1990s that defines the cables, connectors and communications protocols used in a bus for connection, communication, and power supply between computers and electronic devices
"UV"	electromagnetic radiation with a wavelength shorter than that of visible light, but longer than X-rays, that is, in the range between 400 nm and 10 nm, corresponding to photon energies from 3 eV to 124 eV
"VCM"	voice coil motor
"VGA"	video graphics array with resolution of 640 x 480 pixels and generally refers to camera module with resolution of 0.3 mega pixels

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

This prospectus contains forward-looking statements that state our intentions, beliefs, expectations or predictions for the future that are, by their nature, subject to significant known or unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our operations and business prospects;
- future developments, trends and conditions in the industry in which we operate;
- our ability to successfully implement our business plans, strategies, objectives and goals;
- the regulatory environment and industry outlook in general for the industries discussed herein;
- general political, economic, legal and social conditions in the PRC and the markets in which we operate;
- our dividend policy;
- our future capital needs and capital expenditure plans;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the competitive markets for our products and the actions and developments of our competitors;
- volumes, operations, margins, risk management and exchange rates;
- exchange rate fluctuations and developing legal system, in each case pertaining to the PRC and the industries and markets in which we operate;
- financial condition and performance;
- regulations and restrictions;

- macroeconomic measures taken by the PRC government to manage economic growth;
- other statements in this prospectus that are not historical fact; and
- other factors beyond our control.

The words "aim", "anticipate", "believe", "consider", "could", "predict", "estimate", "potential", "continue", "expect", "going forward", "intend", "may", "plan", "seek", "will", "would", "should" and the negative of these terms and other similar expressions identify a number of these forward-looking statements. These forward-looking statements are necessarily estimates reflecting the best judgment of our Directors and management and involve a number of risks, uncertainties and assumptions that could cause actual results to differ materially from those suggested by the forward-looking statements. Should one or more of these risks or uncertainties materialise, or should the underlying assumptions prove to be incorrect, our business, financial condition and results of operations may be adversely affected and may vary materially from those described herein as anticipated, believed or expected. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on such forward-looking information. These forward-looking statements should be considered in light of various important factors, including those set out in the section headed "Risk Factors" in this prospectus. Moreover, the inclusion of forward looking statements should not be regarded as representations by us that our plans and objectives will be achieved or realised. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus might not occur. Our Directors confirm that these forward-looking statements are made after due and careful consideration and on bases and assumptions that are fair and reasonable. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

The Global Offering and the investment in our Shares involve certain risks. You should carefully consider all the information set out in this prospectus, including, but not limited to, the risks and uncertainties described in the following risk factors when considering making an investment in our Shares being offered in the Global Offering. Our operations involve certain risks, many of which are beyond our control. You should also pay particular attention to the fact that we are a company incorporated in the Cayman Islands, and our business is mainly located in the PRC and we are governed by a legal and regulatory environment that may differ from that which prevails in other countries and jurisdictions. Our business, financial condition and results of operation could be adversely affected by any of the risks and uncertainties described below. The trading price of our Shares may decline due to any of these risks and uncertainties and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Demand for our products depends on the trends and developments in the markets, and decrease in demand for our products may materially and adversely affect our business, financial condition and results of operations

During the Track Record Period, we offered a wide range of camera modules that could be used in smart phones and tablet PCs. In future, we may also consider to expand our product offerings and broaden the functionality and application of our products by designing and developing camera modules that can be used in outdoor sports products, medical equipment, car systems and home surveillance systems. As such, demand for our camera modules depends to a large extent on the future growth of and trends and developments in the markets of smart phones and tablet PCs, which are characterised by rapid technological change, evolving industry standards, changing customers' preferences and other end products containing our products. Therefore, if demands for smart phones, tablet PCs and other end products containing camera modules decrease for any reason, we may experience a corresponding decrease in demand for our products, which in turn may materially and adversely affect our business, financial condition and results of operations.

We depend on a few key customers for a significant portion of our turnover and loss of any one or more of these customers may materially and adversely affect our business, financial condition and results of operations

We derived a substantial portion of our turnover from a few key customers, which are all leading branded smart phone and tablet PC manufacturers in the PRC, during the Track Record Period. For the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, sales to our top five customers accounted for approximately 96.2%, 92.2%, 82.1% and 80.1% of our turnover, respectively, for the same periods. We expect that we will continue to derive a significant portion of our turnover from our key customers.

We generally supply our products to our customers on an order-by-order basis. Our success depends heavily on our ability to maintain stable and strong business relationship with our key customers. We cannot assure you that our existing key customers will continue to place orders with us at historical levels, nor can we assure that we are able to secure comparable levels of business from other customers to offset any loss of revenue from losing any one or more of these customers. Further, we cannot assure you that we could successfully secure new customers to capture the potential growth of the camera module industry and broaden our customer base. Therefore, if we lose any of our key customers for any reason, including our ceasing to be a qualified supplier of our key customers, our relationship with one or more of our key customers deteriorating, or a key customer's own business declines and substantially reduces its volume of purchases from us, our business, financial condition and results of operations will be materially and adversely affected.

We may fail to further refine our technology and develop and introduce new products or encounter technological obsolescence relating to our production machinery and equipment and production methods due to revolutionary changes of our current assembly technologies, which may in turn materially and adversely affect our business, financial condition and results of operations

We consider that the camera module industry is characterised by rapidly-evolving technology advancements and frequent new product specifications. We believe that our future success will largely depend on our ability to focus on mid-to-high end camera module market and successfully anticipate technological changes and keep pace with technological advances in a cost-effective manner and timely basis. For the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, we incurred approximately RMB8.9 million, RMB25.0 million, RMB51.1 million and RMB33.2 million, respectively, on our design, research and development activities, representing approximately 3.1%, 3.9%, 3.6% and 3.4% of our turnover, respectively, for the same periods. We have also collaborated with two of our connected persons and a technology enterprise on the design and development of our various software and equipment in relation to rapid image testing, algorithm for graphics and images, image formation, self-aligning and OTP burning process. However, we may encounter practical difficulties in commercialising the results of our design, research and development activities and launching new products as originally intended, or our design, research and development expenditures may not lead to the benefits we expected. If we fail to adequately respond to technological developments and to continuously and effectively improve our existing products and services according to the market trends, our business, financial condition and results of operations may be materially and adversely affected.

Further, we may encounter technological obsolescence relating to our production machinery and equipment and production methods due to revolutionary changes of our current assembly technologies. We currently use and expect to use in the near future, the COB and COF assembly technologies, which are currently the mainstream assembly technologies in the PRC camera module market, to manufacture our camera modules. Our current production machinery and equipment, production process and our intellectual properties created can generally be used to manufacture camera modules with various resolution and specifications with minimal adjustment. However, we cannot assure you that such COB and COF assembly technologies will not be replaced by new assembly technologies, driven by the rapid technological advancements, which may render our current production machinery and equipment and production methods obsolete. If we fail to adjust our production machinery and equipment promptly and cost effectively or are required to invest substantial amount in new production machinery and equipment due to the new assembly technologies, our business, financial condition and results of operations will be materially and adversely affected.

In addition, we also face competition from other camera module manufactures in the PRC and aboard. We cannot assure you that our current or potential competitors will not provide products comparable or superior to those we provide or adapt more quickly than we do to evolving industry, market trends and changing customers' preferences. If other companies develop technologies and processes to manufacture camera modules that prove to be more cost-effective and have better performance than ours, our design, research and development effort may be rendered obsolete by the technological advances of others. If we fail to further refine our technology or improve processes, this could render our camera modules uncompetitive or obsolete and results in a decline in our market share.

We may not be able to pass onto our suppliers any or all decreases in average selling prices of our certain products, which may in turn adversely affect our profitability

The camera module industry is characterised by rapid launches of new products, continuous technological advancements and changing of market trends and customers' preferences, all of which translate to shorter life cycle and a general decrease in the average selling prices of camera modules over time. As a result, turnover and average selling prices of our camera modules with similar resolution and specifications generally decrease over time. Although prices of our principal raw materials and components have also decreased over time due to the competiveness of the supply chain, rapid-evolving technology advancement and market trends and developments of the camera module industry, there are no assurances that we will be able to pass on any or all decreases in average selling prices of our certain products to our suppliers. In the event that average selling prices of our certain products unusually or significantly decrease and such decreases cannot be offset by a corresponding decrease in the prices of our principal raw materials and components, our gross profit margins for certain products may be materially and adversely affected, which in turn, may adversely affect our profitability.

We had net current liabilities as of 31 December 2011 and 2012, respectively, and net operating cash outflows for the three years ended 31 December 2011, 2012 and 2013, and we may have net current liabilities and/or net operating cash outflows in the future

We had net current liabilities of approximately RMB104.0 million and RMB131.1 million as of 31 December 2011 and 2012, respectively. Our net current liability position during the Track Record Period was primarily due to our increased trade and other payables, which in turn, was due to (i) our increased purchases of raw materials and components as a result of our increased demand and sales of our camera modules and our increased purchases of advanced production and testing machinery and equipment for our Kunshan Production Base; (ii) an increase in the amounts due to our related parties mainly resulting from our funding arrangements with them; and (iii) our increased bank borrowings. Our liquidity subsequently improved and we recorded net current assets of RMB121.0 million and RMB184.2 million as of 31 December 2013 and 30 June 2014, respectively. Please refer to the section headed "Financial Information — Liquidity and capital resources — Current assets and liabilities" in this prospectus for more information in relation to our current assets and liabilities.

Further, as of 31 December 2011, we did not have any outstanding bank borrowings and related parties' loans. However, as of 31 December 2012 and 2013, our gearing ratio was 144.6% and 213.6%, respectively, primarily as a result of our increased use of bank borrowings and loans from our related parties to fund our working capital requirements, purchases of property, plant and equipment and business expansion. In 2014, we also increased our banking borrowings, instead of relying on funding arrangement with our related parties that were mainly interest-free, to further support our general working capital as our business continued to grow. We also obtained additional banking facilities in 2014 for the purpose of settling our non-trade related party balances before Listing. As of 30 June 2014, our gearing ratio was 262.9%. We may continue to utilise short-term banking facilities to fund our operations and business expansion. Please also refer to the section headed "Financial Information

— Trade and other receivables — Other receivables — Other receivables from amounts due from related parties and a Controlling Shareholder", "— Trade and other payables — Amounts due to related parties and Controlling Shareholder" and "— Indebtedness — Bank borrowings" in this prospectus for more details.

In the event that there is any failure to generate current assets to the extent that the aggregate amount of our current assets on any given day exceeds the aggregate amount of our current liabilities on the same day, we will record net current liabilities, and such net current liabilities may expose us to certain liquidity risks and could constrain our operational flexibility as well as adversely affect our ability to expand our business. Our future liquidity, the payment of trade and bills payables, the payment of other payables and accruals, and the repayment of outstanding debt obligations as and when they become due will primarily depend on our ability to maintain adequate cash inflows from our operating activities and adequate external financing, which will be affected by our future operating performance, prevailing economic conditions, our financial, business and other factors, many of which are beyond our control. If adequate funds are not available, whether on satisfactory terms or at all, we may be forced to delay or abandon our development and expansion plans, and our business, financial condition and results of operations may be materially and adversely affected.

Besides, we had net cash outflows from our operating activities of approximately RMB133.2 million, RMB329.2 million and RMB302.3 million for the three years ended 31 December 2011, 2012 and 2013, respectively, primarily as a result of our repayment of advances from Heyuan CK (which resulted in cash inflows from our financing activities) through endorsement of bills receivables of approximately RMB113.2 million, RMB361.4 million and RMB329.7 million for the three years ended 31 December 2011, 2012 and 2013. Such repayment, which were non-cash transactions, would not result in cash inflows from our operating activities that we would otherwise receive upon maturity of these bills or discounting such bills to the banks. We have ceased such arrangement with and repaid all advances from Heyuan CK by the end of 2013. Our net operating cash flows during the Track Record Period were also partially affected by the fact that our average turnover days of trade and bills receivables were slightly longer than our average turnover days of trade and bills payables as during the Track Record Period, certain of our customers settled their payment by bank acceptance bills on or before the expiry of their credit periods, which in turn resulted in actual cash payment in relation to these customers being received beyond the respective credit periods from our operating cash flows perspective. Please also refer to the section headed "Financial Information — Liquidity and capital resources — Cash flows" and "— Certain items of consolidated statements of financial position — Trade and bills receivables" in this prospectus for more details. There is no assurance that we will not continue to experience periods of net operating cash outflows in the future as our business grows rapidly as a result of increased demand and sales of our camera modules. If we are unable to finance our operations continuously from our business activities, our business, financial position and results of operations could be materially and adversely affected.

Our wealth management products may expose us to default risk which may materially and adversely affect our business, financial condition and results of operations

We invested into a number of available-for-sale wealth management products issued by or sold through publicly listed banks as part of our treasury management operations and mainly for securing our bank borrowings and bills payables. As of 31 December 2011, 2012 and 2013 and 30 June 2014, the carrying values of such wealth management products amounted to RMB17.2 million, RMB117.0 million, RMB416.1 million and RMB457.2 million, respectively. As of the Latest Practicable Date, we had four outstanding wealth management products issued by or sold through two publicly listed banks with expiry date between November 2014 and March 2015, and with the expected return ranging from approximately 4.3% to 5.7% per annum according to the issuing documents of these wealth management products. Among which, two of these wealth management products with an aggregate principal amount of RMB100.0 million are fully covered by insurance offered by the issuing bank's related insurance company and two of these wealth management products with an aggregate principal amount of RMB72.0 million are principal protected.

During the Track Record Period, we had not encountered any losses from the default of our wealth management products. Instead, for the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, we had investment income arising from these wealth management products of RMB0.7 million, RMB2.5 million, RMB5.7 million and RMB5.6 million, respectively. However, as we are subject to default risk associated with these wealth management products, we cannot assure you that we will receive investment income or will not incur financial losses from our wealth management products before they expire. In the event that we incur financial losses from these wealth management products, including if the insurance fails to fully cover our financial losses, our business, financial condition and results of operations may be materially and adversely affected. For a detailed discussion of our wealth management products and our relevant treasury and internal investment policies, please refer to the sections headed "Business — Risk management", "Business — Treasury policy" and "Financial Information — Certain items of consolidated statements of financial position — Other financial assets" in this prospectus.

Further expansion of our Kunshan Production Base may not be successful as we have planned or such expansion may result in over-capacity or significant increases in depreciation and amortisation, which may materially and adversely affect our business, financial condition and results of operations

As we expect our business will continue to grow at a fast pace, we plan to further expand and modernise our Kunshan Production Base in the second half of 2014 (the "**Newly Expanded Kunshan Production Base**") and expect it to be completed and put into use by the end of 2015. The capital expenditures for such expansion in relation to the enlargement and upgrade of our Class 10 and Class 1,000 Cleanrooms, purchases of additional production and design, research and development machinery and equipment, construction of a new building for our design, research and development centre at our Kunshan Production Base or purchase of a new building for our Chengdu design, research and development centre, and construction of two dormitory buildings and auxiliary facilities are estimated to be a total of approximately HK$403.5 million, which will be funded by the net proceeds from the Global Offering. Please refer to the sections headed "Business — Production process — Our expansion plan", "Financial Information — Capital expenditures — Planned capital expenditures" and "Future Plans and Use of Proceeds" in this prospectus for more details.

Significant capital investment and human resources will be required for our Newly Expanded Kunshan Production Base, which may exceed our original estimates. There is no assurance that our production expansion plans will be successfully implemented without delay or at all. Any failure or delay in implementing any part of these plans may result in a lack of production capacity to support our growth and market expansion, which in turn may materially and adversely affect our business, financial condition and results of operations.

Further, with the Newly Expanded Kunshan Production Base, we currently expect to increase our monthly production capacity of camera modules from approximately 8.5 million units in June 2014 to 13.0 million units by the end of 2014 and further to 18.0 million units by the end of 2015. There is no assurance that we can achieve similar efficiency and quality standards for our Newly Expanded Kunshan Production Base. Further, our expansion plan may also result in significant increases in depreciation and amortisation expenses arising from certain of our production and testing machinery and equipment and software development, and our turnover and profit may not increase in proportion to our increased production capacity and expansion. We also cannot assure you that our expansion plan for our Newly Expanded Kunshan Production Base will not result in over-capacity due to unforeseeable changes in the market demands, which may in turn materially and adversely affect our business, financial condition and results of operations.

A portion of our turnover is derived from our key customers that require us to participate and bid in a tender process, and if we are not successful in the bids, our business, financial condition and results of operations may be materially and adversely affected

For some of our key customers in the PRC, there is normally a tender process every quarter or half year where we are required to submit a bidding proposal for some of our customers' new projects. However, there is no guarantee that we can maintain or improve our bidding success rate. In the event that we are not successful in these tender processes, we will lose the opportunity to supply our products and services to our key customers and our business, financial condition and results of operations may be materially and adversely affected. Further, the tender process may force us to lower our prices in order to increase the competitiveness of our bids and guarantee sales orders from our customers. Consequently, any material decrease in our prices in order for our bids to become successful may negatively impact our gross profit margin.

Our customers may amend their sales forecasts, change production quantities or delay production, which may in turn vary our result of operations

We generally enter into non-legal binding framework sales agreements with our customers when we first cooperate with them and become their qualified supplier. Depending on whether we are successful and become a qualified supplier for our customers' new projects under the tender process, we will then receive sales forecasts from our customers which set out the estimated quantities and pricing of our camera modules and further, sales orders which set out the precise terms, such as the actual quantities required and delivery time, at the time of each order is placed. We may face the risk that our customers amend their sales forecasts, delay production or require shorter deliver time for their orders. There is no assurance that the volume or margin of our customers' orders will be consistent with their original estimates and our expectations when we plan our expenditures on, for example, the product design and development expenses and purchases of raw materials and components for the relevant new products. As a result, our result of operations may vary from period to period and may fluctuate significantly in the future.

In addition, we make significant management decisions, including business expansion plan, procurement and production schedules and human resource requirement, based on sales forecasts we receive from our customers. The possibility of changes in demand by our customers reduces our ability to predict future customers' requirements. On occasion, customers may also require rapid increase in production, which can stress our resources and we may not have sufficient capacity at any given time to meet our customers' demands.

Market development may result in declining turnover, sales volume and average selling prices of our certain products, which may in turn affect our gross profit margins for such products and overall profitability

We strategically position ourselves as a leading PRC-based camera module manufacturer focusing on mid-to-high end camera module market for Chinese branded smart phone and tablet PC manufacturers. As such, we adjust our product offering according to the market trends and demands for end products containing our products. During the Track Record Period, our turnover and sales volume of camera modules with resolution of 3 mega pixels and lower substantially decreased while our turnover and sales volume of camera modules with resolution of 5 mega pixels and higher substantially increased due to rapid-evolving technology advancements and increasing demand for higher picture resolution and better specifications by end customers. Similarly, due to the same reasons, average selling prices of camera modules with similar resolution and specifications generally decrease over time, which may in turn, affect the gross profit margins of these camera modules.

We believe that turnover, sales volume and average selling prices of camera modules with relatively lower resolution and specifications may continue to decline as a result of the above reasons. As we have no control on such changes or decline, if the gross profit margins of our certain products vary significantly in the future, our profitability may result in significant variation accordingly.

We depend on a limited number of quality suppliers, and termination of business relationship by our suppliers or any significant decrease in supplying quality raw materials and components to us may have a material and adverse effect on our business, financial condition and results of operations

We purchase our raw materials and components from both our domestic and overseas quality suppliers. For the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, purchases from our top five suppliers together accounted for approximately 64.6%, 50.4%, 51.9% and 46.7% of our total purchase, respectively, for the same periods. According to CCID Consulting, the revenue of PRC camera module industry is expected to grow at a CAGR of approximately 15.5% from 2013 to 2018. As a result, we believe that our reliance on our qualified suppliers in respect of supplying quality raw materials and components for the manufacture of our products will also increase. If any of our suppliers decides not to accept our future purchase orders on the same or similar terms, or at all, or decides to substantially reduce their volume of supply to us, substantially increase the prices of raw materials and components or terminate their business relationship with us, we may need to find a proper replacement in a timely manner, failure of which may result in delay our production schedules or default on our agreements with our customers. In addition, if any of our suppliers fails to provide the required amount of raw materials and components meeting our quality standards, we may need to source raw materials and components from other suppliers, which may result in additional costs and delay in the delivery of our products to our customers and our business, financial condition and results of operations may be materially and adversely affected.

We operate in a very competitive market, and if we fail to compete effectively, our market share and gross profit margin may decline

We operate in and focus on mid-to-high end camera module market in the PRC, which is very competitive and highly fragmented. Participants in this market include both international and domestic camera module manufacturers that compete on, among other things, market positioning, design, research and development capabilities, product quality, sales network coverage, price and the ability to meet delivery commitments to customers. Further, according to CCID Consulting, competition in the PRC camera module market is expected to intensify as more new entrants will enter into the market. In the event that we are not able to compete effectively against our competitors who may have greater financial resources, greater scale of production, superior product design and a wider, more diversified and established sales network, our market share and sales may decline. In addition, we may also be forced to, among other actions, reduce prices and increase expenditures on marketing and promotions in order to compete effectively and maintain our market share, which may in turn materially and adversely affect our gross profit margin and other results of operations.

We may experience shortage of supply for certain raw materials and components and if our suppliers fail to notify us in advance, our business, financial condition and results of operations may be materially and adversely affected

We generally maintain inventory level of certain raw materials and components commonly used in our production process, such as sensors and lenses, for around one to two months in order to support our production needs as well as to make prototypes for new products for our own design, research and development purpose. However, our industry may encounter shortage of supply for certain raw materials and components from time to time. In the event that our suppliers do not notify us in advance if there will be any shortage of and need for us to procure certain raw materials and components in accordance with their framework purchase agreements entered into with us, it may affect our production schedules and delivery of products to our customers, which may in turn affect our business, financial condition and results of operations.

We may not be able to effectively manage our anticipated growth and rapid domestic and international expansion

In order to meet the growth of the camera module market and as part of our strategy, we have expanded and will continue to expand our customer base. During the Track Record Period, a majority of our turnover was derived from our PRC sales and we only sold a small portion of our products to our overseas customers. In future, we plan to continue to focus on the PRC camera module market to capture the potential growth and at the same time tap on the overseas camera module markets. We plan to target the world's leading branded smart phone and tablet PC manufacturers that have not yet established business relationship with us. We also plan to target leading branded smart phone and tablet PC manufacturers in the emerging markets and mid-priced branded smart phone and tablet PC manufacturers in the more developed markets. We cannot assure you that our business development strategy will be successfully implemented. In addition, if there are major or unfavourable changes in political, economic or social conditions, foreign trade, legal and regulatory requirements or the taxation regime in PRC or overseas markets, or any adverse change in demand for or the ability or costs to supply our products in PRC or overseas camera module markets, our business, financial condition and results of operations may be adversely affected.

In addition, our ability to manage future growth will depend on our ability to effectively implement and improve our management, operational and financial systems and to expand, train, motivate and manage our workforce. We cannot give assurance that our resources will be adequate to support our future growth. Failure to manage our expansion effectively may impede our ability to execute our expansion strategy to support our business growth, and may lead to increased costs, operational inefficiencies and insufficient control and monitoring, which in turn may have a material adverse effect on our business, financial condition and results of operation.

We may not be able to attract and retain our senior management and other quality personnel, which may severely disrupt our business, results of operation and future prospects

Our success depends heavily on our ability to attract, retain and motivate key personnel, including our senior management members and key design, research and development personnel. Our founder, chairman and executive Director, Mr. He Ningning, has been responsible for the overall strategic planning and development of our Group and business, and has been one of the key drivers of our strategies and achievement to date. Mr. He has nearly 19 years of experience in the electrical and electronic industry and prior to founding our Group, Mr. He was a sales officer of Samsung Electro-Mechanics Dongguan Co., Ltd. (東莞三星電機有限公司). We also rely on the continued services of our executive Directors, Mr. Wang Jianqiang and Mr. Yang Peikun, who have over 18 years and nine years of relevant industrial experience, respectively. The continued successful management of our business is also, to a considerable extent, dependent on our senior management members who play vital roles in our operations. If one or more of our senior management members are unable or unwilling to continue in their present positions, we may not be able to recruit suitable and qualified new employees to replace them, which may severely disrupt our business and affect our results of operations and future prospects.

In addition, our strong in-house design, research and development capabilities have been critical to the establishment of our status as a leading camera module manufacturer in the PRC. Our future success is further dependent upon our ability to retain our key and attract more design, research and development personnel who have the necessary expertise and experience, in order to maintain our competitive strengths. If we cannot retain or recruit more experienced design, research and development personnel, our design, research and development capabilities and technology competitiveness may be limited, which may in turn reduce our profitability and limit our ability to grow.

Our future operating results may depend on our ability to maintain efficiency and production at our Kunshan Production Base

We achieved effective utilisation rate of approximately 90.1% and 75.3% for the year ended 31 December 2011 and the seven months ended 31 July 2012, respectively, at our Former Production Base and achieved effective utilisation rate of approximately 86.2%, 74.4% and 65.5% for the five months ended 31 December 2012, the year ended 31 December 2013 and the six months ended 30 June 2014, respectively, at our Kunshan Production Base. In order to meet the increasing demand of our customers and further expand our business, we upgraded our Kunshan Production Base by expanding our Class 10 and Class 1,000 Cleanrooms and purchasing new production and testing machinery and equipment in the second half of 2013. In June 2014, our monthly production capacity of camera modules has reached approximately 8.5 million units.

We believe that our future operating results will depend upon our ability to maintain sufficient operations of our Kunshan Production Base. The utilisation rate of our production facilities depends primarily on the demand for our products and the complexity of the testing procedures as camera modules with higher resolution generally require higher and more complex testing standards and focus adjustment, and may also be affected by various other factors, such as stable supply of electricity and water, skills of our employees and operation of our production facilities. There is no assurance that we will be able to maintain a comparable level of utilisation rate of our Kunshan Production Base in the future. If we are unable to achieve high utilisation rate at our Kunshan Production Base, or if we are not able to manufacture sufficient products to meet the orders of our customers, our business, financial condition and results of operations may be materially and adversely affected.

We may not be able to maintain effective quality control system, which may materially and adversely affect our business, financial condition and results of operations

We place great emphasis on product quality and adhere to stringent quality control measures from our design, research and development stage and throughout our production process. As of 30 June 2014, we had a quality management team of 138 members to monitor our various quality control procedures and to make sure that our products comply with the requisite quality and performance standards. The design of our quality control system, the quality training programs and our ability to ensure that our employees adhere to our quality control policies and guidelines are critical factors which affect our performance and quality of our products. Any significant failure or deterioration of our quality control system may have a material adverse effect on our business, financial condition and also results of operations. Further, any significant failure or deterioration of our quality control system may also result in us losing or failing to renew our recognised certifications, such as ISO9001 certification and IECQ certification, which in turn may have a material adverse effect on our reputation and prospects.

We may not be able to sustain growth rates similar to those we experienced during the Track Record Period

For the three years ended 31 December 2011, 2012 and 2013, our turnover was approximately RMB283.4 million, RMB637.8 million and RMB1,410.6 million, respectively, representing a CAGR of approximately 123.1%. Our profit for the three years ended 31 December 2011, 2012 and 2013 was approximately RMB37.4 million, RMB50.5 million and RMB163.2 million, respectively, representing a CAGR of approximately 108.7%. Our turnover also increased from RMB537.5 million for the six months ended 30 June 2013 to RMB965.1 million for the six months ended 30 June 2014, while our profit for the period increased from RMB47.2 million for the six months ended 30 June 2013 to RMB89.0 million for the six months ended 30 June 2014. Such increases in our turnover and profitability were primarily due to the increase in our sales as a result of increased demand for our products.

We cannot assure you that we will be able to sustain the growth rates at the levels we recorded during the Track Record Period. We face increasing competition from domestic competitors and potential international competitors who have longer operating histories, stronger design, research and development capabilities and other resources than we have. Particularly, if our current or potential competitors provide products comparable or superior to those we provide or adapt more quickly than we do to evolving industry trend or changing market and customers' preferences, we may experience pricing pressure or loss of market share, which may result in stagnant or negative growth.

Our business may be subject to seasonality

Our industry has historically experienced seasonality, which we expect to continue. We generally record higher sales in the second half of the year, which we consider to be generally attributable to higher demand from our customers resulting from their needs to manufacture smart phones and tablet PCs as they and/or telecom operators typically have sales promotion for smart phones and tablet PCs during the holiday seasons, such as the Chinese National Day holidays and the Chinese New Year. Please refer to section headed "Financial Information — Factors affecting our results of operations — Seasonality" in this prospectus. Our customers typically make purchase orders with us in batches within two or three months before these holiday sales. As such, any comparisons of our sales and operating results between different periods within a single financial year, are not necessary meaningful and cannot be relied on as an indication of our performance. Our results of operations are likely to continue to fluctuate due to seasonality.

Our products may be subject to counterfeiting, imitation, and/or infringement by third parties

We rely on intellectual property laws in China and other jurisdictions to protect our trademarks, technological know-how and registered patents. However, we cannot give assurance that counterfeiting or imitation of our products will not occur in the future or, if it does occur, that we will be able to detect or address the problem in a timely and effective manner.

Any occurrence of counterfeiting or imitation of our products or other infringement of our intellectual property rights could negatively affect our reputation, lead to loss of customer confidence in our products, and, as a consequence, adversely affect our results of operations. Any litigation to prosecute infringements upon our intellectual property rights and products will be expensive and will divert our management's attention as well as other resources away from our business.

We are not required under the PRC laws to maintain, nor do we currently maintain, any insurance coverage against intellectual property litigation costs, and we would have to bear all costs arising from intellectual property litigation, whether it is raised by us or it is against us, to the extent we are unable to recover them from the relevant parties. As a result, any such litigation could have a material adverse effect on our business, financial condition and results of operations.

Third parties may assert or claim that we have infringed their intellectual property rights, which could adversely affect our production process and our business

Our competitors or other third parties may have intellectual property rights and interests which could potentially come into conflict with ours. We may incur costs in either defending or settling any intellectual property disputes alleging infringement. If any intellectual property claim against us is successful, we may not have a legal right to continue to develop, manufacture, use or sell products that are adjudicated to have infringed third parties' intellectual property rights.

Intellectual property disputes or intellectual property litigation against us could significantly divert our management's attention and other resources away from our business. We may be required to expend significant resources to develop non-infringement alternatives so that they do not infringe third parties' intellectual property rights or we may be required to obtain relevant licences to avoid further infringements. We may not be successful in developing such alternatives or in obtaining such license on reasonable terms or at all, which could adversely affect our production processes and our business.

We may be subject to potential product liability

According to the Product Quality Law of the PRC (中華人民共和國產品質量法), as a manufacturer, we are liable to compensate any personal injury or property damage suffered due to any defects of our products. We may also face exposure to product liability claims in the event that any of our products are alleged to have resulted in harmful adverse effects. We cannot give assurance that our insurance policies are sufficient to cover all the risks associated with our operations. In particular, we are not required under PRC law to maintain, and we do not maintain, any product liability or third party liability in the PRC. Losses incurred for liabilities not covered by our insurance policies may have a material and adverse effect on our business, financial condition and results of operations.

Our facilities and production are susceptible to interruption, damage or loss caused by natural disasters, power shortages or other events beyond our control

All of our products are manufactured at our Kunshan Production Base located in Hi-tech Industry Park, Kunshan, Jiangsu province, the PRC. Our manufacturing process requires a stable source of electricity and sufficient supply of water. We cannot guarantee that we will not experience blackouts, power shortages or water shortages in the future. Any material interruption at our Kunshan Production Base could reduce our sales and earnings for the affected period. Power interruptions, power shortages, water shortages or government intervention, particularly in the form of power rationing, are factors that could affect our daily operations and production. If there is any insufficient supply of power or water that cannot satisfy our production requirements, we may need to delay or cancel our production which may cause a delay in the delivery of our products to our customers, and our business, financial condition and results of operations may also be materially and adversely affected. In addition, interruptions, damage or loss to our Kunshan Production Base caused by fire, severe weather, earthquakes or the acts of God, government intervention or other events which are beyond our control could also harm our business, results of operations and our prospects.

Our Controlling Shareholders have substantial influence over us and the Controlling Shareholders' interests may not be aligned with the interests of our other Shareholders

Immediately after the Listing, our Controlling Shareholders will own in total 75.0% of our issued share capital (assuming no exercise of the Over-allotment Option and without taking into account any Shares that may be allotted and issued upon the exercise of any option which may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme). Our Controlling Shareholders will be in a position to exert significant influence over our affairs, and will be able to significantly influence the outcome of any Shareholders' resolution, irrespective of how other Shareholders may vote. The interests of our Controlling Shareholders may not necessarily be aligned with those of our independent Shareholders. Our Controlling Shareholders may cause us to take actions that are not in the interests of us or our other Shareholders. In the event that the interests of our Controlling Shareholders conflict with those of our other Shareholders, or if our Controlling Shareholders choose to cause us to pursue objectives that would conflict with the interests of our other Shareholders, such other Shareholders could be left in a disadvantageous position by such actions caused by our Controlling Shareholders.

Discontinuation of any preferential tax treatment or imposition of any additional taxes could materially and adversely affect our financial condition and results of operations

China passed the EIT Law and its implementation rules, both of which became effective on 1 January 2008, which provided the statutory rate of the enterprise income tax of 25.0%. Kunshan QT China, our PRC operating company, was recognised as a High and New Technology Enterprise on 21 May 2012 which entitled Kunshan QT China to enjoy a preferential tax treatment of 15.0% under the relevant PRC tax regulations from 1 January 2012 to 31 December 2014. We expect to renew this qualification for another three-year period commencing from 1 January 2015. If our Kunshan QT China fails to renew its High and New Technology Enterprise qualification, its applicable corporate income tax rate would increase to 25.0%, which would have a material adverse effect on our financial condition and results of operations. We cannot assure you that we will be able to maintain our current effective tax rate by renewing this High and New Technology Enterprise qualification in the future, and if we fail to do so, our financial condition and results of operations may be materially and adversely affected.

Our non-compliances in respect of the social insurance fund and housing provident fund contributions may be subject to fines and penalties under the PRC laws and regulations

During the Track Record Period, we did not make contributions to the social insurance fund and the housing provident fund for some of our employees as required under PRC laws and regulations. Based on the confirmation letters issued by and the verbal confirmation obtained from the respective competent and responsible government authorities regarding social insurance fund and housing provident fund, our PRC legal advisers, King & Wood Mallesons, are of the view that the likelihood of these government authorities requesting us to make retrospective payment or imposing any penalty on us is remote.

The maximum outstanding amount of social insurance fund and housing provident fund contributions for the Track Record Period is estimated to be approximately RMB5.2 million and RMB1.0 million, respectively. Our Controlling Shareholder, Mr. He Ningning, has undertaken to compensate us in full for any economic loss and payment liabilities that we may suffer due to the above non-compliances. Based on the above, and the fact that since April 2014, we have been in compliance with the relevant PRC laws and regulations with respect to the timely contributions of social insurance fund and the housing provident fund, our PRC legal advisers, King & Wood Mallesons, are of the further view that that the above non-compliances would not have an adverse effect on our operations. For more details of our non-compliances, please also refer to the section headed "Business — Compliance and legal proceedings — Non-compliances" in this prospectus. However, if any of these competent and responsible government authorities takes action against us, we may be required to pay certain penalties. In such circumstances, if we are required to make significant penalty payments or incur other liabilities, our reputation, cash flows and results of operations may be adversely affected.

RISK RELATING TO CONDUCTING BUSINESS IN THE PRC

Changes in economic, political, legal and social developments and conditions in the PRC and policies adopted by the PRC government may adversely affect our business, financial condition, results of operations and prospects

Our operating assets are substantially located in the PRC and most of our sales are derived from our business activities in the PRC. Our business, results of operation and financial condition are subject, to a significant degree, to economic, political, legal and social developments in the PRC. The economy of the PRC differs from the economies of most developed countries in many aspects, including the extent of government involvement, the level of development, the growth rate, and government control of foreign exchange. The PRC economy has traditionally been centrally planned. Since 1978, the PRC government has been promoting reforms of its economic and political systems. These reforms have brought about marked economic growth and social progress in the PRC, and the economy of the PRC has shifted gradually from a planned economy towards a market-oriented economy. However, there is no assurance that the PRC government will continue to pursue economic reforms. The PRC government exercises significant control over the economic growth of the PRC through allocating resources, controlling payments of foreign currency-denominated obligations, setting monetary policies and providing preferential treatments to particular industries or companies. Also, many of the economic reforms carried out by the PRC government are unprecedented or experimental and are expected to be refined and improved over time. Other political, economic and social factors may also lead to further adjustments of the reform measures. This refining and adjustment process may not necessarily have a positive effect on our operations and business development. In addition, while the PRC economy has experienced significant growth in the last three decades, growth has been uneven across both geographic regions and the various sectors of the economy. Our business, financial condition and results of operation may be adversely affected by the PRC government's political, economic and social policies, tax regulations or policies, and regulations affecting the PRC camera module industry.

Uncertainties with respect to the PRC legal system may have an adverse effect on our business and operations

Our business is mainly conducted, and our operations are mainly located, in the PRC. Our business in the PRC is subject to PRC laws and regulations applicable to foreign investment in the PRC. The PRC legal system is a civil law system based on written statutes. Unlike in the common law system, prior cases have limited precedential value in deciding subsequent cases in the civil law legal system. Additionally, PRC written statutes are often principle oriented and require detailed interpretations by the enforcement bodies for their application and enforcement. When the PRC government started its economic reforms in 1978, it began to build a comprehensive system of laws and regulations to regulate business practices and the overall economic order of the country. The PRC has made significant progress in the promulgation of laws and regulations dealing with business and commercial affairs of various participants of the economy, involving foreign investment, corporate organisation and governance, commercial transactions, taxation and trade. However, the promulgation of new laws, changes in existing laws and abrogation of local regulations by national laws may have an adverse effect on our business and operations. Additionally, given the involvement of different enforcement bodies of the relevant rules and regulations and the non-binding nature of prior court decisions and administrative rulings, the interpretation and enforcement of PRC laws and regulations involve significant uncertainties under the current legal environment.

We face foreign exchange risk, and fluctuations in exchange rates may have an adverse effect on our business and investors' investment

The value of Renminbi against the U.S. dollar and other currencies fluctuates and is affected by, among other things, changes in PRC and international political and economic conditions and the PRC government's fiscal, monetary and currency policies. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong and U.S. dollars, has been based on rates set by the PBOC, which are set daily based on the previous business day's inter-bank foreign exchange market rates and current exchange rates on the world financial markets. From 1994 to 10 July 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars was generally stable. On 21 July 2005, the PRC government adopted a more flexible managed floating exchange rate system to allow the value of Renminbi to fluctuate within a regulated band that is based on market supply and demand and reference to a basket of currencies. From 21 July 2005 to 31 December 2009, the value of Renminbi appreciated by approximately 21.2% against the U.S. dollar. In August 2008, the PRC revised the Regulations of the PRC on Foreign Exchange Control (外匯管理條例) to promote the reform of its exchange rate regime. On 29 June 2010, the PBOC announced that the PRC government would reform the Renminbi exchange rate regime and increase the flexibility of the exchange rate. The recent change in the PRC currency policy has resulted in the appreciation of the Renminbi against the U.S. dollar from approximately RMB6.83 to US$1.00 on 31 December 2008 to approximately RMB6.17 to US$1.00 on 30 May 2014. There can be no assurance that such exchange rate will remain stable against the U.S. dollar or other foreign currencies.

The fluctuations in the Renminbi exchange rate against other currencies may have a material impact on our results of operations. A depreciation of Renminbi could increase our costs of purchasing imported raw materials and components and machinery and equipment, as such depreciation would require us to convert more Renminbi to obtain the equivalent foreign currency necessary to tender payment. On the other hand, an appreciation of Renminbi may cause the prices of our products denominated in other currencies to increase and may affect our strategy to market our products overseas.

Moreover, we will need to convert part of the proceeds denominated in foreign currencies from the Global Offering into Renminbi. The appreciation of Renminbi against the Hong Kong dollars could reduce the amount of Renminbi that would be available for our use upon conversion of such proceeds to Renminbi. We cannot predict how Renminbi will fluctuate in the future. As a result, the fluctuation in the exchange rate between Renminbi and other currencies may have a material and adverse effect on our business, financial condition and results of operations.

Government control of currency conversion may adversely affect the value of your investments

Our turnover is substantially denominated in Renminbi, which is also our reporting currency. Renminbi is currently not a freely convertible currency. A portion of our cash may be required to be converted into other currencies in order to meet our foreign currency needs, including cash payments on declared dividends, if any, on our Shares. Under existing foreign exchange regulations of the PRC, following the completion of the Global Offering, we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements.

However, if the PRC government were to impose restrictions on access to foreign currencies for current account transactions at its discretion, we might not be able to pay dividends to the holders of our Shares in foreign currencies. On the other hand, most of the foreign exchange transactions under capital accounts in the PRC continue to be not freely convertible and require the approval of the SAFE. These limitations may affect our ability to obtain foreign currencies through equity financing or to obtain foreign currencies for capital expenditures.

Furthermore, the net proceeds from the Global Offering are expected to be deposited in currencies other than Renminbi until we obtain necessary approvals from relevant PRC regulatory authorities to convert these proceeds into onshore Renminbi. If the net proceeds cannot be converted into onshore Renminbi in a timely manner, our ability to deploy these proceeds efficiently may be affected as we will not be able to invest these proceeds on RMB-denominated assets onshore or deploy them in uses onshore where Renminbi is required, which may adversely affect our business, results of operations and financial condition.

Any future occurrence of force majeure events, natural disasters or outbreaks of contagious diseases in the PRC may have an adverse effect on our business, financial condition and results of operations

Any future occurrence of force majeure events, natural disasters or outbreaks of epidemics, including but not limited to those caused by avian influenza or swine influenza, may restrict business activities in the areas affected and adversely affect our business and results of operations. For example, in 2009 and 2013, there were reports of the occurrence of two types of avian influenza in certain regions of the worlds, including the PRC, where we operate our business. Moreover, the PRC has experienced natural disasters like earthquakes, flood and droughts in the past few years. Any future occurrence of severe natural disasters in the PRC may adversely affect its economy and therefore our business. We cannot assure you that any future occurrence of natural disasters or outbreaks of epidemics, or the measures taken by the PRC government or other countries in response to such disasters and epidemics, will not seriously disrupt our operations or those of our distributors, which may have an adverse effect on our business and results of operations.

RISK RELATING TO GLOBAL OFFERING AND OUR SHARES

There has been no prior public market in Hong Kong for our Shares and their liquidity and market price may be volatile

Prior to the Global Offering, no public market existed for our Shares. The initial Offer Price range to the public for our Shares is the result of negotiations between us and the Joint Bookrunners (for themselves and on behalf of the Underwriters), and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. There is no assurance that an active trading market for our Shares will develop following the Global Offering or, if it does develop, that it will be sustained or that the market price for our Shares will not decline below the initial Offer Price.

The price and trading volume of our Shares may be volatile, which could result in substantial losses for investors purchasing our Shares in the Global Offering

Factors such as fluctuations in our sales, earnings, cash flows, new investments, acquisitions or alliances, regulatory developments, additions or departures of key personnel, or actions taken by competitors could cause the market price of our Shares or trading volume of our Shares to change substantially and/or unexpectedly. In addition, stock prices have been subject to significant volatility in recent years. Such volatility has not always been directly related to the performance or condition of the specific companies whose shares are traded. Such volatility, as well as general economic conditions, may adversely affect the prices of our Shares, and as a result investors in our Shares may incur substantial losses.

Control by our Controlling Shareholders of a substantial percentage of our Company's share capital after the completion of the Global Offering may limit your ability to influence the outcome of decisions requiring the approval of Shareholders

Upon completion of the Global Offering, approximately 75.0% of our issued Shares will be held by our Controlling Shareholders. The interests of our Controlling Shareholders may conflict with the interests of our other Shareholders. Following the completion of the Global Offering, our Controlling Shareholders will continue to have significant influence over us, including on matters relating to potential mergers, consolidations, the sale of all or substantially all of our assets, the election of Directors, and other significant corporate actions. This concentration of ownership may discourage, delay or prevent a change in control of us, which could deprive our Shareholders of the opportunity to receive a premium for their Shares as part of a sale of us or our assets, and might reduce the trading price of our Shares. Due to our Controlling Shareholders' position, these actions may be taken even if they are opposed by our other Shareholders, including those who subscribe for our Shares in the Global Offering. For more information regarding the share ownership of, and our relationship with, our Controlling Shareholders, please refer to the section headed "Relationship with Controlling Shareholders" in this prospectus.

Future sale or major divestment of Shares by our Controlling Shareholders could adversely affect the prevailing market price of our Shares

Our Shares held by our Controlling Shareholders are subject to certain lock-up periods, the details of which are set out in the section headed "Underwriting" in this prospectus. However, there is no assurance that after the restrictions of the lock-up periods expire, our Controlling Shareholders will not dispose of any Shares. Sale of substantial amounts of our Shares in the public market, or the perception that these sales may occur, may adversely affect the prevailing market price of our Shares.

Purchasers of Shares will experience immediate dilution and may experience further dilution if we issue additional Shares in the future

Potential investors will pay a price per share that substantially exceeds the per share value of the Company's tangible assets after subtracting the Company's total liabilities and will therefore experience immediate dilution when potential purchases of the Shares offered in the Global Offering. As a result, if the Company was to distribute its net tangible assets to the Shareholders immediately following the Global Offering, potential investors would receive less than the amount they paid for their Shares.

We may need to raise additional funds in the future to finance further expansion or new developments relating to our existing operations. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro-rata basis to existing Shareholders, the percentage ownership of such Shareholders in our Company may be reduced and such new securities may confer rights and privileges that take priority over those conferred by the Shares.

You may face difficulties in protecting your interests under the laws of the Cayman Islands

Our corporate affairs are governed by, among other things, our Memorandum and Articles and the Companies Law and common law of the Cayman Islands. The rights of Shareholders to take action against our Directors, actions by minority shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as that from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in other jurisdictions.

Certain facts and statistics derived from government sources contained in this prospectus may not be reliable

We have derived certain facts and other statistics in this prospectus, particularly those relating to the PRC, the PRC economy and the PRC camera module industry in which we operate, from information provided by PRC government agencies, industry associations, independent research institutes or other third-party sources that we believe to be reliable. While our Directors have taken reasonable care in the reproduction of the information, they have not been prepared or independently verified by us, the Sole Global Coordinator, the Underwriters or any of our or their respective affiliates or advisers and, therefore, we cannot assure you as to the accuracy and reliability of such facts and statistics, which may not be consistent with other information compiled in or outside the PRC. The facts forecasts and other statistics include the facts forecasts and statistics included in the sections headed "Risk Factors", "Industry Overview" and "Business" in this prospectus. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies, and you should not place undue reliance on them. Furthermore, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, you should consider carefully how much weight or importance you should attach to, or place on, such facts or statistics.

Investors should read the entire prospectus carefully and we strongly caution the investors not to place any reliance on any information contained in press articles or other media regarding us and the Global Offering, including, in particular, any projections, valuations or other forward-looking information

Prior or subsequent to the publication of this prospectus, there had been or may be press and media coverage regarding us and the Global Offering. We have not authorised the disclosure of any such information in the press or media, the financial information, financial projections, valuations and other information about us contained in such unauthorised press and media coverage may not truly reflect what is disclosed in this prospectus or the actual circumstances, and we do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us or the Global Offering, or of any assumptions underlying such projections, valuations or other forward-looking information included in or referred to by the press articles or other media. To the extent that any such information appearing in the press or media is inconsistent or in conflict with the information contained in this prospectus or the actual circumstances, we shall not be liable on the same. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and not to rely on any other information.

MANAGEMENT PRESENCE IN HONG KONG

According to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong and in normal circumstances, at least two of the issuer's executive directors must be ordinarily resident in Hong Kong.

Our core business and operations are substantially based in the PRC. It would be practically difficult and commercially unnecessary for us to relocate two of our executive Directors to Hong Kong. Therefore, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from compliance with Rule 8.12 of the Listing Rules on the following conditions:

(1) We have appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange and ensure that we will comply with the Listing Rules at all times. The two authorised representatives appointed are Mr. Wang Jianqiang, our executive Director and Mr. Kwok Siu Man (郭兆文), our company secretary. Mr. Kwok Siu Man is ordinarily resident in Hong Kong. Each of the authorised representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and email. Each of the two authorised representatives will be authorised to communicate on our behalf with the Stock Exchange.

(2) Each of the authorised representatives has means to contact all of our Directors (including our independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matters. Our Directors who are not ordinarily resident in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange within a reasonable period of time, when required. To enhance communication between the Stock Exchange, the authorised representatives and our Directors, we will implement a policy that (a) each Director will have to provide his mobile telephone number, office telephone number, fax number and email address to our authorised representatives; (b) in the event that a Director expects to travel, he will endeavour to provide the telephone number of the place of his accommodation to the authorised representatives or maintain an open line of communication via his mobile telephone; and (c) each of the Directors and authorised representatives will provide their respective mobile telephone numbers, office telephone numbers, fax numbers and email addresses to the Stock Exchange.

(3) We have appointed Somerley Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules, which will have access at all times to our authorised representatives, Directors and senior management, and will act as an additional channel of communication between the Stock Exchange and us.

(4) Meetings between the Stock Exchange and our Directors could be arranged through our authorised representatives or our compliance adviser, or directly with our Directors within a reasonable time frame. We will inform the Stock Exchange as soon as practicable in respect of any change in our authorised representatives and/or our compliance adviser.

JOINT COMPANY SECRETARIES

According to Rules 3.28 and 8.17 of the Listing Rules, the secretary of our Company must be a person who has the requisite knowledge and experience to discharge the functions of the company secretary and is either (i) a member of the Hong Kong Institute of Company Secretaries, a solicitor or barrister as defined in the Legal Practitioners Ordinance or a certified public accountant as defined in the Professional Accountants Ordinance, or (ii) an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

We have appointed Mr. Kwok Siu Man and Mr. Fan Fuqiang as our joint company secretaries. Mr. Kwok Siu Man is a fellow member of The Hong Kong Institute of Chartered Secretaries and meets the requirements under Rules 3.28 and 8.17 of the Listing Rules. Since Mr. Fan Fuqiang does not possess a qualification stipulated in Rules 3.28 and 8.17 of the Listing Rules, he is not able to solely fulfill the requirements as a company secretary of a listed issuer stipulated under Rules 3.28 and 8.17 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules in relation to the appointment of Mr. Kwok Siu Man as our joint company secretary. In order to provide support to Mr. Fan Fuqiang, we have appointed Mr. Kwok Siu Man to act as a joint company secretary and to provide assistance to Mr. Fan Fuqiang, for a three-year period from the Listing Date so as to enable him to acquire the relevant experience (as required under Rule 3.28(2) of the Listing Rules) to duly discharge his duties.

Upon the expiry of such three-year period, we will assess the then experience of Mr. Fan Fuqiang in order to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied at that time and, if such requirements cannot be satisfied, we will employ a suitable candidate who will be able to comply with the requirements under Rules 3.28 and 8.17 of the Listing Rules as the secretary of our Company.

CONTINUING CONNECTED TRANSACTIONS

We entered into, and are expected to continue after the Listing, certain continuing connected transactions. We have applied for, and the Stock Exchange has granted us, waivers from strict compliance with the reporting, annual review, announcement, (where applicable) circular and independent shareholders' approval requirements in respect of certain continuing connected transactions as disclosed in paragraphs 3 to 5 in the section headed "Connected Transactions". Further information is disclosed in the section headed "Connected Transactions" in this prospectus.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

INFORMATION ON THE GLOBAL OFFERING

The Hong Kong 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 Hong Kong Public Offering 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 Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of their respective Directors, officers, agents, employees or advisers or any other party involved in the Global Offering.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering. Details of the terms of the Global Offering are described in the section headed "Structure and Conditions of the Global Offering" in this prospectus.

The Listing is sponsored by the Sole Sponsor. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement. The International Underwriting Agreement is expected to be entered into on or about 26 November 2014. The Hong Kong Public Offering and the International Offering are subject to the agreement on the Offer Price between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and us on the Price Determination Date. For details of the Underwriters and the underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF OFFER SHARES

Each person acquiring the Hong Kong Offer Shares will be required to, or be deemed by his/her acquisition of Hong Kong Offer Shares to, confirm that he/she is aware of the restrictions on offers of the Hong Kong Offer Shares described in this prospectus and that he/she is not acquiring, and has not been offered, any Hong Kong Offer Shares in circumstances that contravene any such restrictions.

No action has been taken in any jurisdiction other than Hong Kong to permit an offering of the Hong Kong Offer Shares 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 of the Hong Kong 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.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee for the listing of, and permission to deal in, our Shares in issue, the Offer Shares (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option), Shares to be issued pursuant to the Capitalisation Issue and any Shares which may be issued upon the exercise of any options to be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme. Dealings in our Shares on the Stock Exchange are expected to commence on or around 2 December 2014.

None of our Shares or loan capital are listed on or dealt in any other exchange and no such listing or permission to list is being or proposed to be sought in the near future.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) 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 the Stock Exchange.

SHARES WILL BE ELIGIBLE FOR CCASS

Subject to the granting of listing of, and permission to deal in, our Shares on the Stock Exchange and the 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 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.

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 Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, holding or disposal of, and dealing in our Shares (or exercising rights attached to them). None of us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of their respective Directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, our Shares.

REGISTER OF MEMBERS AND STAMP DUTY

Our Company's Hong Kong register of members will be maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong. Our Company's principal register of members will be maintained by Codan Trust Company (Cayman) Limited in the Cayman Islands.

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

CURRENCY TRANSLATIONS

Unless otherwise specified, amounts denominated in HK$ have been translated, for the purpose of illustration only, into RMB or US$, and vice versa, in this prospectus (i) at the rate of RMB1.00 to HK$1.2623, being the PBOC rate prevailing on the Latest Practicable Date, and (ii) at the rate of US$1.00 to HK$7.7523, being the exchange rate on 7 November 2014 set forth in the H.10 statistical release of the Board of Governors of the Federal Reserve Board. No representation is made that any amounts in RMB, HK$ and US$ can be or could have been at the relevant date converted at the above rate 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. Translated English names of Chinese laws and regulations, governmental authorities, institutions, natural persons, companies, other entities or product names included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedure for applying for Hong Kong Offer Shares are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus and in the relevant Application Forms.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure and Conditions of the Global Offering" in this prospectus.

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. He Ningning (何寧寧)	Town House No. 23 Chunshuian Phase 2 No. 1 Xiangshan Middle Street Nanshan District Shenzhen PRC	Chinese
Mr. Wang Jianqiang (王健強)	7D Block S Swan Castle Phase 2 Portofino Overseas Chinese Town Nanshan District Shenzhen PRC	Chinese
Mr. Yang Peikun (楊培坤)	D404, Block CD Dijingyuan Phase 2 No. 6 Keji M. No. 1 Road Nanshan District Shenzhen PRC	Chinese
Independent non-executive Directors		
Ms. Chen Jun (陳郡)	Room 501, Gate 6 No. 39A Nanxiange Street Xicheng District Beijing PRC	Chinese
Mr. Ng Sui Yin (吳瑞賢)	Flat G, 2nd Floor, Block 1 No. 8 Sceneway Road Sceneway Garden Kowloon Hong Kong	Chinese
Mr. Chu Chia-Hsiang (初家祥)	10/F No. 89 Didingda Road 2 Duan Neihu District Taipei Taiwan	Taiwanese

Please refer to the section headed "Directors and Senior Management" in this prospectus for further information on our Directors.

PARTIES INVOLVED

Sole Sponsor	**CITIC Securities Corporate Finance (HK) Limited** 26/F, CITIC Tower 1 Tim Mei Avenue Central Hong Kong
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Principal place of business in Hong Kong	31st Floor No. 148 Electric Road North Point Hong Kong
Company's website	qtechglobal.com *(information contained in this website does not form part of this prospectus)*
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This section contains information and statistics relating to the PRC economy and the industry in which we operate. We have derived such information and data partly from publicly available government and other third-party sources, which have not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters or any of our or their respective directors, officers, representatives or affiliates, or any other party involved in the Global Offering. Our Directors have taken reasonable care in the reproduction of such information, which may not be consistent with other information compiled within or outside the PRC. We commissioned CCID Consulting, an independent market research firm, as an industry consultant to prepare an industry research report (the "CCID Report"). We believe that the sources of the information in this 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.

Unless otherwise specified, the market and industry information in this section and elsewhere in this prospectus has been derived from the CCID Report.

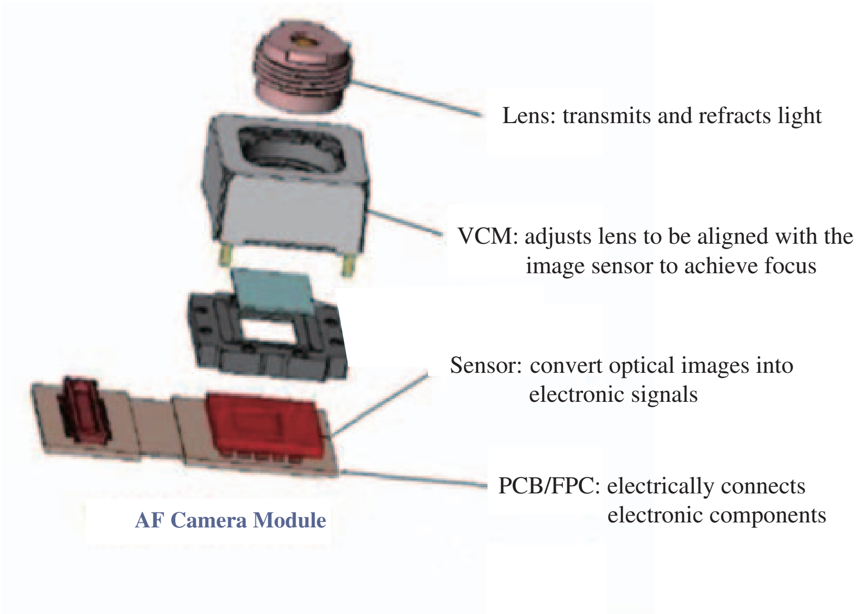
SOURCE OF INFORMATION

We commissioned CCID Consulting to conduct analysis of the global and PRC camera module markets and other economic data and to prepare the CCID Report. The information and statistics as set forth in this section have been extracted from the CCID Report. We have agreed to pay a fee of approximately RMB380,000 for the CCID Report before Listing. Our Directors are of the view that the payment of the fee does not affect the fairness of conclusions drawn in the CCID Report. CCID Consulting is an independent market research institution based in China and currently listed on the Stock Exchange (stock code: 8235). The CCID Report includes both historical and forecast information on the global camera module market for smart devices, the PRC camera module market for smart devices, and other economic data. To avoid confusion, CCID Consulting only takes into account the PRC-based camera module manufacturers that directly manufacture and sell camera modules to branded smart device manufacturers when preparing the historical and future data relating to the PRC camera module market for smart devices, and CCID Consulting undertook both primary and secondary independent research through various resources within the PRC camera module industry in the preparation of the CCID Report. Primary research involved interviewing leading industry participants from camera module companies, industry experts and end users. The interviews also served as a method of cross-checking and data verification. Secondary research involved reviewing company reports and independent research reports prepared by various governmental authorities and industry associations, such as the National Bureau of Statistics of China, national media and data in CCID Consulting's own research database. Market forecasts represent the view of CCID Consulting on the future development of the camera module market based on key drivers of market demand.

As far as our Directors are aware, there have not been any material adverse changes to the market information set out in the CCID report since the date of such report.

INTRODUCTION

Camera module is used to convert an optical signal through lens to a digital electrical signal using an image sensor. Camera modules are nowadays primarily used in smart devices, such as smart phones, tablet PCs, laptops and vehicle electronics. Camera modules mainly include AF camera modules and FF camera modules. A FF camera module mainly consists of three major components, namely sensor, lens and PCB/FPC, while an AF camera module mainly consists of four major components, namely sensor, lens, VCM and PCB/FPC. VCM is typically used in an AF camera module to adjust the lens to achieve focus. The typical interior structure of an AF camera module is illustrated in the following diagram:



Source: the CCID Report

THE GLOBAL CAMERA MODULE MARKET FOR SMART DEVICES

Overview of the global camera module market

The global camera module market for smart devices expanded rapidly during 2009 to 2013 as a result of the rapid development and rising demand of smart phones, tablet PCs and other smart devices that use camera modules. According to the CCID Report, the global revenue of camera modules for smart devices increased from approximately US$2.1 billion in 2009 to approximately US$10.9 billion in 2013, representing a CAGR of approximately 50.9%. The global sales volume of camera modules for smart devices also increased from approximately 275.0 million units in 2009 to approximately 1,951.0 million units in 2013, representing a CAGR of approximately 63.2%. According to the CCID Report, the global camera module market for smart devices is expected to keep a rapid growth along with the development of smart phones, tablet PCs and other smart devices. CCID Consulting further projects that the global revenue and sales volume of camera modules for smart devices will reach approximately US$21.1 billion and 4,673.0 million units in 2018, representing a CAGR of approximately 14.1% and 19.1% from 2013 to 2018, respectively.

According to the CCID Report, camera modules for smart phones and tablet PCs represented the largest and second largest sectors of the global camera module market for smart devices, accounting for approximately 78.0% and 12.8% in terms of revenue, respectively, and approximately 77.3% and 14.5% in terms of sales volume, respectively, in 2013. According to the CCID Report, camera modules used for other smart devices, such as laptops, vehicle electronics, smart home systems and wearable devices, are also experiencing rapid market development and will achieve great potential for future growth.

The global market for smart phones and the global smart phone camera module market

According to the CCID Report, the global market for smart phones has experienced a significant growth in recent years. The global sales volume of smart phones increased from 174.0 million units in 2009 to 1,004.0 million units in 2013, representing a CAGR of approximately 55.0% and is estimated to reach 1,813.0 million units in 2018. In 2013, Apple and Samsung remained their dominant positions in the global smart phone market with a market share of 47.0% altogether in terms of sales volume. In addition, Huawei (華為), Lenovo, ZTE and Coolpad, the four Chinese branded smart phone manufacturers, also performed well with a market share of 5.2%, 4.5%, 4.0% and 3.6% in terms of sales volume in the global market for smart phones in 2013, respectively. CCID Consulting projects that the growth rate of smart phones in terms of sales volume is expected to slow down in the next few years due to the increasingly saturated smart phone markets in North America and Europe, while the global market share of Chinese branded smart phone manufacturers in terms of sales volume will continue to increase.

According to the CCID Report, consistent with the growth of the global market for smart phones, the global revenue and sales volume of camera modules for smart phones also increased significantly from US$1.9 billion and 215.0 million units in 2009, respectively, to US$8.5 billion and 1,508.0 million units in 2013, respectively, representing a CAGR of approximately 45.4% and 62.7%, respectively. The global revenue and sales volume of camera modules for smart phones are expected to reach US$14.7 billion and 3,552.0 million units, respectively, in 2018, representing a CAGR of approximately 11.6% and 18.7%, respectively, from 2013 to 2018.

The global market for tablet PCs and the global tablet PC camera module market

With vigorous promotions held by tablet PC manufacturers and enthusiasm of end customers due to the launch and development of iPad products by Apple, the global market for tablet PCs experienced an significant growth in 2010. According to the CCID Report, the global sales volume of tablet PCs increased from 17.0 million units in 2010 to 219.0 million units in 2013, representing a CAGR of approximately 134.4%. The global market for tablet PCs in terms of sales volume is expected to maintain a rapid growth and to reach 427.0 million units in 2018.

As a result, the global revenue and sales volume of camera modules for tablet PCs also increased rapidly from US$0.1 billion and 20.0 million units in 2010, respectively, to US$1.4 billion and 283.0 million units in 2013, respectively, representing a CAGR of approximately 141.0% and 141.9%, respectively, and is expected to reach US$3.3 billion and 815.0 million units in 2018, representing a CAGR of approximately 18.7% and 23.6% from 2013 to 2018, respectively.

Main categories of camera modules by resolution for smart devices

According to the CCID Report, camera modules can be generally categorised into 1.3 mega pixels and lower, 2 mega pixels, 3 mega pixels, 5 mega pixels, 8 mega pixels and 13 mega pixels and higher in terms of resolution. During 2009 to 2013, the global revenue and sales volume of VGAs, and camera modules with resolution of 1.3, 2 and 3 mega pixels had declined significantly due to the rapidly-evolving technology advancement and increasing demand of end customers for better picture resolution. On the other hand, global revenue and sales volume of camera modules with resolution of 5 mega pixels and higher have grown rapidly. In particular, camera modules with resolution of 5 and 8 mega pixels had become the mainstream products of the global camera module market for smart devices during 2009 to 2013. According to the CCID Report, the sales volume of camera modules with resolution of 5 and 8 mega pixels accounted for 9.1% and 2.5%, respectively, of the total global sales volume of camera modules for smart devices in 2009, while the sales volume of camera modules with resolution of 5 and 8 mega pixels accounted for 40.4% and 16.5%, respectively, of the total global sales volume of camera modules for smart devices in 2013. The global sales volume of camera modules with resolution of 5 and 8 mega pixels increased from approximately 25.0 million units and 7.0 million units in 2009, respectively, to approximately 788.0 million units and 322.0 million units in 2013, respectively, representing a CAGR of 136.9% and 160.4%, respectively. According to the CCID Report, the market share of camera modules with resolution of 5 mega pixels may decrease and the market shares of camera modules with resolution of 8 and 13 mega pixels are expected to increase due to the market trend and development and end customers' demand for higher picture resolution and better specifications.

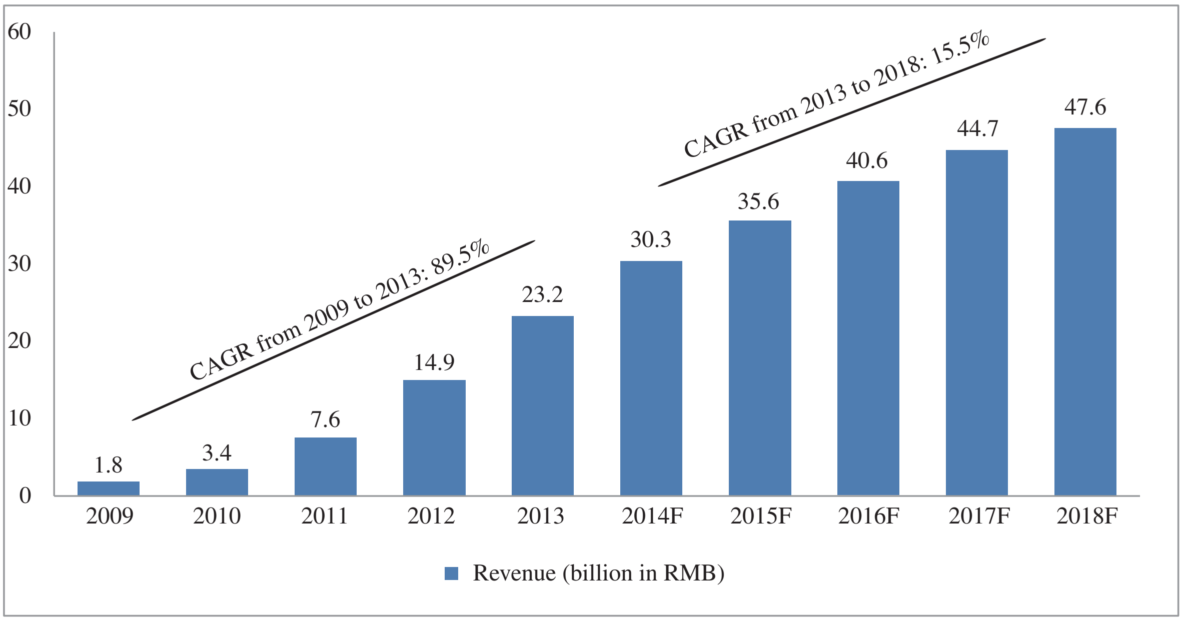
THE PRC CAMERA MODULE MARKET FOR SMART DEVICES

Overview of PRC camera modules market

The PRC camera module market for smart devices (which only takes into account the PRC-based camera module manufacturers that directly manufacture and sell camera modules to branded smart device manufacturers) experienced a significant growth from 2009 to 2013 due to the rapid development of the global and PRC markets for smart phones, tablet PCs and other smart devices, favourable PRC government policies in relation to internet, mobile communications and smart devices and terminals, rapid growth of China's economy and increasing purchasing power of China's urban and rural households. According to the CCID Report, revenue of the PRC camera modules for smart devices increased from approximately RMB1.8 billion in 2009 to RMB23.2 billion in 2013, representing a CAGR of approximately 89.5%. Sales volume of camera modules for smart devices in the PRC also increased from 46.3 million units in 2009 to 877.3 million units in 2013, representing a CAGR of approximately 108.6%. CCID Consulting projects that revenue and sales volume of camera modules for smart devices in the PRC would reach approximately RMB47.6 billion and 2,259.1

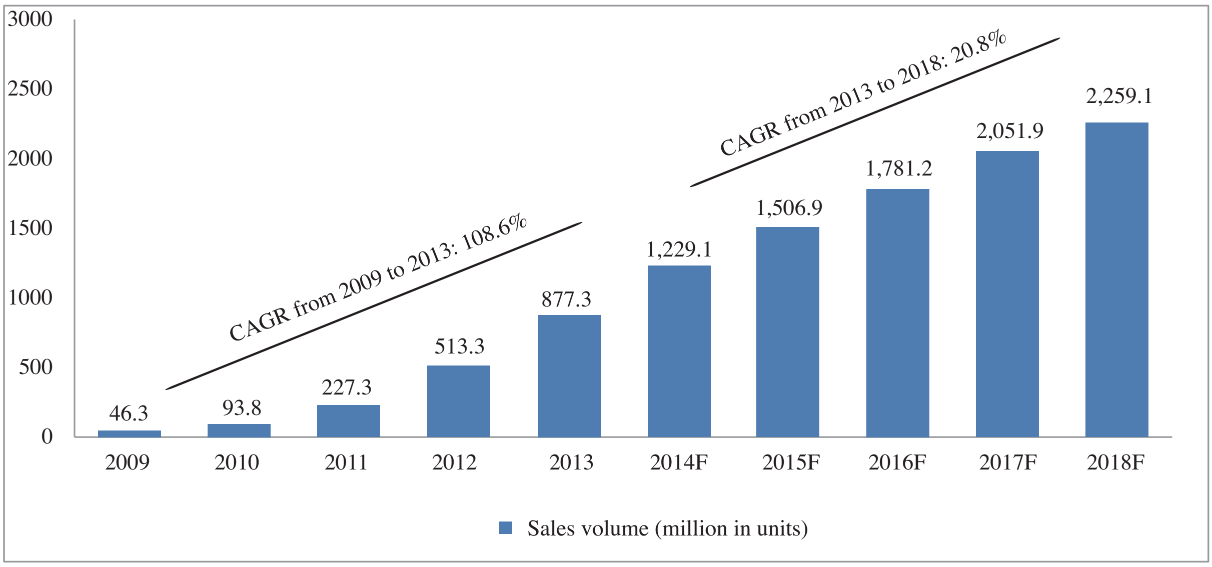
million units in 2018, respectively, representing a CAGR of approximately 15.5% and 20.8% from 2013 to 2018, respectively. The charts below illustrate the historical and projected PRC camera module market for smart devices in terms of revenue and sales volume from 2009 to 2018:

Revenue of PRC Camera Module Market for Smart Devices, 2009-2018F



Source: the CCID Report, which only takes into account the PRC-based camera module manufacturers that directly manufacture and sell camera modules to branded smart device manufacturers

Sales Volume of PRC Camera Module Market for Smart Devices, 2009-2018F



Source: the CCID Report, which only takes into account the PRC-based camera module manufacturers that directly manufacture and sell camera modules to branded smart device manufacturers

The PRC market for smart phones and the PRC smart phone camera module market

According to the CCID Report, the PRC sales volume of smart phones grew rapidly from 17.0 million units in 2009 to 423.0 million units in 2013, representing a CAGR of approximately 123.3%. The PRC sales volume of smart phones in 2013 also represented approximately 42.1% of the global sales volume of smart phones for the same year. The PRC sales volume of smart phones was approximately 193.0 million units for the six months ended 30 June 2014, representing a decrease of 9.9% as compared to the same period in 2013, which was mainly due to the decreased subsidies offered by the PRC telecom operators for 3G smart phones. However, CCID Consulting projects that the PRC sales volume of smart phones will increase again and will have a stable growth with the development of 4G network and 4G smart phones, and is estimated to reach approximately 940.0 million units in 2018. According to the CCID Report, the top ten Chinese branded smart phone manufactures in the PRC in terms of sales volume are Huawei (華為), Lenovo, ZTE, Coolpad, T-touch (天語), OPPO (歐珀), BBK, Gionee (金立), Hisense and MI (小米), among which, Lenovo, ZTE, Coolpad, Hisense and BBK are our customers and have a total market share of 33.9% in the total PRC smart phone market in 2013. Further, according to the CCID Report, Huawei (華為), Lenovo, Coolpad and MI (小米) have shown a rapid growth in sales volume of smart phones for the six months ended 30 June 2014 following their launch of smart phones with higher configurations, and are continuously taking up the market shares of Apple and Samsung in both the global and PRC smart phone markets.

According to the CCID Report, camera modules for smart phones represented the largest sector of the total PRC camera module market with revenue and sales volume of approximately RMB19.4 billion and 705.1 million units, representing approximately 83.6% and 80.4% of the total revenue and sales volume of the PRC camera module market in 2013, respectively.

The PRC market for tablet PCs and the PRC tablet PC camera module market

According to the CCID Report, the PRC market for tablet PCs also experienced a rapid growth in recent years in terms of sales volume, which increased from 3.2 million units in 2010 to 64.9 million units in 2013, representing a CAGR of approximately 172.7%. The PRC sales volume of tablet PCs in 2013 also represented approximately 29.6% of the global sales volume of tablet PCs for the same year. The PRC market for tablet PCs in terms of sales volume is expected to maintain a steady growth and to reach 141.2 million units in 2018.

Camera modules for tablet PCs represented the second largest sector of the total PRC camera module market. Revenue and sales volume in the PRC of camera modules for tablet PCs was approximately RMB2.7 billion and 111.6 million units, representing approximately 11.6% and 12.7% of the total revenue and sales volume of the PRC camera module market in 2013, respectively.

Main categories of camera modules by resolution for smart devices

Categories of camera modules in the PRC market are the same with those of the global camera module market. According to the CCID Report, camera modules with resolution of 5 mega pixels and 8 mega pixels have also become the mainstream products of the PRC camera module market for smart devices, which accounted for approximately 38.1% and 25.7% in terms of revenue and approximately 35.0% and 14.7% in terms of sales volume of the total PRC camera module market for smart devices in 2013, respectively. Further, camera modules with resolution of 13 mega pixels and higher are also becoming popular. According to the CCID Report, as a generally accepted industry standard, the PRC camera module market can be divided into (i) low end camera module market; and (ii) mid-to-high end camera module market. In the past few years, camera modules with resolution of 3 mega pixels had been a dividing line between the low end and mid-to-high end camera modules, and camera modules with resolution of 3 mega pixels and higher are classified as mid-to-high end camera modules. As driven by the rapid industrial technological development and increasing demand of camera modules with higher resolution, the dividing line for low end and mid-to-high end camera modules has changed in terms of resolution. According to the CCID Report, beginning in 2013, camera modules with resolution of 5 mega pixels have replaced camera modules with resolution of 3 mega pixels to become the new dividing line between low end and mid-to-high end camera modules, and camera modules with resolution of 5 mega pixels and higher are classified as mid-to-high end camera modules. The sales volume of mid-to-high end camera modules, being camera modules with resolution of 5 mega pixels and higher, represented 53.0% of the total sales volume of the PRC camera module market for smart devices in 2013. CCID Consulting further projects that camera modules with resolution of 8 mega pixels will become the new dividing line between low end and mid-to-high end camera modules in the next few years. The table below sets out the historical revenue of camera modules for smart devices by category in the PRC market from 2009 to 2013:

Camera modules by resolution	2009		2010		2011		2012		2013	
	Revenue	Sales Volume	Revenue	Sales Volume	Revenue	Sales Volume	Revenue	Sales Volume	Revenue	Sales Volume
	RMB in million	Units in million	RMB in million	Units in million	RMB in million	Units in million	RMB in million	Units in million	RMB in million	Units in million
3 mega pixels and lower. . . .	1,562.9	43.4	2,339.1	77.8	3,901.6	157.7	5,693.1	297.2	6,325.9	412.3
5 mega pixels . .	198.0	2.8	700.5	12.3	2,199.4	50.7	5,168.3	150.9	8,844.5	307.1
8 mega pixels . .	11.1	3.0	272.6	3.0	1,216.3	16.6	3,426.4	57.5	5,959.8	129.0
13 mega pixels and above . . .	—	0.7	96.3	0.7	245.4	2.3	650.7	7.7	2,065.5	28.9
Total	1,772.0	46.3	3,408.5	93.8	7,562.7	227.3	14,938.5	513.3	23,195.7	877.3

Source: the CCID Report

ASSEMBLY TECHNOLOGY

There are currently four prevailing assembly technologies in the world, namely CSP, COB, COF and FC.

CSP assembly technology: CSP assembly technology is conducted by manufacturers who directly purchase encapsulated sensors and assemble with SMT components. CSP assembly technology can be conducted at a relatively low cost. However, the compactness precision and the image quality is relatively low.

COB and COF assembly technologies: COB assembly technology must be conducted in a dust free room, where manufacturers perform die bonding and wire bonding to encapsulate sensors onto the camera modules. COB technology requires a relatively large amount of investment to purchase production machinery and equipment. Compared with CSP assembly technology, COB assembly technology makes it possible to manufacture thinner and lighter camera modules with better compactness and image quality. COF assembly technology is similar to COB assembly technology, but it has a higher level of integration through the application of FCBs or the combination of flexible and rigid circuit boards rather than only using rigid circuit boards under COB assembly technology. COB and COF assembly technologies have replaced CSP assembly technology to become the mainstream assembly technologies in the market.

FC assembly technology: FC assembly technology is conducted by flipping sensors onto the board and then covering by lenses. Compared with COB and COF assembly technologies, FC assembly technology can reduce thickness of the camera modules by around one millimetre and provides better heat dissipation effect. However, FC assembly technology results in lower product success rate and requires higher cost for its production line. As such, it is expected that FC assembly technology will be primarily applied in some signature products that are thinner and have high sales volume in the following years, while COB and COF assembly technologies will remain as the mainstream assembly technologies in the PRC market.

Comparison of CSP, COB, COF and FC assembly technologies

Parameter	CSP	COB/COF	FC
Thickness of camera modules	Thick	Relatively thin	Around one millimetre thinner than COB/COF
Compactness precision	Low	High	High
Image quality	Relatively low	Relatively high	Relatively high
Product success rate	above 96.0%	around 96.0%	lower than 90.0%
Capital investment required in the production line	Relatively low, only requires SMT production line	Relatively high, about RMB10.0 million	Around 30.0% to 50.0% higher than COB/COF

Source: the CCID Report

KEY DRIVERS OF GROWTH IN THE PRC CAMERA MODULE MARKET FOR SMART DEVICES

Significant growth of smart devices in the PRC

The significant expansion of the PRC camera module market for smart devices is attributable to the rapid growth of sales volume of smart devices in the PRC. In particular, with increasing coverage of 3G network, a great variety of smart phones and tablet PCs designed for end customers with different income levels have been launched to the market by various smart phone and tablet PC manufacturers and telecom operators. As a result, the sales volume of smart phones and tablet PCs increased by 64.0% and 57.5% from 2012 to 2013, respectively, which in turn drove the demand for camera modules in the PRC.

Increasing demand for dual camera modules

With increasing coverage of 3G and 4G network and more upgraded features on smart devices, web social network, online education, video chats and conferences and photo sharing are integrating into people's daily life. As a result, the demand for dual or multiple camera modules in one smart device is constantly growing, which in turn, drives the demand for camera modules.

The trend for camera modules with higher resolution and better specifications

It is inevitable that smart device manufacturers will require camera modules with higher resolution and better specifications to be used in their products in response to the market trends and increasing customers' demand. Currently, camera modules with resolution of 5 and 8 mega pixels are the mainstream products of the PRC camera module market for smart devices. In the near future, camera modules with resolution of 13 mega pixels and higher will become more popular. Generally, camera modules with higher resolution and/or better specifications are more expensive than camera modules with lower resolution and/or specifications. The revenue and sales volume of camera modules with higher resolution are expected to increase in the near future.

KEY BARRIERS TO ENTRY

Key barriers to entry in the PRC camera module market include (i) capital investment; (ii) hi-tech professionals and high quality management team; (iii) supplier and customer network; and (iv) advanced technologies. Large amounts of capital shall be invested in purchases of production machinery and equipment and in design, research and development. Hi-tech professionals with professional knowledge and industry experience along with high quality management team are required to keep up with the evolving technologies and to adapt to the continuously changing market. Broad network of quality suppliers ensures stable supply of raw materials during the time of supply shortage and good relationship with customers promotes large scale sales. Advanced technologies are also essential for the design and development of camera modules. For new entrants, it is difficult to succeed in these aspects in a short period of time.

COMPETITIVE LANDSCAPE OF THE PRC CAMERA MODULE MARKET

The PRC camera module market is led by a small number of domestic major players with the rest of the market highly fragmented. According to the CCID Report, the PRC-based camera module manufacturers are speeding up narrowing the technological gap between them and the internationally recognised camera module manufacturers that are mainly based in Japan, Korea and Taiwan. In addition, compared to the Japanese, Korean and Taiwanese manufacturers in China, the PRC-based camera module manufacturers generally have faster-response and more flexible customer service mechanisms in terms of product delivery, quality control and customer management. As such, the PRC-based camera module manufacturers have gradually become the main players in the PRC camera module market.

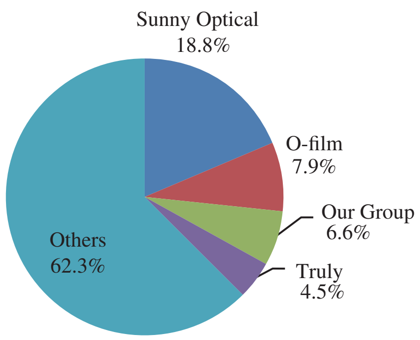
Manufacturers from China can be mainly divided into three tiers. The first tier includes manufacturers such as our Group, Sunny Optical Technology (Group) Company (舜禹光學科技(集團)有限公司) ("**Sunny Optical**"), Truly International Holdings Ltd. (信利國際有限公司) ("**Truly**") and Shenzhen O-film Tech Co., Ltd. (深圳歐菲光科技股份有限公司) ("**O-film**"), which have advantages in technologies and market shares. The second tier includes manufacturers such as Shine Technology Group Ltd. (盛泰科技集團有限公司) and Shenzhen San Yin Xing Electronic Technology Co., Ltd.* (深

圳市三贏興電子科技有限公司), which primarily use COB assembly technology and are expanding market shares by transforming from targeting low end camera module market to mid-to-high end camera module market. Other market players mainly using CSP assembly technology belong to the third tier, which serve small branded smart device manufacturers. The top four PRC camera module manufacturers, namely, Sunny Optical, our Group, Truly and O-film, accounted for approximately a total of 22.6% and 22.8% of the overall PRC camera module market for smart devices in terms of revenue and sales volume in 2013, respectively. According to the CCID Report, these four manufacturers are also the four major camera module manufacturers in China that can mass produce camera modules with resolution of 8 mega pixels or higher. According to the CCID Report, we were also one of the first few manufacturers in China to use COB and COF assembly technologies and to manufacture wide-angle lens camera modules with resolution of 5 mega pixels or higher and camera modules with resolution of 16 and 20 mega pixels.

As the largest camera module manufacturer in the PRC in terms of revenue, production capacity and sales volume in the first half of 2014, Sunny Optical has a full coverage of the PRC camera module market by manufacturing low-to-high end camera modules and related products. O-film has expanded significantly by adopting low price strategy and become the second largest camera module manufacturers in the PRC by both revenue and sales volume in the first half of 2014. As the third largest manufacturer in the PRC in terms of revenue and sales volume in the first half of 2014, we primarily focus on manufacturing mid-to-high end camera modules with resolution of 5 mega pixels or higher. We also ranked third in the PRC in terms of revenue and sales volume of mid-to-high end camera modules, being camera modules with resolution of 5 mega pixels and higher, in the first half of 2014, with a market share of approximately 8.4% and 9.1%, respectively, according to CCID Consulting. Truly is the fourth largest camera module manufacturer in the PRC and mainly focuses on manufacturing low-to-mid end camera modules with resolution of 5 mega pixels or lower.

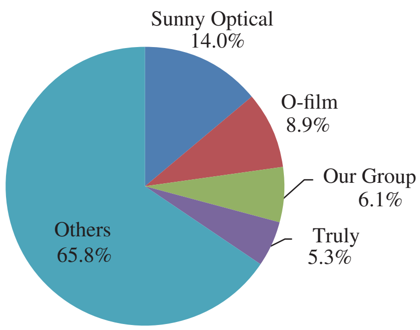
The following charts illustrate the market share by revenue and sales volume in the PRC camera module market for smart devices in the first half of 2014:

Top Four Brands in the PRC Camera Module Market for Smart Devices by Revenue



Source: the CCID Report, which only takes into account the PRC-based camera module manufacturers that directly manufacture and sell camera modules to branded smart device manufacturers

Top Four Brands in the PRC Camera Module Market for Smart Devices by Sales Volume



Source: the CCID Report, which only takes into account the PRC-based camera module manufacturers that directly manufacture and sell camera modules to branded smart device manufacturers

According to the CCID Report, competition in the PRC camera module market is expected to intensify with more new entrants. As a result, cost control is becoming increasingly important for camera module manufacturers in the PRC. As there is a gradual shift to manufacture camera modules in China, it is also expected that a number of overseas camera module manufacturers will enter into PRC camera module market resulting in an increasingly competitive environment.

KEY ADVANTAGES OF OUR CAMERA MODULES OVER OUR COMPETITORS

According to the CCID Report, there are mainly three key advantages of our camera modules compared to our competitors, including (i) our customer services, such as rapid response to the needs of our customers and timely product delivery; (ii) strong internal management ability and our internal control in production costs; and (iii) strong design, research and development capacities. We focus on mid-to-high end camera module market and make continuous effort in developing advanced technologies, which benefit us with more opportunities for continuous sales and growth.

HISTORICAL PRICE TREND OF CAMERA MODULES IN THE PRC

According to the CCID Report, the prices of camera modules with similar resolution and specifications generally decrease over the years due to the rapidly-evolving technology advancement and increasing demand of end customers for better picture resolution and specifications. The prices of camera modules with higher resolution and new specifications are generally higher than the prices of older models of camera modules.

HISTORICAL PRICE TRENDS OF RAW MATERIALS AND COMPONENTS IN THE PRC

According to the CCID Report, the prices of the principal raw materials and components (including sensors, lenses, VCMs and PCBs/FPCs) of camera modules with similar specifications typically decrease by a large extent every year due to the competitiveness of the supply chain, rapidly-evolving technology advancement and increasing demand of end customers. The price of sensor generally accounts for approximately 40.0% to 60.0% of the total cost of a camera module. Our supplier, Omni Vision Technologies Inc. (豪威科技), is a manufacturer primarily engaged in the production of sensors and has the largest market share in the PRC. The table below sets out the historical price trend of raw materials and components for camera modules with resolutions of 3 mega pixels, 5 mega pixels, 8 mega pixels and 13 mega pixels in the PRC:

	2009				2010				2011				2012				2013			
	RMB																			
Camera modules with resolution of	Sensor	Lens	VCM	FPCs[1]	Sensor	Lens	VCM	FPCs[1]	Sensor	Lens	VCM	FPCs[1]	Sensor	Lens	VCM	FPCs[1]	Sensor	Lens	VCM	FPCs[1]
3 mega pixels (RMB) .	15.0	9.0	24.5	3.3	12.0	6.0	17.7	3.1	10.0	4.5	8.7	2.4	8.5	4.0	5.6	1.9	8.0	3.7	4.6	1.8
Growth rate (%) . . .	-23.7%	-24.0%	-22.4%	-8.2%	-20.0%	-33.3%	-27.8%	-6.1%	-16.7%	-25.0%	-50.8%	-22.6%	-15.0%	-11.1%	-35.6%	-20.8%	-5.9%	-7.5%	-17.9%	-5.3%
5 mega pixels (RMB) .	18.0	9.5	25.0	3.5	16.0	6.5	18.0	3.2	12.0	5.0	9.0	2.5	10.0	4.5	6.0	2.0	9.0	4.2	5.0	1.8
Growth rate (%) . . .	-12.5%	-22.2%	-21.8%	-10.2%	-11.1%	-31.6%	-28.0%	-8.6%	-25.0%	-23.1%	-50.0%	-21.9%	-16.7%	-10.0%	-33.3%	-20.0%	-10.0%	-6.7%	-16.7%	-10.0%
8 mega pixels (RMB) .	33.0	14.5	34.0	3.7	30.0	12.0	30.0	3.3	27.0	10.0	24.0	3.0	25.0	8.5	15.0	2.6	15.0	7.0	10.0	2.2
Growth rate (%) . . .	—	—	—	—	-9.1%	-17.2%	-11.8%	-10.3%	-10.0%	-16.7%	-20.0%	-9.1%	-7.4%	-15.0%	-37.5%	-13.3%	-40.0%	-17.6%	-33.3%	-15.4%
13 mega pixels (RMB) .	—	—	—	—	—	—	—	—	43.0	15.0	26.0	3.1	37.0	11.5	17.0	2.8	34.0	9.5	11.0	2.6
Growth rate (%) . . .	—	—	—	—	—	—	—	—	—	—	—	—	-14.0%	-23.3%	-34.6%	-9.7%	-8.1%	-17.4%	-35.3%	-7.1%

Source: the CCID Report

Note:

1. The prices of FPCs are generally twice that of the PCBs.

FUTURE DEVELOPMENT OF THE PRC CAMERA MODULE MARKET FOR SMART DEVICES

Strong demand for camera modules in downstream market

PRC camera module market for smart devices is expected to be driven by strong demand from the downstream market, which is mainly due to (i) the stable growth in demand for smart phones and tablet PCs; (ii) the emergence of new applications, such as camera modules for cars, smart homes and wearable devices; and (iii) new technologies, such as leap motion and 3D technologies that require the installation of multiple camera modules.

Ongoing upgrade of camera modules and higher technological requirements

In response to end customers' demand for higher picture resolution and better specifications, technologies for camera modules used on smart devices will be continuously upgraded, which in turn require the camera module manufacturers to have stronger design, research and development capabilities. According to the CCID Report, in the near future, camera modules with resolution of 8 and 13 mega pixels and with functions of OIS and Closed-loop control are expected to become the mainstream products in the market. Wide-angle lens and front-facing camera modules with larger aperture (大光圈) will also become popular. On the other hand, as camera module is one of the major factors that determines the thickness and weight of a smart device, lighter and thinner camera modules will also become the market trend.

Production shift and capacity expansion

Shift of camera module production to the PRC is a future market tendency. According to the CCID Report, demand for the mid-to-high end camera modules currently exceeds the supply in the PRC. As the PRC-based camera module manufacturers are speeding up narrowing the technological gap between them and the internationally recognised camera module manufacturers that are mainly based in Japan, Korea and Taiwan, and generally have faster-response and more flexible customer service mechanisms in terms of product delivery, quality control and customer management, it is expected that camera module manufacturers in the PRC will continue to expand their production capacities and increase their market shares. These PRC camera module manufacturers will also continue to share the resources of the world's top raw material and component suppliers.

LEGAL AND REGULATORY

Set out below is a brief overview of the PRC laws, rules and regulations of significance to our business and operations in the PRC:

Industrial policy

On 24 December 2011, the National Development and Reform Commission (the "**NDRC**") and the MOFCOM jointly issued Catalogue of Industries for Guiding Foreign Investment (2011 Revision) (the "**Catalogue**") (外商投資產業指導目錄(2011年修訂)) which came into effect on 30 January 2012. The Catalogue classifies industries into three categories, which are encouraged, restricted and prohibited. Industries that are not indicated as any of the above categories under the Catalogue are permitted areas for foreign investment. The MOFCOM or its local authorities are responsible for approving foreign investment in China.

Foreign investment in commercial sectors

According to the Several Opinions of the State Council on Further Doing a Good Job in the Utilisation of Foreign Investment (關於進一步做好利用外資工作的若干意見) promulgated by the State Council on 6 April 2010, and the Notice on Doing a Good Job in Delegating the Power to Approve Foreign-invested Projects (關於做好外商投資項目下放核准權限工作的通知) promulgated by NDRC on 4 May 2010, except for where approvals are required under the Catalogue by the relevant departments of the State Council, foreign investment in encouraged and permitted industries with a total investment of US$300.0 million or less must be examined and approved by NDRC branches at the provincial level.

Foreign exchange control

The PRC State Council promulgated the PRC Regulation on the Foreign Exchange (the "**Foreign Exchange Regulations**") (中華人民共和國外匯管理條例) on 29 January 1996, which came into effect on 1 April 1996 and was then amended on 5 August 2008. On 20 June 1996, the PBOC further promulgated the Provisions on the Settlement and Sale of and Payment in Foreign Exchange (結匯、售匯及付匯管理規定) (the "**Settlement Regulations**"), which came into effect on 1 July 1996. Pursuant to the Foreign Exchange Regulation and the Settlement Regulation, foreign exchanges required for distribution of profits and payment of dividends may be purchased from designated foreign exchange banks in the PRC upon presentation of a board resolution authorising distribution of profits or payment of dividends. The Settlement Regulations remove the previous restrictions on convertibility of foreign exchange in respect of current account items, including the distribution of dividends, interest and royalty payments, trade and service-related foreign exchange transactions, while foreign exchange transactions in respect of capital account items, such as direct investment, loan, securities investment and repatriation of investment remain subject to the approval of the State Administration of Foreign Exchange.

On 29 August 2008, SAFE issued the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of Payment and Settlement of Foreign Currency Capital of Foreign-funded Enterprises (關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知) which came into effect on 29 August 2008. Pursuant to this circular, RMB amounts converted by a foreign-funded enterprise from its foreign exchange capital contribution may only be used for the activities within the approved business scope of such foreign-invested enterprise and may not be used for domestic equity investment or acquisition unless otherwise allowed by PRC laws or regulations.

Dividend distribution

The principal regulations governing dividend distribution of foreign invested enterprises include the Company Law of the PRC (中華人民共和國公司法), adopted at the Fifth Session of the Standing Committee of the Eighth National People's Congress on 29 December 1993 (amended for the first time in accordance with the Decision on Amending the Company Law of the PRC adopted at the 13th Session of the Standing Committee of the Ninth National People's Congress on 25 December 1999; amended for the second time in accordance with the Decision on Amending the Company Law of the PRC adopted at the 11th Session of the Standing Committee of the Tenth National People's Congress on 28 August 2004; revised at 18th Session of the Standing Committee of the Tenth National People's Congress on 27 October 2005; and amended for the fourth time in accordance with the Decision on Amending Seven Laws Including the Marine Environment Protection Law of the PRC adopted at the Sixth Session of the Standing Committee of the 12th National People's Congress on 28 December 2013), the Foreign-funded Enterprise Law of the PRC (中華人民共和國外資企業法), adopted at the fourth Session of the sixth National People's Congress on 12 April 1986 and amended in accordance with the Decision on the Amending the Foreign-funded Enterprise Law of the PRC adopted at the 18th Session of the Standing Committee of the ninth National People's Congress on 31 October 2000, Rules for the Implementation of the Foreign-funded Enterprise Law of the PRC (中華人民共和國外資企業法實施細則), approved on 28 October 1990 by the State Council, issued on 12 December 1990 by the Ministry of Foreign Economic Relations and Trade and revised according to the Decision of the State Council Regarding the Revision of Rules for the Implementation of the Law of the PRC on Foreign-funded Enterprises on 12 April 2001.

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, these foreign invested enterprises are required to allocate certain amount of their accumulated profits after tax each year, if any, to fund certain reserve funds.

TAXATION

Enterprise income tax

According to the EIT Law which was adopted at the 5th Session of the 10th National People's Congress of the PRC and came into effect on 1 January 2008, enterprises incorporated in the PRC shall be subject to the rate of 25.0% on their income from 1 January 2008 onwards. Pursuant to the Notice on Implementation of Transitional Preferential Policies in respect of Enterprise Income Tax (關於實施企業所得稅過渡優惠政策的通知) promulgated by the State Council on 26 December 2007, and came into effect as of 1 January 2008, enterprises that previously enjoy preferential tax rate in the form of tax deductions and exemptions within specified periods may, after the implementation of the EIT Law, continue to enjoy the relevant preferential treatments under the preferential measures in the time period prescribed in the former tax law, administrative regulations and relevant documents until the expiration of the said time period. However, if such enterprises have not enjoyed the preferential treatments yet because of their failure to make profits, their preferential time period shall be calculated from 2008.

Furthermore, the EIT Law provides that an income tax rate of 20.0% will normally be applicable to dividends payable to non-PRC enterprise investors to the extent derived from sources within mainland China, unless there exists a tax treaty between China and the relevant jurisdictions in which such non-PRC enterprise shareholders reside, in which case the relevant tax may be reduced or exempted pursuant to the tax treaty. However, pursuant to the Implementation Rules on the Enterprise Income Tax (中華人民共和國企業所得稅法實施條例) promulgated by the State Council on 6 December 2007 and came into effect on 1 January 2008, a reduced withholding tax rate of 10.0% will be applicable to any dividend payable by foreign-invested enterprises to their non-PRC enterprise investors. In addition, pursuant to the Arrangement between Mainland China and Hong Kong for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income (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) signed on 21 August 2006 and applicable in Hong Kong to income derived in any year of assessment commencing on or after 1 April 2007 and in mainland China to any year commencing on or after 1 January 2007, for a company incorporated in Hong Kong that directly holds less than 25.0% of the equity interest in a PRC company which pays the dividends, the withholding tax levied by the PRC tax authorities shall not exceed 5.0%, while the withholding tax rate applicable to other Hong Kong residents receiving dividends from a PRC company in which their equity interest is more than 25.0% shall not exceed 10.0%.

In addition, under the EIT Law, enterprises established under the laws of jurisdictions outside China with their "de facto management bodies" located within mainland China may be considered PRC resident enterprises and therefore subject to PRC enterprise income tax at the rate of 25.0% on their worldwide income. The EIT Law provides that "de facto management body" of an enterprise is the organisation that exercises substantial and overall management and control over the production, employees, and books of accounts and properties of the enterprise.

On 24 August 2009, the State Administration of Taxation released the Administrative Measures for Non-residents to Enjoy the Treatments (非居民享受稅收協定待遇管理辦法(試行)的通知), effective on 1 October 2009, and its supplemental notice promulgated and effective on 21 June 2010, which provide that prior approvals from the relevant local tax authorities are required before a non-resident taxpayer may enjoy any benefits under the relevant taxation treaties.

Value-added tax

The Interim Regulation of the PRC on Value-added Tax (中華人民共和國增值稅暫行條例)(the "**Interim VAT Regulations**") was promulgated on 13 December 1993 and came into effect on 1 January 1994 and were amended on 10 November 2008. The Detailed Rules for the Implementation of the Interim Regulations of the PRC on Value-added Tax (中華人民共和國增值稅暫行條例實施細則) (the "**Interim VAT Implementation Rules**") were promulgated on 25 December 1993 and were amended and came into effect on 1 January 2009, and were further amended on 28 October 2011. According to the Interim VAT Regulations and the Interim VAT Implementation Rules, all enterprises and individuals engaged in the sale of goods, the provision of processing, repair and replacement services, and the importation of goods within the territory of the PRC must pay value-added tax. For taxpayers selling or importing goods other than those specifically listed in the Provisional VAT Regulations, or for taxpayers providing processing, repairs and replacement services, the value-added tax rate is 17.0%.

Business tax

Pursuant to the Interim Regulations of the PRC on Business Tax (中華人民共和國營業稅暫行條例) was released by State Council and effective from 1 January 1994 (amended on 10 November

2008) and its implementation rules, all institutions and individuals providing taxable services, transferring intangible assets or selling real estate within the PRC must pay business tax. The items and rates of business tax shall be implemented in accordance with the Use of Items and Rates of Business Tax attached to the regulation.

City maintenance and construction tax

Under the PRC Provisional Regulations on City Maintenance and Construction Tax (中華人民共和國城市維護建設稅暫行條例) promulgated by the State Council on 8 February 1985 and came into effect on 1 January 1985, taxpayers, whether individuals or otherwise, of consumption tax, value-added tax or business tax are required to pay city maintenance and construction tax calculated on the basis of their consumption tax, value-added tax and business tax liabilities. The city maintenance and construction tax is levied at 7.0% for a taxpayer domiciled in an urban area, 5.0% for a taxpayer domiciled in a county or a town, and 1.0% for a taxpayer domiciled in any other area.

According to the Notice of the State Council on Extending the Urban Maintenance and Construction Tax and Educational Surcharges from Chinese to Foreign-funded Enterprises and Citizens (國務院關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知) issued by State Council on 18 October 2010 and came into effect on 1 December 2010, the city maintenance and construction tax will be applicable to foreign invested enterprises from 1 December 2010.

Education surcharge

The Interim Provisions on Imposition of Educational Surcharges (2011 Revised) (徵收教育費附加的暫行規定(2011修訂)) were promulgated by the State Council on 28 April 1986 and came into effect on 1 July 1986. This Provision had been amended on 7 June 1990, 20 August 2005 and 8 January 2011, respectively, and stated that any taxpayer, whether an individual or otherwise, of value-added tax, business tax or consumption tax is liable for an educational surcharge, unless such taxpayer is otherwise required to pay a rural educational surcharge as provided in the Notice of the State Council on Raising Funds for Schools in Rural Areas (國務院關於籌措農村學校辦學經費的通知).

According to the Notice on Extending the Urban Maintenance and Construction Tax and Educational Surcharges from Chinese to Foreign-funded Enterprises and Citizens (關於同意內外資企業和個人城市維護建設稅和教育費附加制度的通知) issued by State Council on 18 October 2010, the educational surcharges will be applicable to foreign invested enterprises from 1 December 2010.

Product quality

Under the Product Quality Law of PRC (2000 Amendment) (中華人民共和國產品質量法(2000修訂)), issued by the Standing Committee of the National people's Congress on 22 February 1993 and amended on 8 July 2000 and on 27 August 2009, respectively, producers and sellers are responsible for the product quality according to the provisions of the law; sellers shall be responsible for repair, replacement and compensate for the damages done to end-users or consumers if one of the following cases occurs: products do not have the property for use it should have an there is no advance explanations; the quality of products does not conform to the standards or to the standards specified in the packages; the quality of products does not tally with the quality specified in the instruction for use or with the quality of samples provided and after the sellers undertake the repairs, replacement, return or compensation for damages, the sellers have the right to recover the losses from producers or suppliers if the responsibility rests with the producers or other marketers that provide the products;

if a producer or a seller is found adulterating their products or posing fake ones as genuine, inferior ones as superior or sub-standard ones as standard, it shall be ordered to stop production or selling; the products illegally produced or sold shall be confiscated and a fine of more than 50% but less than three times the value of the products illegally produced or sold shall be imposed; where there are illegal proceeds, such proceeds shall be confiscated; if the circumstances are serious, the business license shall be revoked; and if the case is serious enough to constitute a crime, criminal responsibilities shall be investigated.

Intellectual property rights

On 23 August 1982, the Standing Committee of the National People's Congress promulgated the Trademark Law of the PRC (2001 Amendment) (中華人民共和國商標法(2001修正)), which came into effect on 1 March 1983 and was amended on 22 February 1983, 27 October 2001 and 30 August 2013. Under this law, trademark registrants shall be entitled to the right to exclusive use of their trademarks and shall be protected by law.

Pursuant to the Copyright Law of the PRC (2010 Amendment) (中華人民共和國著作權法(2010修正)), issued by the Standing Committee of the National People's Congress on 7 September 1990 and came into effect on 1 June 1991, and was amended on 27 October 2001 and 26 February 2010, work of Chinese citizens, legal entities or other organisations, whether published or not, shall enjoy copyright in accordance with this law.

Environmental protection

We are subject to a variety of PRC environmental protection laws and regulations, among which, major environmental regulations applicable to us including the Environmental Protection Law of the PRC (中華人民共和國環境保護法) issued on 26 December 1989 and amended on 24 April 2014, Law of the PRC on Prevention and Control of Pollution From Environmental Noise (中華人民共和國環境噪聲污染防治法) issued on 29 October 1996 and came into effect on 1 March 1997, Law of the PRC on Water Pollution Prevention and Control (2008 Revision) (中華人民共和國水污染防治法(2008修訂)) issued in February 2008 and came into effect on 1 June 2008, Law of the PRC on the Prevention and Control of Atmosphere Pollution (2000 Revision) (中華人民共和國大氣污染防治法(2000修訂)) issued on 29 April 2000 and came into effect 1 September 2000, Law of the PRC on Prevention and Control of Environmental Pollution by solid Wastes (2013 Revision) (中華人民共和國固體廢物污染環境防治法(2013修訂)), amended on 29 June 2013 and came into effect on the same day, Law of the PRC on Appraising Environmental Impact (中華人民共和國環境影響評價法) issued on 28 October 2002 and came into effect on 1 September 2003 and Cleaner Production Promotion Law of PRC(2012 Amendment) (中華人民共和國清潔生產促進法(2012修正)) amended in February 2012.

In accordance with the abovementioned laws and regulations, a manufacturing enterprise shall adopt measures to control environmental pollution and harm resulting from waste gas, waste water, solid waste materials, noise and vibration at the manufacturing site. The Ministry of Environmental Protection of the PRC and its local counterparty are responsible for the supervision and administration of environmental protection during the course of manufacturing.

Approvals from PRC government authorities relating to the reorganisation and the proposed Circular No. 75 and Circular No.37

Pursuant to the Notice of the State Administration of Foreign Exchange on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and

Roundtrip Investment via Overseas Special Purpose Vehicles (國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) (the "**Circular No. 75**") promulgated by SAFE on 21 October 2005, domestic resident, natural persons or legal persons, are required to register with the relevant local branches of SAFE before they directly establish or indirectly control any offshore special purpose vehicles for the purpose of capital raising using assets or equity interests of their PRC companies. "Domestic resident natural person" is defined in the Circular No. 75 as any individual who holds PRC identification documents, such as resident ID cards or passports, or any individual who does not have such identification documents but habitually resides in the PRC for economic reasons. "Domestic resident legal person" is an enterprise or economic organisation legally established in the PRC.

Under the relevant rules, failure to comply with the registration procedures set forth in the Circular No. 75 may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company, including the increase of its registered capital, the payment of dividends and other distributions to its offshore parent or affiliate and the capital inflow from the offshore entity, and may also subject relevant PRC residents to penalties under PRC foreign exchange administration regulations.

SAFE promulgated the Notice of the State Administration of Foreign Exchange on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents to Engage in investing and Financing Overseas and Roundtrip Investment via Special Purpose Vehicles (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (the "**Circular No. 37**") on 14 July 2014 which rescinded the Circular No. 75. Subject to the Circular No. 37, domestic resident, individuals or institutions, are required to register with the bureau of foreign exchange administration before they invest special purpose vehicles with legitimate assets or equity interests inside and outside the PRC. Failure to comply with the registration procedures set forth in the Circular No. 37 may result in restrictions imposed on the subsequent foreign exchange activities of the relevant domestic residents, including the remitting back of dividends and profits. Domestic residents who invest special purpose vehicles with legitimate assets or equity interests inside and outside the PRC prior to the implementation of the Circular No. 37, but fail to conduct the foreign exchange registration of overseas investments shall submit explanatory statement and state the reasons to the bureau of foreign exchange administration. The bureau of foreign exchange administration may allow complementary registration under the principles of legality and legitimacy. In event of any violation of foreign exchange regulations by domestic residents who apply for the foresaid complementary registration, administrative penalty would be imposed in accordance with relevant laws.

LAWS AND REGULATIONS RELATING TO LABOUR MATTERS

The PRC Labor Contract Law (中華人民共和國勞動合同法), which became effective on 1 January 2008 and the Implementation Rules of PRC Labor Contract Law (中華人民共和國勞動合同法實施條例), impose certain requirements in respect of human resources management. Under this law and its implementation rules, (a) employers must pay employees double income in circumstances where an employer fails to enter into an employment contract within one year with an employee who works for the employer for a period exceeding one month. Where such period exceeds one year, the parties are deemed to have entered into a labor contract with an unfixed term; (b) employees who fulfill certain criteria, including having worked for the same employer for 10 years or more, may demand that the employer execute a labor contract with an unfixed term; (c) employees must adhere to regulations concerning commercial confidentiality and non-competition; (d) the range of situations in which employers must lawfully compensate employees has increased; (e) an upper limit has been set on the amount of compensation an employer may seek for an employee's breach of the agreed service term. The upper limit may not exceed the cost of training supplied to the employee; (f) employees in respect of whom employers have not in accordance with law made social insurance contributions may terminate their employment contracts; (g) employers who demand money or property from employees by way of guarantee or whatsoever may be fined a maximum of RMB2,000 for each employee; and (h) employers who intentionally deprive employees of any part of their salary must, in addition to their full salary, pay employees compensation in the order of 50.0% to 100.0% of the amount of salary so deprived.

The Employment Promotion Law of the PRC (中華人民共和國就業促進法), which became effective on 1 January 2008, requires that individuals have equal employment opportunities, both in hiring and in employment terms, without discrimination on the basis of ethnicity, race gender, religious belief, communicable disease or rural residence. Under this law, enterprises are also required to provide employees with vocational training. Administrative authorities at the county level or above are responsible for implementing policies to promote employment.

On 28 October 2010, the Standing Committee of the National People's Congress of the PRC promulgated the Law on Social Insurance of the PRC (中華人民共和國社會保險法), effective as of 1 July 2011. Under this law, the State shall establish basic pension insurance, basic medical insurance, occupational injury insurance, unemployment insurance, maternity insurance and other social insurance system to maintain citizens' right to receive material assistance from the state and society in the case of seniority, illness, occupational injury, unemployment, maternity or other circumstances. According to the Law of Social Insurance of the PRC, employers and employees shall pay social insurance contributions in accordance with the law, and be entitled to enquire about records of payment and individual interests and require social insurance agencies to provide advice or other services relating to social insurance, and employees shall be entitled to enjoy social insurance benefits and supervise contribution payment by their employers in accordance with the law.

The Regulation on Work-related Injury Insurance (工傷保險條例), which became effective on 1 January 2004 and was revised on 20 December 2010, requires employers to pay work-related injury insurance fees for their employees. Under such regulation, both the employment entity and the employee shall comply with laws and regulations on work-related injury and vocational disease, implement safety and hygiene guidelines and standards, take precautions against the occurrence of work-related injury accidents, avoid and lessen hazards of occupational disease. The employment entity shall participate in work-related injury insurance, pay premiums for the entire workforce in the entity, while taking measures to ensure any employee can receive timely treatment in case of work-related injury. An employee suffering from accident or occupational disease is entitled to medical care provided for work-related injury.

The Regulation on Work-related Injury Insurance (2010) (工傷保險條例) sets out the compensation standards and coverage for work related injuries. Such regulation provides that where an employee's disability due to his work is assessed to fall in Grade 1 to 4, the labor relation shall be retained, and he shall withdraw from his post and enjoy the following treatments: (i) a lump-sum disability subsidy shall be paid from the work-related injury insurance funds according to the disability grade at the following rates: for an employee at the first grade of disability, 27 months of his own wage shall be paid; for an employee at the second grade of disability, 25 months of his own wage; for an employee at the third grade of disability, 23 months of his own wage; and for an employee at the fourth grade of disability, 21 months of his own wage; (ii) The disability allowance shall be paid by month from the work-related injury insurance fund at the following rated: for the first grade of disability, 90.0% of his own wage shall be paid; for the second grade of disability, 85.0% of his own wage shall be paid; for the third grade of disability, 80.0% of his own waged shall be paid; and for the fourth grade of disability, 75.0% of his own wage shall be paid. If the actual amount of the disability allowance is lower than the lowest local wage rate, the difference shall be supplemented from the work-related injury insurance fund; and (iii) If an employee who suffered a work-related injury has reached the retirement age and has gone through the retirement formalities, he shall be suspended from being paid the disability allowance, and shall enjoy the basic endowment insurance benefits in accordance with the relevant provisions of the state. If the basic endowment insurance benefits are lower than the disability allowance, the difference shall be made up from the work-related injury insurance funds. Where an employee's disability due to work is assessed to fall in grade one to four, the employer and the individual worker shall, based on the disability allowance, pay the basic medical insurance premium. It further provides that where an employee's disability due to work is assessed to fall in grade five or six, he shall enjoy the following treatments: (i) a lump-sum disability subsidy shall be paid from the work-related injury insurance funds according to the disability grade at any of the following rates: for an employee at the fifth grade of disability, 18 months of his own wage shall be paid; and for an employee at the sixth grade of disability, 16 months of his own wage shall be paid; and (ii) his labor relation with the employer shall be reserved, and the employer shall arrange a proper post for him. If the post is difficult to be arranged, the employer shall pay the disability allowance by month at the following rates: for the fifth grade of disability, 70.0% of his own wage shall be paid; for the sixth grade of disability, 60.0% of his own wage shall be paid, and the employer shall pay all social insurance premiums payable in accordance with the provisions. If the actual amount of disability allowance is lower than the lowest local wage rate, the difference shall be supplemented by the employer. Upon the request of an employee who suffered a work-related injury, the employment relationship between the employee and his employer may be rescinded or terminated, a lump-sum work-related injury medical subsidy shall be paid out of the work-related injury insurance funds, and the employer shall pay a lump-sum disability employment subsidy. The specific standards for the lump-sum work-related injury medical subsidy and the lump-sum disability employment subsidy shall be prescribed by the people's governments of the provinces, autonomous regions and municipalities directly under the Central Government.

According to the Regulation on Work-Related Injury Insurance (2010) (工傷保險條例), where an employee's disability due to work is assessed to fall in grade seven to ten, the employee shall enjoy the following benefits: (i) a lump-sum disability subsidy shall be paid to him from the work-related injury insurance funds according to the disability grade at the following rates: for an employee at the seventh grade of disability, 13 months of his own wage shall be paid; for an employee at the eighth grade of disability, 11 months of his own wage; for an employee at the ninth grade of disability, nine months of his own wage; and for an employee at the tenth grade of disability, seven months of his own wage; and (ii) if a labor or employment contract is terminated upon expiry, or an employee himself requests for rescinding the labor or employment contract, a lump-sum work-related injury medical subsidy shall be paid to the employee from the work-related injury insurance funds, and the employer shall pay to the employee a lump-sum disability employment subsidy. The specific standards for the lump-sum work-related injury medical subsidy and the lump-sum disability employment subsidy shall be provided by the people's governments of the provinces, autonomous regions and municipalities directly under the central government. If an employee dies from work, his close relative may, in accordance with the following provisions, draw from the work-related injury insurance fund the funeral subsidy, the pension for supporting the relatives and the lump-sum subsidy for death from work: (i) the funeral subsidy shall be six months of the average monthly wage of the employee in the preceding year in the region subject to overall planning; (ii) the pension for supporting the relatives shall be paid at a certain proportion of the employee's wage to the relatives who has no work capabilities and whose main living expenses came from the employee who died from work, with the rates to be as follows: 40.0% per month for the spouse, 30.0% per month for other relatives, and 10.0% per month per person in addition for the lone aged or orphans. The verified sum of pensions for supporting the relatives shall not be more than the wage of the employee who died from work. The specific scope of the supported relatives shall be provided for by the social insurance administration department under the State Council; and (iii) the rate for the lump-sum subsidy for death from work shall be 20 times the average per capita disposable income of national urban residents in the previous calendar year.

Under the Interim Measures Concerning the Maternity Insurance of Enterprises Employees (企業職工生育保險試行辦法), which became effective on 1 January 1995, employers must pay maternity insurance fees for their employees. Under the Interim Regulations Concerning the Levy of Social Insurance Fees (社會保險費徵繳暫行條例), which became effective on 22 January 1999 and the Interim Measures Concerning the Administration of the Registration of Social Insurance (社會保險登記管理暫行辦法), which were adopted on 19 March 1999, employers in the PRC must apply for social insurance registration with the local social insurance authorities and make contributions to the basic pension insurance fund, basic medical insurance fund and unemployment insurance fund for their employees.

According to the Regulation on Administration of the Housing Fund (住房公積金管理條例), which became effective on 3 April 1999 and amended on 24 March 2002, enterprises in the PRC must register with the housing fund management centre within 30 days after their establishment and then maintain housing fund accounts with designated banks for their employees and contribute to the fund an amount not less than 5.0% of the employee's average monthly salary in the previous year.

OUR HISTORY

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on 5 May 2014. Since its incorporation, our Company has been an investment holding company with no business operations. Pursuant to the Reorganisation, as more particularly described in the paragraph headed "— Reorganisation" in this section, our Company has become the holding company of our Group for the purpose of the Listing.

OUR BUSINESS DEVELOPMENT AND KEY MILESTONES

We are a leading PRC-based camera module manufacturer focusing on mid-to-high end camera module market for Chinese branded smart phone and tablet PC manufacturers. According to CCID Consulting, we ranked second and third, respectively, of the PRC camera module market for smart devices in terms of revenue and sales volume in 2013, and ranked third in terms of both revenue and sales volume in the first half of 2014 with a market share of approximately 6.6% and 6.1%, respectively. We also ranked third in the PRC in terms of revenue and sales volume of mid-to-high end camera modules, being camera modules with resolution of 5 mega pixels and higher, in the first half of 2014, with a market share of approximately 8.4% and 9.1%, respectively, according to CCID Consulting.

Our founder and chairman, Mr. He Ningning, established our Group in 2007 as he believed that the future prospect of the industry of mobile telecommunication and related products would be promising after engaging and gaining experience in the electrical and electronic industry. For more details of Mr. He's background and experience, please refer to the section headed "Directors and Senior Management — Board of Directors — Executive Directors" in this prospectus. Mr. He established our Kunshan QT China in 2007 with an initial registered capital of US$20.0 million with his own funding. Since the establishment, we have been focusing our efforts on design, research and development of camera modules and offering quality products to primarily target reputable PRC and global branded smart phone and tablet PC manufacturers.

During 2007 to 2012, we manufactured our products in our Former Production Base located in Yushan Village, Kunshan, Jiangsu province, the PRC. In August 2012, we relocated to our Kunshan Production Base located in Hi-tech Industry Park, Kunshan, Jiangsu province, the PRC. In June 2014, our monthly production capacity of camera modules has reached approximately 8.5 million units.

The following illustrates our major business development milestones and achievements:

Year	Business milestones
2007	Mr. He Ningning established Kunshan QT China. We established our design, research and development centre at our Former Production Base.
2008	We were one of the first few manufacturers in the PRC to use COB and COF assembly technologies, marking our commencement to target mid-to-high end camera module market in the PRC.

Year	Business milestones
2009	We commenced the sales of camera modules with resolution of 3 mega pixels and lower and 5 mega pixels.
	We were accredited as a "foreign-invested research and development institution" (蘇州市外資研發機構) in Suzhou city.
	We established our business relationship with ZTE and became its quality supplier.
2010	We implemented various restructuring measures to both our business and senior management team, and further clarified our goal and position to focus on mid-to-high end camera module market in the PRC.
2011	We established our business relationship with Lenovo and Coolpad and became their qualified supplier.
	We were awarded "ZTE Corporation Global Supplier Conference Souvenir" (中興通訊全球供應商大會紀念) by ZTE.
2012	We commenced the sales of camera modules with resolution of 8 mega pixels.
	We established our Kunshan Production Base and relocated our production from our Former Production Base to our Kunshan Production Base in August 2012.
	We established our business relationship with TCL and BBK and became their qualified supplier.
	We won various awards from our customers, including the "2012 Coolpad Most Supportive Supplier Award" (2012年度宇龍酷派最佳支持供應商) from Coolpad.
	We launched camera module prototype with resolution of 13 mega pixels.
2013	We incorporated Kunshan QT Hong Kong to become our logistic centre for our Overseas Sales and Procurement.
	We commenced the sales of our camera modules with resolution of 13 mega pixels.
	We established our business relationship with Samart, a renowned Thailand telecom operator, marking the beginning of our expansion to the overseas markets.
	We were accredited as the "The Best Global Partner" (全球最佳合作夥伴) by ZTE.
	We won various awards from our customers, including the "Best Service Award" (最佳服務獎) from ZTE, the "2013 Coolpad Quality Supplier Award" (2013年度宇龍供應商質量獎) and the "2013 Coolpad Core Supplier" (2013年度宇龍酷派核心供應商) from Coolpad and the "Best Service Award" (優質服務獎) from TCL.
	We were accredited as a "foreign-invested research and development institution" (江蘇省外資研發機構) in Jiangsu province.

Year	Business milestones
2014	Our monthly production capacity reached 8.5 million units in June 2014. We established our business relationship with a renowned Taiwanese manufacturer for smart devices. We launched camera module prototypes with resolution of 16 and 20 mega pixels.

OUR CORPORATE DEVELOPMENTS

Major disposal of our Group during the Track Record Period

Set out below is the major disposal of our Group during the Track Record Period:

Huatian Kunshan

Huatian Kunshan was established in the PRC on 10 June 2008 with an initial registered capital of US$20,000,000. At the time of its establishment, Huatian Kunshan was wholly owned by CK Great China. Huatian Kunshan was principally engaged in the wafer assembly business. As part of the internal restructuring of the businesses of Mr. He, on 30 June 2009, CK Great China transferred its 51% equity interest in Huatian Kunshan to Shenzhen CK at nil consideration as the registered capital of Huatian Kunshan to be contributed by CK Great China remained unpaid at the relevant time. On 17 September 2009, CK Great China transferred its 19% equity interest in Huatian Kunshan to Shenzhen Handi at nil consideration as the registered capital of Huatian Kunshan to be contributed by CK Great China remained unpaid at the relevant time.

Subsequent to a series of capital injections by the shareholders of Huatian Kunshan which took place between 2010 and 2011, the registered capital of Huatian Kunshan was increased from US$20,000,000 to US$61,930,002.82 and Huatian Kunshan became owned as to 28.85% by Shenzhen Handi, 16.15% by CK Great China, 10% by IPV Capital I HK Limited, 10% by Shanghai Sharewin Equity Management Co., Ltd. (上海盛宇股權投資管理有限公司) and 35% by Tianshui Huatian Technology Co., Ltd. (天水華天科技股份有限公司). Each of IPV Capital I HK Limited and Tianshui Huatian Technology Co., Ltd. is an Independent Third Party.

With a view to focusing our resources on our core business, CK Great China entered into an equity transfer agreement with Gentec Investment Limited (先科投資有限公司), an Independent Third Party, on 8 December 2013 in respect of the disposal of its 16.15% equity interest in Huatian Kunshan. On the same day, the directors of Huatian Kunshan nominated by CK Great China resigned and CK Great China ceased to have any influence over the matters of Huatian Kunshan. On 17 February 2014, CK Great China transferred its 16.15% equity interest in Huatian Kunshan to Gentec Investment Limited, at a consideration of US$13,268,600, which was determined with reference to the net assets value of Huatian Kunshan as at 30 November 2013 and settled on 20 February 2014 and 5 March 2014.

As advised by our PRC legal advisers, King & Wood Mallesons, the disposal above has been properly and legally completed and settled and all necessary approvals from the relevant PRC authorities have been obtained.

The key summary of the corporate history of our subsidiaries is set out below.

Kunshan QT China

Kunshan QT China was established in the PRC on 15 October 2007 with an initial registered capital of US$20,000,000 and was subsequently increased to US$30,000,000. Kunshan QT China commenced business in December 2007. Kunshan QT China is the principal PRC operating subsidiary of our Group and was principally engaged in the design, research, development, manufacture and sale of the mid-to-high end camera modules. Since the date of its establishment, Kunshan QT China was wholly-owned by CK Great China.

As part of our Reorganisation, Kunshan QT Hong Kong subsequently acquired the entire equity interest in Kunshan QT China from CK Great China. For further details, please refer to the paragraph headed "— Reorganisation" in this section.

Kunshan QT Hong Kong

Kunshan QT Hong Kong was incorporated in Hong Kong on 21 January 2013 and commenced business in February 2013. On 21 January 2013, 10,000 shares of Kunshan QT Hong Kong of HK$1.00 each were issued and allotted to CK Great China at par value. Kunshan QT Hong Kong is principally engaged in the materials and equipment sourcing business and sales of the mid-to-high end camera modules manufactured by Kunshan QT China. Since the date of its incorporation, Kunshan QT Hong Kong was wholly-owned by CK Great China.

CK Great China

CK Great China was incorporated in the BVI on 3 July 2007 with an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each and commenced business in December 2007. CK Great China was principally engaged in the materials and equipment sourcing business prior to the incorporation of Kunshan QT Hong Kong. After the incorporation of Kunshan QT Hong Kong, CK Great China became an investment holding company. Since its incorporation, CK Great China was wholly owned by Mr. He Ningning, our executive Director and our Controlling Shareholder.

As part of our Reorganisation, our Company acquired the entire issued share capital of CK Great China from Mr. He Ningning. For further details, please refer to the paragraph headed "— Reorganisation" in this section.

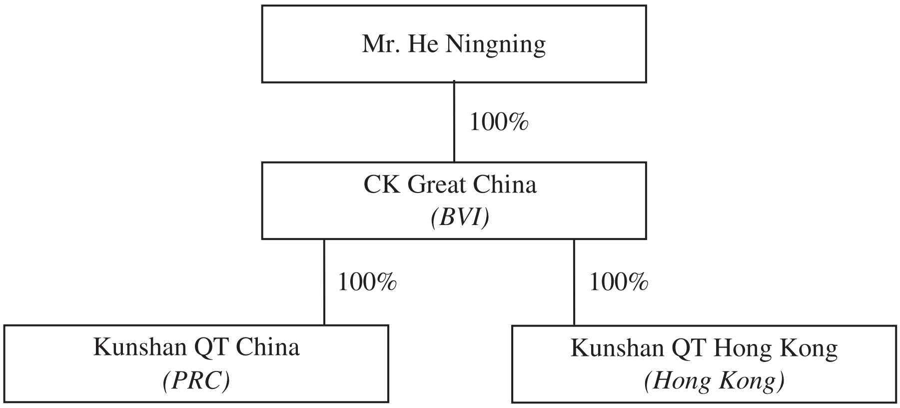
Chengdu QT Subsidiary

Chengdu QT Subsidiary was established in the PRC on 6 June 2014 with a registered capital of RMB1,000,000 and commenced business in late June 2014. Chengdu QT Subsidiary is principally engaged in the research and development of the mid-to-high end camera modules. Since the date of its establishment, Chengdu QT Subsidiary was wholly owned by Kunshan QT China.

REORGANISATION

In April 2014, we commenced the Reorganisation in preparation for the Global Offering.

The following chart sets forth our Group's corporate and shareholding structure immediately before the Reorganisation:



Incorporation of QT Investment

On 11 April 2014, QT Investment was incorporated in the BVI in order to act as the holding company for the interest of Mr. He Ningning in our Company. The authorised share capital of QT Investment is US$50,000 divided into 50,000 shares of US$1.00 each and one share was issued and allotted at par to Mr. He Ningning. Upon completion of such issue and allotment, QT Investment was wholly owned by Mr. He Ningning.

Incorporation of our Company

On 5 May 2014, our Company was incorporated in the Cayman Islands to act as a holding company of our Group. The initial authorised share capital of our Company was HK$380,000 divided into 38,000,000 shares of HK$0.01 each and one share of HK$0.01 was issued and allotted to Sharon Pierson, the initial subscriber, at par, who then transferred such share to QT Investment on 5 May 2014. Upon completion of such issue and transfer, our Company was wholly owned by QT Investment.

Acquisition of Kunshan QT China by Kunshan QT Hong Kong

As part of the Reorganisation, on 25 June 2014, Kunshan QT Hong Kong acquired the entire equity interest in Kunshan QT China from CK Great China at the consideration of RMB365,877,900, which was determined with reference to the net asset value of Kunshan QT China as at 31 March 2014 and was satisfied by the issue and allotment of one share of Kunshan QT Hong Kong to CK Great China on 25 June 2014. Upon completion of such acquisition, Kunshan QT China became a direct wholly-owned subsidiary of Kunshan QT Hong Kong.

As advised by our PRC legal advisers, King & Wood Mallesons, the above transfers complied with the applicable PRC laws and regulations and all necessary approvals from the relevant PRC authorities have been obtained.

Acquisition of CK Great China by Our Company

As part of the Reorganisation, on 26 June 2014, our Company acquired the entire issued share capital of CK Great China from Mr. He Ningning at the consideration of US$10,000, which was determined with reference to the par value of CK Great China and was satisfied by the issue and allotment of one share of our Company to QT Investment on 26 June 2014. Upon completion of such acquisition, CK Great China became a direct wholly-owned subsidiary of our Company.

On 26 June 2014, we completed all steps of the Reorganisation above. The following chart sets forth our Group's corporate and shareholding structure immediately after the Reorganisation, but before the completion of the Global Offering and the Capitalisation Issue:

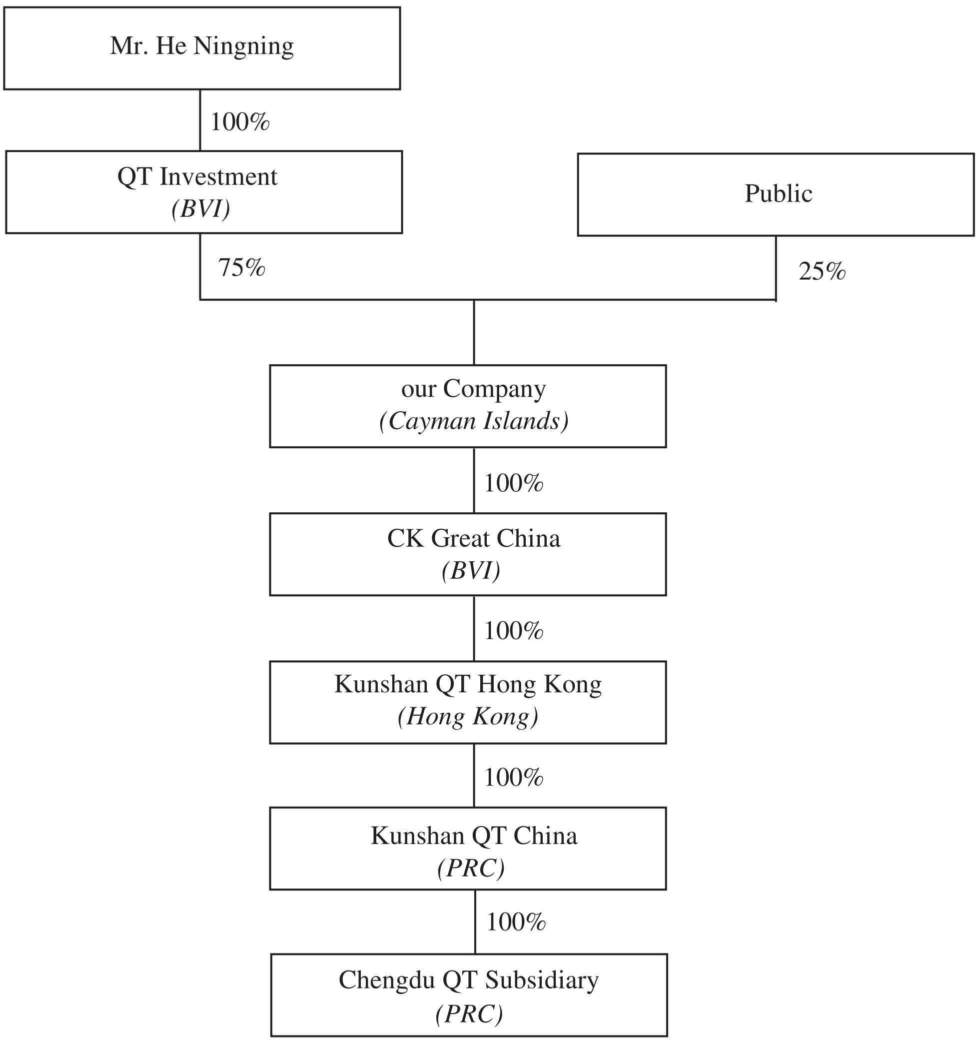
INCREASE OF AUTHORISED SHARE CAPITAL

On 13 November 2014, our Company increased its authorised share capital to HK$500,000,000 through the creation of 49,962,000,000 additional Shares.

CAPITALISATION ISSUE

Conditional upon the crediting of our Company's share premium account as a result of the issue of the Offer Shares pursuant to the Global Offering, our Directors are authorised to capitalise an amount of HK$7,499,999.97 standing to the credit of the share premium account of our Company by applying such sum towards the paying up in full at par a total of 749,999,997 Shares for allotment and issue to our Shareholder(s) as of 13 November 2014, on a pro rata basis.

The following chart sets forth our Group's corporate and shareholding structure upon completion of the Global Offering and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised):



Pre-IPO Share Option Scheme

In recognition of the contributions of certain employees and executive officers of our Group made or may have been made to the growth of our Group, we introduced the Pre-IPO Share Option Scheme and a total of 47 eligible participants have been granted such options under our Pre-IPO Share Option Scheme. For further details, please refer to the section headed "Statutory and General Information — D. Other information — 2. Pre-IPO Share Option Scheme" in Appendix IV to this prospectus.

M&A RULES

On 8 August 2006, six PRC regulatory agencies, including MOFCOM and CSRC, promulgated the Rules on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) (the "**M&A Rules**"), a regulation with respect to the mergers and acquisitions of domestic enterprises by foreign investors that became effective on 8 September 2006 and amended on 22 June 2009. The M&A Rules, among other things, provides that a foreign investor seeking acquisition of the equity interest in a non-foreign-invested PRC enterprise, or purchasing and operating the assets of that enterprise by establishing a foreign-invested enterprise in the PRC, shall obtain the approval of MOFCOM or its counterparts at provincial level.

As advised by our PRC legal advisers, King & Wood Mallesons, the onshore reorganisation is not subject to the examination and approval of the MOFCOM, as Kunshan QT China has been a foreign-invested enterprise since its incorporation in 2007 and has never been involved into any merger and acquisition regulated under the M&A Rules. Thus, such acquisition is subject to Certain Provisions on Changes in Equity Interests in Foreign Investment Enterprises (外商投資企業投資者股權變更的若干規定) instead of the M&A Rules.

In addition, our PRC legal advisers, King & Wood Mallesons, are of the view that there is no need to obtain consents or approvals from CSRC for the Listing. Except for the approvals that have already been obtained, there is no need to obtain other consents or approvals from other PRC government authorities to implement our Reorganisation, and our Reorganisation complies with applicable PRC laws and regulations.

CIRCULAR NO. 75 AND CIRCULAR NO. 37

On 21 October 2005, the SAFE issued the Circular of the SAFE on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents to Engage in Investing and Financing Overseas and Roundtrip Investment via Special Purpose Vehicles (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) (the "**Circular No. 75**"). According to Circular No. 75, a domestic resident shall, before establishing or controlling an overseas special purpose company, apply to the local branch or office of SAFE (the "**SAFE Branch**") for foreign exchange registration of overseas investments. SAFE Branch shall, after examining and checking the materials to be inerrant, affix the special seal for foreign exchange business for capital account transactions on the Certificate of Foreign Exchange Registration of Overseas Investments (境外投資外匯登記證) or the Form of Foreign Exchange Registration of Overseas Investments of the Domestic Individual Resident (境內居民個人境外投資外匯登記表).

On 4 July 2014, SAFE promulgated the Notice of the State Administration of Foreign Exchange on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents to Engage in Investing and Financing Overseas and Roundtrip Investment via Special Purpose Vehicles (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (the "**Circular No. 37**") which rescinded the Circular No. 75. Domestic residents who invest in special purpose vehicles with legitimate assets or equity interests inside and outside the PRC prior to the implementation of the Circular No. 37, but fail to conduct the foreign exchange registration of overseas investments shall submit explanatory statement and state the reasons to the bureau of foreign exchange administration. The bureau of foreign exchange administration may allow complementary registration under the principles of legality and legitimacy.

Upon the establishment of Kunshan QT China, we were required to conduct necessary registration for its status as a foreign owned enterprise. Due to the reason that the handling person back then did not have a full knowledge of the background of Mr. He Ningning and was not familiar with the relevant laws and regulations relating to the foreign exchange registration, the registration form filed contained some informational error in relation to the nationality of Mr. He. As soon as we became aware of this administrative error, we promptly rectified with the SAFE branch and refiled the registration. As a result, we received an administrative penalty decision from and subsequently paid a general penalty charge of RMB50,000 to the SAFE branch on 22 May 2014. As advised by our PRC legal advisers, King & Wood Mallesons, on 16 June 2014, Mr. He Ningning, as a PRC domestic resident, has completed the registration as required by the Circular No. 75, and such registration has complied with the provisions set forth in the Circular No. 37.

OVERVIEW

We are a leading PRC-based camera module manufacturer focusing on mid-to-high end camera module market for Chinese branded smart phone and tablet PC manufacturers. According to CCID Consulting, we were one of the first few manufacturers in China to use COB and COF assembly technologies in the manufacture of camera modules, and are currently one of the four major manufacturers in China that can mass produce camera modules with resolution of 8 mega pixels and higher. We ranked second and third, respectively, in the PRC camera module market for smart devices in terms of revenue and sales volume in 2013, and ranked third in terms of both revenue and sales volume in the first half of 2014 with a market share of approximately 6.6% and 6.1%, respectively. We also ranked third in the PRC in terms of revenue and sales volume of mid-to-high end camera modules, being camera modules with resolution of 5 mega pixels and higher, in the first half of 2014, with a market share of approximately 8.4% and 9.1%, respectively, according to CCID Consulting. We believe that our precise positioning to focus on mid-to-high end camera module market in the PRC and our comparatively lower cost base as a PRC-based manufacturer have provided us with distinctive advantages in the fast growing camera module market.

We have been primarily engaged in the design, research, development, manufacture and sales of camera modules to be used in smart phones and tablet PCs since our establishment in 2007. With professional talents and technologies accumulated throughout the years, we are currently able to offer a wide range of high quality AF and FF camera modules with resolution ranging from 3 mega pixels and lower to 16 mega pixels. We are also able to offer super-thin AF camera module prototype with resolution of 20 mega pixels and camera modules with wide-angle lenses (廣角鏡), larger aperture (大光圈) and functions of OIS and Closed-loop control with our latest technologies. According to CCID Consulting, we are also currently one of the few manufacturers in China that can manufacture and sell camera modules with resolution of 16 and 20 mega pixels. According to CCID Consulting, we were one of the first few manufacturers in China that have the ability to manufacture wide-angle lens camera modules with resolution of 5 mega pixels or higher.

We constantly focus our efforts and resources on design, research and development as we believe that strong design, research and development capabilities are crucial to ensure our success and our ability to develop and manufacture camera modules that meet the rapid change of the market trends and our customers' preferences. We had a dedicated design, research and development team consisted of a total of 189 staff as of 30 June 2014. We have also established two design, research and development centres located in Kunshan, Jiangsu province, the PRC and Chengdu, Sichuan province, the PRC to focus on the design and development of our camera modules in terms of structure, electronic circuits, functionality, application, software and relevant production equipment. As of the Latest Practicable Date, we obtained a total of 20 registered patents in the PRC for our new design and development in relation to the manufacture of camera modules.

During the Track Record Period, we primarily sold our camera modules to our customers in the PRC. We believe that our product quality, technological expertise and customer-oriented sales services have helped us to gain a strong reputation and maintain a stable and strong customer base. Our key customers are leading Chinese branded smart phone and tablet PC manufacturers, including Lenovo, ZTE, Coolpad, TCL, BBK and Hisense, among which, Lenovo, ZTE and Coolpad were also the world's top ten smart phone manufacturers in 2013 and our top five customers during the Track Record Period. Our suppliers, on the other hand, are also global leading industrial players, such as OmniVision Technologies (豪威科技) for sensors and Largan Precision Co., Ltd. (大立光電股份有限公司) for lenses. For the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, we sold a total of approximately 15.3 million, 23.9 million, 48.2 million and 35.1 million units of camera modules, respectively. For the year ended 31 December 2013 and the six months ended 30 June 2014, approximately 88.5% and 93.5% of our turnover, respectively, was generated from the sales of our camera modules with resolution of 5 mega pixels and higher.

We manufacture all our products at our Kunshan Production Base. To meet the increasing demand of our customers and further expand our business, we upgraded our Kunshan Production Base by expanding our Class 10 and Class 1,000 Cleanrooms for our production process, including assembly and testing and packaging, and purchasing new production and testing machinery and equipment in the second half of 2013. In June 2014, our monthly production capacity of camera modules has reached 8.5 million units.

We have experienced rapid growth during the Track Record Period. Our turnover increased from RMB283.4 million for the year ended 31 December 2011 to RMB637.8 million for the year ended 31 December 2012 and further to RMB1,410.6 million for the year ended 31 December 2013, representing a CAGR of 123.1%. Our profit for the three years ended 31 December 2011, 2012 and 2013 was RMB37.4 million, RMB50.5 million and RMB163.2 million, respectively, representing a CAGR of 108.7%. Our turnover also increased from RMB537.5 million for the six months ended 30 June 2013 to RMB965.1 million for the six months ended 30 June 2014, while our profit for the period increased from RMB47.2 million for the six months ended 30 June 2013 to RMB89.0 million for the six months ended 30 June 2014.

COMPETITIVE STRENGTHS

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

A leading PRC-based manufacturer focusing on the fast growing mid-to-high end camera module market for Chinese branded smart phone and tablet PC manufacturers

We are a leading PRC-based camera module manufacturer focusing on mid-to-high end camera module market for Chinese branded smart phone and tablet PC manufacturers. According to CCID Consulting, we ranked second and third, respectively, in the PRC camera module market for smart devices in terms of revenue and sales volume in 2013, and ranked third in terms of both revenue and sales volume in the first half of 2014 with a market share of approximately 6.6% and 6.1%, respectively. We also ranked third in the PRC in terms of revenue and sales volume of mid-to-high end camera modules, being camera modules with resolution of 5 mega pixels and higher, in the first half of 2014, with a market share of approximately 8.4% and 9.1%, respectively, according to CCID Consulting. In addition, we were one of the first few manufacturers in China to use COB and COF assembly technologies in the manufacture of camera modules, which are nowadays one of the prevailing technologies in the camera module industry, and were also one of the first few manufacturers in China to manufacture wide-angle lens camera modules with resolution of 5 mega pixels or higher.

According to CCID Consulting, the sales volume of smart phones and tablet PCs in the PRC accounted for approximately 42.1% and 29.6% of the sales volume of smart phones and tablet PCs in the world in 2013, respectively. Accordingly, the mid-to-high end PRC camera module market is also a fast growing market with strong growth potential. Further, the demand for the mid-to-high end camera modules currently exceeds the supply in the PRC and production capacity of camera modules in the world is still gradually shifting to China, according to the CCID Report. During 2009 to 2013, camera modules with resolution of 5 and 8 mega pixels became the mainstream products of the global and PRC camera module markets. In the near future, camera modules with resolution of 13 mega pixels or higher are expected to become more popular. For the year ended 31 December 2013 and the six months ended 30 June 2014, approximately 88.5% and 93.5% of our turnover, respectively, was generated from the sales of our camera modules with resolution of 5 mega pixels and higher. We believe that our precise positioning to focus on mid-to-high end camera module market in the PRC will allow us to enjoy the future growth of the camera module industry.

Strong in-house design, research and development capabilities with advanced testing platform and production facilities

Our strong in-house design, research and development capabilities have been critical to the establishment of our status as a leading camera module manufacturer in the PRC. With professional talents and technologies accumulated throughout the years, we are currently able to offer a wide range of high quality AF and FF camera modules with resolution ranging from 3 mega pixels and lower to 16 mega pixels. We are also able to offer super-thin AF camera module prototype with resolution of 20 mega pixels and camera modules with wide-angle lenses (廣角鏡), larger aperture (大光圈) and functions of OIS and Closed-loop control with our latest technologies. According to CCID Consulting, we are also currently one of the few manufacturers in China that can manufacture and sell camera modules with resolution of 16 and 20 mega pixels. We believe that our strong design, research and development capabilities have allowed us to respond faster and more flexibly to the changing demand of market and our customers. In addition, we gather information on market trends and new technologies through regular communication with our suppliers so that we are able to introduce new products that are custom-made to suit our customers' preferences by turning their functional requirements and specifications into prototypes quickly and efficiently. Our cooperation with our customers during the product design and development stage has also enabled us to cultivate a close relationship with these customers, and allowed us to capture sales opportunities arising from the rapid changes of the smart phone and tablet PC industry.

We have a dedicated design, research and development team with experienced designers and technologists equipped with knowledge of optics, image processing and software to focus on the design and development of our products, software and production equipment and the improvement of our production know-how. As of 30 June 2014, we had 189 staff in our design, research and development team, 67 of whom possessed undergraduate degrees or above and 31 of whom have been working in the camera module industry for more than five years. We have established our Kunshan design, research and development centre and Chengdu design, research and development centre. We believe that these two design, research and development centres allow us to conduct design, research and development on all aspects, including the hardware and software of our camera modules, at the same time. In particular, we have made continuous efforts on the development and upgrade of our testing platforms, software and production equipment, such as focus adjustment, testing algorithms (測試算法), OTP burning devices (OTP燒錄裝置) and USB3.0 image transmission technologies (USB3.0圖像傳輸技術). As of the Latest Practicable Date, we obtained a total of 20 registered patents in the PRC for our new design and development in relation to the manufacture of camera modules. We believe that our self-developed or upgraded testing software and production equipment have allowed us to customise our testing platforms to maintain flexibility and enhance efficiency in our production process. We are currently able to achieve product success rate of around 97.0% while the average industrial product success rate, according to CCID Consulting, is around 96.0%.

In addition, we conduct all of our production process, including assembly and testing and packaging, in our Class 10 and Class 1,000 Cleanrooms covering approximately 8,533.0 sq.m. at our Kunshan Production Base in order to control the level of pollutants, such as dust and airborne particles, and to enhance our product quality and precision. We have also made substantial investment in advanced production and testing machinery and equipment and focus on production automation to reduce our cost of direct labour and enhance our processing technology and production efficiency.

We believe that our strong design, research and development capabilities with advanced testing platforms and production facilities have enabled us to continue to strengthen our competitiveness in the PRC camera module market.

Strong customer base, customer-oriented sales strategy and advanced information systems

We are widely recognised by our customers for our high quality products and customer service. Through years of operations, we have established stable and strong business relationship with leading Chinese branded smart phone and tablet PC manufacturers, including Lenovo, ZTE, Coolpad, TCL, BBK and Hisense, among which, Lenovo, ZTE and Coolpad were also the world's top ten smart phone manufacturers in 2013, accounting for a total of 12.1% of the global sales volume in 2013 according to CCID Consulting, and were also our top five customers during the Track Record Period. In particular, we were the largest supplier of camera modules for Coolpad in 2013. We have also successfully obtained various certifications and awards from these customers which indicate the high quality of our products and customer service. Please refer to the section headed "Business — Awards and recognitions" in this prospectus for our awards and recognition received.

Our customers impose stringent requirements and standards for our product design, production efficiency, quality control, costs and delivery as they are reputable branded smart phone and tablet PC manufacturers. In order to maintain stable business relationship with these customers, we have implemented a customer-oriented sales strategy and made continuous efforts to promote their customers' experience with us. We have sales personnel assigned to each of our key customers in order to regularly communicate with them and promptly respond to their needs and requests. We also have designated quality control staff stationed in our key customers' factories to assist the issues in relation to the quality of our products. In addition, we are able to send our technologists and engineering personnel to our customers' locations on some special occasions to immediately analyse the situation and provide them with solutions in order to reduce adverse impact on our customers' operations. We believe that our fast-response customer service mechanism and strong technical know-how have helped us to maintain strong business relationship with our customers, gain deep insight of the industry and capture the market opportunities, and distinguished us from our competitors.

Further, our comprehensive MES system enables us to track each of our products during the production process and provides us with real-time data on our production efficiency and rate of defective products, which in turn helps us to better control our product quality. Our ERP system, on the other hand, enables us to monitor our design, research and development process, procurement, sales, inventory, trade receivables and assets. We believe that our customer-oriented sales strategy and advanced information systems have provided us with the capabilities to build and manage a reputable and loyal customer base, which has contributed and is expected to continue to contribute to the growth of our business.

Strong and stable relationship with quality suppliers

We have established good and long-term relationship with our suppliers. As of 30 June 2014, we had on average more than four years of relationship with our top five suppliers. We procure and purchase most of our raw materials and components and production and testing machinery and equipment from suppliers renowned in the industry. Some of our major suppliers for raw materials and components, in particular our suppliers for sensors and lenses, are global leading industrial players which possess extensive experience in their respective fields, such as OmniVision Technologies (豪威科技), a leading developer of advanced digital imaging solution and a NASDAQ listed company, and Largan Precision Co., Ltd. (大立光電股份有限公司), one of the world's major players in plastic aspherical lens design and production whose shares are listed on the Taiwan Stock Exchange.

Leveraging our suppliers' in-depth understanding of the industry and market trends, we closely communicate and collaborate with our major suppliers to regularly obtain the latest market information of technologies and make new product prototypes in anticipation of our customers' future needs. We believe that our strong and stable relationship with our suppliers have also helped us to strengthen our relationship with our key customers and maintain our competitiveness.

Experienced management team with a proven track record

Our management team is led by our founder and executive Director, Mr. He Ningning. Mr. He has nearly 19 years of experience in the electrical and electronic industry. Mr. He graduated from the Peking University (北京大學) in July 1992 and obtained his MBA from the University of California in March 2002. Our other executive Directors, Mr. Wang Jianqiang and Mr. Yang Peikun, also have over 18 years and nine years of relevant industrial experience, respectively. We believe that our experienced senior management team provides us with deep industry and operational knowledge, which leads us to achieve rapid growth in recent years while maintaining high quality of our products and service. In addition, our management team instils the customer-oriented corporate culture throughout our workforce. We believe that under the effective management of Mr. He and our senior management team, along with our customer-oriented service culture, we are able to establish ourselves as a leading camera module manufacturer in the PRC.

STRATEGIES

We intend to further strengthen our leading position in the PRC camera module market and to raise our profile in the global camera module market. In the short run, we plan to recruit more talents to strengthen our design, research and development capabilities, expand our product offerings, broaden our products' functionality and application, increase our production capacities and enhance our customer-oriented sales strategy. In the mid-to-long run, we plan to explore strategic partnerships and/or acquisitions to achieve vertical business integration and increase our comparative advantage on cost in order to become an internationally recognised high end camera module manufacturer. We plan to achieve our goals by pursuing the following principal strategies:

Continue to strengthen relationship with our existing customers and suppliers

According to CCID Consulting, the sales volume of the PRC smart phones and tablet PCs is expected to grow at a CAGR of approximately 17.3% and 16.8% from 2013 to 2018, respectively. The sales volume of camera modules for smart devices in the PRC is also expected to grow at a CAGR of approximately 20.8% from 2013 to 2018. We plan to continue to focus on the PRC camera module market in the near future to capture the potential growth and increase our market share. We seek to deepen our relationship with our existing customers by continuously providing them with a wide range of customised quality products as this will likely offer us additional sales opportunities. We will also continue to place emphasis on customer relations by regularly communicating with our customers on the market trends and new technologies and providing them new products to ensure that we proactively anticipate and satisfy their needs and requirements. Internally, we will further emphasise collaboration between each of our operating departments to continuously provide quality products and value-added services to our customers, such as performing onsite test of our camera modules in our customers' end products and employ systematic procedures to measure customers' satisfaction in order to identify and address our strengths and weaknesses. Further, according to CCID Consulting, there is a gradual shift to manufacture camera modules in China. As a result, we intend to continue to deepen our relationship with our key suppliers to ensure the stability of our supply chain and receipt of timely industrial information.

Continue to expand our customer base and raise our profile in the global camera module market

We intend to continue to expand our customer base and further implement our principle sales strategy to become a core mid-to-high end camera module supplier for our customers' branded smart phones and tablet PCs. We believe that it is important for us to broaden our customer base and raise our profile in and capture the potential growth of the global camera module market by targeting the world's leading branded smart phone and tablet PC manufacturers that have not yet established business relationship with us. We plan to target leading branded smart phone and tablet PC manufacturers in the emerging markets and mid-priced branded smart phone and tablet PC manufacturers in more developed markets. In order to achieve this, we plan to leverage on our existing strengths and comparatively lower cost base as a PRC manufacturer to promote ourselves and expand both of our domestic and overseas customer bases by offering products with a competitive combination of price and quality. We also plan to leverage our cooperative relationship with our major suppliers to refer potential customers to us. Further, we target to expand our sales team and increase our overseas sales.

Further expand our design, research and development effort on new technologies and software and broaden the functionality and application of our products

As a leading camera module manufacturer in the PRC, we believe that strong design, research and development capabilities are critical to our future development and sustainable growth. We intend to invest more resources to further strengthen our design, research and development capabilities to keep up with the rapidly-evolving technologies for the manufacture of our camera modules. We plan to continuously strengthen our products by incorporating advancements into our existing products as well as offering newly developed products featuring the latest technologies. We plan to expand our product offerings and broaden the functionality and application of our products to actualise human machine interface (人機互動) by designing and developing camera modules that can be used in outdoor sports products, medical equipment, car systems and home surveillance systems. As of the Latest Practicable Date, we have successfully designed and developed camera modules with resolution of 20 mega pixels for outdoor sports products.

We also plan to recruit additional experienced and talented personnel, including product designers and developers, technologists and other production technicians, to join our design, research and development team. Our sales team and procurement team will also continue to work closely with our design, research and development team on exchange and analysis of market information and customers' preferences to more effectively incorporate customers' feedback into our product development. In addition, we also plan to collaborate with well-known domestic universities and institutes for optical and electronic industries on project basis to develop new camera modules for our customers in the future.

Further expand our existing production base and manufacturing capabilities

In order to meet the increasing demand of our customers and further expand our business, we upgraded our Kunshan Production Base by expanding our Class 10 and Class 1,000 Cleanrooms for our production process and purchasing new production and testing machinery and equipment in the second half of 2013. Our monthly production capacity of camera modules increased from approximately 5.6 million units in December 2013 to approximately 8.5 million units in June 2014. We incurred approximately RMB152.5 million and RMB41.0 million on our new production and testing machinery and equipment and other fixed assets for upgrading our Kunshan Production Base for the year ended 31 December 2013 and the six months ended 30 June 2014, respectively.

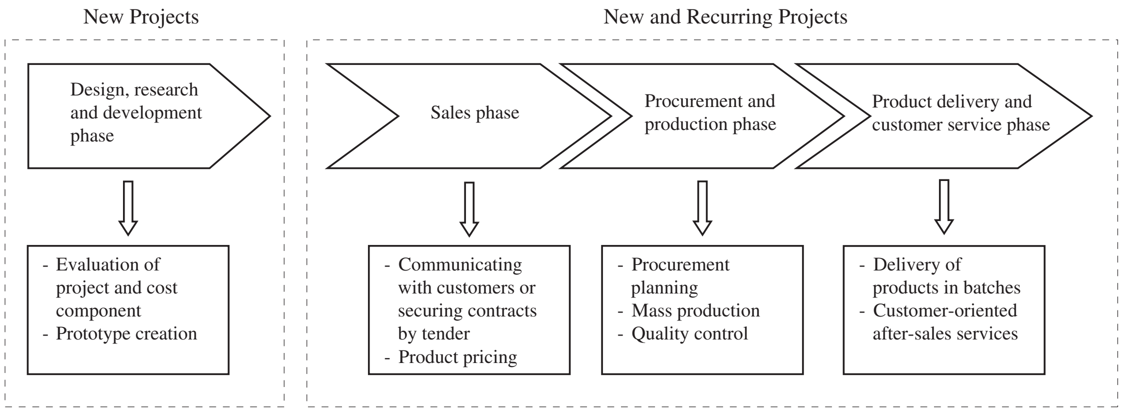
According to CCID Consulting, the sales volume of smart phones and tablet PCs in the world and PRC is expected to grow at a CAGR of approximately 12.9% and 17.3% from 2013 to 2018, respectively. We anticipate that there will be a further increase in demand by end consumers for our customers' products. As such, we plan to further expand and modernise our Kunshan Production Base to meet the future demand of our customers. We plan to continue to enlarge and upgrade our Class 10 and Class 1,000 Cleanrooms from approximately 8,533.0 sq.m. to approximately 18,000.0 sq.m. and purchase more advanced machinery and equipment for our production process, testing procedures and design, research and development to increase automation and functionality of our production process and testing procedures, enhance our production efficiency, increase our product success rate and manage our increasing labour costs. We plan to commence the expansion of our Kunshan Production Base in the second half of 2014 and expect it to be fully completed by the end of 2015. We expect to increase our monthly production capacity of camera modules from approximately 8.5 million units in June 2014 to 13.0 million units by the end of 2014 and further to 18.0 million units by the end of 2015. Please refer to the section headed "Business — Production base — Our expansion plan" in this prospectus for more details.

Pursue strategic partnership or acquisition to achieve vertical business integration

We will consider to explore strategic partnerships and/or acquisitions to achieve vertical business integration and increase our comparative advantage on cost. Specifically, in anticipation of the growth of camera module industry in the PRC, we will consider acquisition of raw material and component suppliers who have their own design, research and development team and sales channel, and can provide cost synergies to our business. We will also consider to enter into strategic partnerships with camera module manufacturers for smart devices other than smart phones and tablet PCs to expand our product offering and business. As of the Latest Practicable Date, we had not identified any suitable target for such acquisition or strategic partnership.

OUR BUSINESS MODEL

We are primarily engaged in the design, research, development, manufacture and sales of camera modules which are mainly used in smart phones and tablet PCs. We derived most of our turnover from our sales in the PRC during the Track Record Period. The following diagram illustrates our business model:



We manage and operate our business through a cycle of design, research and development phase, sales phase, procurement and production phase and product delivery and customer-service phase:

- *Design, research and development phase*, where our design, research and development team evaluates the new projects taking into account the cost components of the new products, prepares the initial design, makes prototypes and conducts production trial upon receiving customers' approval on prototypes;

- *Sales phase*, where our sales team generally communicates with our customers or submits the bidding proposals to our customers and secures sales orders by tenders;

- *Procurement and production phase*, where we procure raw materials and components, and manufacture products according to our sales orders; and

- *Product delivery and customer service phase*, where we deliver our products to our customers in batches and provide our customer-oriented after-sales services.

OUR PRODUCTS

We offer a wide range of high quality AF and FF camera modules that can be used in smart phones and tablet PCs. Our camera modules are generally similar in structure and shape and a camera module mainly consists of four major components, namely, lens, sensor, VCM and PCB and/or FPC. Camera modules with higher resolution are typically larger in size due to their larger built-in sensors.

Our camera modules can be generally divided into the following categories: camera modules with resolution of (i) 3 mega pixels and lower; (ii) 5 mega pixels; (iii) 8 mega pixels; (iv) 13 mega pixels; and (v) 16 mega pixels and higher. Our camera modules with resolution of 3 mega pixels and lower are now generally used as front facing camera modules (前置攝像頭) in mobile phones and tablet PCs, while our camera modules with resolution of 8 mega pixels and 13 mega pixels and higher are now generally used as rear camera modules (後置攝像頭) in mobile phones and tablet PCs. Our camera modules with resolution of 5 mega pixels are now often used at both the front and the back of mobile phones and tablet PCs.

3 mega pixels | 5 mega pixels | 8 mega pixels | 13 mega pixels | 16 mega pixels | 20 mega pixels

The following table sets out our turnover by product category for the periods indicated:

Our camera modules with resolution of[1]	Year ended 31 December						Six months ended 30 June			
	2011		2012		2013		2013		2014	
	RMB ('000)	% of total turnover	RMB ('000)	% of total turnover	RMB ('000)	% of total turnover	RMB ('000)	% of total turnover	RMB ('000)	% of total turnover
							(unaudited)			
3 mega pixels and lower[2]	271,685	95.8	292,831	45.9	160,467	11.4	119,116	22.2	62,154	6.5
5 mega pixels	10,408	3.7	319,858	50.2	953,162	67.5	335,661	62.5	584,206	60.5
8 mega pixels	—	—	23,132	3.6	281,796	20.0	81,930	15.2	261,637	27.1
13 mega pixels	—	—	42	0.0	13,923	1.0	193	0.0	57,057	5.9
16 mega pixels	—	—	—	—	—	—	—	—	27	0.0
Others[3]	1,349	0.5	1,923	0.3	1,265	0.1	600	0.1	—	—
Total:	**283,442**	**100.0**	**637,786**	**100.0**	**1,410,613**	**100.0**	**537,500**	**100.0**	**965,081**	**100.0**

Notes:

1. We only sold camera modules with resolution ranging from 3 mega pixels and lower to 16 mega pixels during the Track Record Period.
2. Our camera modules with resolution of 3 mega pixels and lower primarily include VGAs, CIFs and camera modules with resolution of 0.04 mega pixels, 1 mega pixels, 1.3 mega pixels, 2 mega pixels and 3 mega pixels.
3. Others include sales of other product prototypes to customers.

For the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, we sold a total of approximately 15.3 million, 23.9 million, 48.2 million and 35.1 million units of camera modules, respectively. For the year ended 31 December 2013 and the six months ended 30 June 2014, approximately 88.5% and 93.5% of our turnover was generated from the sales of our camera modules with resolution of 5 mega pixels and higher, respectively. According to CCID Consulting, we ranked third in the PRC in terms of revenue and sales volume of mid-to-high end camera modules, being camera modules with resolution of 5 mega pixels and higher, in the first half of 2014, with a market share of approximately 8.4% and 9.1%, respectively.

The following table also sets out the sales volume and average selling prices of our camera modules by product category for the periods indicated:

Our camera modules with resolution of(1)	Year ended 31 December						Six months ended 30 June			
	2011		2012		2013		2013		2014	
	Sales volume ('000 units)	Average selling price/unit (RMB)	Sales volume ('000 units)	Average selling price/unit (RMB)	Sales volume ('000 units)	Average selling price/unit (RMB)	Sales volume ('000 units)	Average selling price/unit (RMB)	Sales volume ('000 units)	Average selling price/unit (RMB)
3 mega pixels and lower(2)	15,017	18.1	15,568	18.8	10,310	15.6	7,105	16.8	5,386	11.5
5 mega pixels	217	48.0	7,859	40.7	32,556	29.3	10,837	31.0	23,222	25.2
8 mega pixels	—	—	373	62.0	4,875	57.8	1,319	62.1	5,637	46.4
13 mega pixels	—	—	0.4	116.7	243	57.3(3)	2	91.7	884	64.5(3)
16 mega pixels	—	—	—	—	—	—	—	—	0.2	136.4
Others(4)	84	16.1	130	14.8	199	6.4	131	4.5	—	—
Total:	**15,318**	**18.5**	**23,930**	**26.7**	**48,183**	**29.3**	**19,394**	**27.7**	**35,129**	**27.5**

Notes:

1. We only sold camera modules with resolution ranging from 3 mega pixels and lower to 16 mega pixels during the Track Record Period.

2. Our camera modules with resolution of 3 mega pixels and lower primarily include VGAs, CIFs and camera modules with resolution of 0.04 mega pixels, 1 mega pixels, 1.3 mega pixels, 2 mega pixels and 3 mega pixels.

3. We sold a majority and a small portion of our camera modules with resolution of 13 mega pixels in the second half of 2013 and the first half of 2014, respectively, to one of our overseas customers who provided us with the sensors associated with the manufacture of such camera modules. As such, the selling price of our camera modules with resolution of 13 mega pixels sold to this customer was generally lower than our camera modules with resolution of 13 mega pixels sold to other customers. The average selling price of our camera modules with resolution of 13 mega pixels would be approximately RMB85.2 per unit for the year ended 31 December 2013 and approximately RMB68.8 per unit for the six months ended 30 June 2014 if we take no account of our sales of camera modules with resolution of 13 mega pixels to this customer.

4. Others include sales of other product prototypes to customers.

DESIGN, RESEARCH AND DEVELOPMENT

The camera module industry is characterised by rapidly-evolving technology advancements, frequent new product specifications and changing customers' demand. We focus on mid-to-high end camera module market in the PRC and focus our effort on the design, research and development of camera modules that are tailored to meet our customers' preferences and requirements. According to CCID Consulting, we were one of the first few manufacturers in China to use COB and COF assembly technologies in the manufacture of camera modules and have the ability to manufacture wide-angle lens camera modules with resolution of 5 mega pixels or higher. We are also currently one of the four major manufacturers in China that can mass produce camera modules with resolution of 8 mega pixels or higher.

We regularly conduct research, and develop and upgrade our own software and production equipment to improve our assembly technologies and testing systems. We have successfully developed and upgraded certain software and production equipment that are crucial to the manufacture of our camera modules, such as UV automated dispenser machines (UV自動點膠機), automated functional testing machines (自動功能測試機), laser cutting machines (激光切割機), USB3.0 image transmission technology (USB3.0圖像傳輸技術), OTP burning devices (OTP燒錄裝置) and testing algorithms (測試算法), which in turn also help us to reduce the involvement of our direct labour and increase the accuracy, efficiency and consistency of our testing results. We are currently able to achieve product success rate of around 97.0% while the average industrial product success rate, according to CCID Consulting, is around 96.0%.

For the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, we incurred approximately RMB8.9 million, RMB25.0 million, RMB51.1 million and RMB33.2 million, respectively, on our design, research and development activities, representing approximately 3.1%, 3.9%, 3.6% and 3.4%, respectively, of our turnover for the same periods. For the year ended 31 December 2013 and the six months ended 30 June 2014, we successfully designed and developed 257 and 136 new models of camera modules used on our customers' smart phones and tablet PCs, respectively. Currently, we are able to offer super-thin AF camera module prototype with resolution of 20 mega pixels and camera modules with wide-angle lenses (廣角鏡), larger aperture (大光圈) and the functions of OIS and Closed-loop control with our latest technologies. In addition, we obtained a total of 20 registered patents in the PRC as of 30 June 2014 for our new design and development in relation to the manufacture of camera modules, such as testing systems, OTP burning devices and structure of camera modules. We believe that our ability to achieve rapid and continual technology improvements and production automation is of critical importance to maintain our competitive advantages.

We first established our design, research and development centre at our Former Production Base in 2007. In August 2012, we relocated our design, research and development centre to our Kunshan Production Base. As of 30 June 2014, our design, research and development team in our Kunshan design, research and development centre consisted of 189 staff, 67 of whom possessed undergraduate degrees or above and 31 of whom have been working in the camera module industry for more than five years. During the Track Record Period, we had engaged our connected person, Chengdu CK, for some one-off design, research and development on certain software of our camera module products. Prior to the establishment of our Chengdu QT Subsidiary, we did not have any subsidiary or branch office in Chengdu, Sichuan province, the PRC. As there are a few universities and institutes renowned in the electronic or optical industries and located in or near Chengdu, Sichuan province, the PRC, such as University of Electronic Science and Technology of China (電子科技大學), Sichuan University

(四川大學), Southwest University of Science and Technology (西南科技大學) and Xi'an Jiaotong University (西安交通大學), we entered into an agreement with Chengdu CK in May 2012, pursuant to which we agreed to pay Chengdu CK to recruit talents on our behalf and provide them with necessary facilities to design, research and develop software and devices on rapid image testing for our camera modules. We were entitled to the intellectual property created with respect to the design, research and development conducted under this arrangement. For the two years ended 31 December 2012 and 2013 and the six months ended 30 June 2014, we incurred research and development expenses of approximately RMB2.4 million, RMB0.8 million and nil, respectively, pursuant to this arrangement with Chengdu CK. On 6 June 2014, we established our Chengdu QT Subsidiary and subsequently, the Chengdu design, research and development centre, and have ceased the above arrangement with Chengdu CK in July 2014. As of the Latest Practicable Date, we had 30 employees in our Chengdu QT Subsidiary, of which 28 employees were part of our design, research and development team and served our Chengdu design, research and development centre.

We also engaged another connected person, Sheng Tai Hui Technology Limited* (盛泰輝科技有限公司) ("**Sheng Tai Hui**"), in 2012 and 2013 for some one-off design, research and development on the software of algorithm for graphics and images for our camera modules. Sheng Tai Hui is an enterprise established in the PRC and wholly-owned by Focus. Pursuant to the agreement entered into between us and Sheng Tai Hui in July 2012, we agreed to pay Sheng Tai Hui upon completion of certain research and development tasks. We were entitled to the intellectual property created with respect to the design, research and development conducted under such arrangement. For the two years ended 31 December 2012 and 2013, we incurred research and development expenses of approximately RMB1.4 million and RMB1.1 million, respectively, pursuant to this arrangement with Sheng Tai Hui.

Our Kunshan design, research and development centre is primarily responsible for the design and development of hardware for our camera modules in terms of structure and electronic circuits, and our Chengdu design, research and development centre focuses mainly on the development and upgrade of software, functionality and application of our camera modules and production equipment. Our design, research and development team works closely with our suppliers and our production and sales teams to ensure that we receive the latest market information of technology and customers' feedbacks to design, develop and manufacture camera modules that meet specified requirements of our customers. We also design and develop new camera modules in anticipation of the market trend and present them to our customers for their consideration. We believe that our strong design, research and development capabilities have enabled us to meet rapid change of market demand and needs of our customers.

Set out below are the major procedures of our design, research and development for a new project that requires us to submit a bidding proposal:

Evaluation of project

Upon receiving technical requirements and product specifications provided by our customer through our sales team, our design, research and development team commences evaluation of the design and technical feasibilities of the new project based on the proposed product structure, functionality, size, specifications and other technical requirements. Our design, research and development team also works closely with our production team and procurement team to communicate with our suppliers to review the cost components of the new products in order to control our cost and profitability through production. The design team then prepares the initial design taking into account the cost components of the new products and passes back to our sales team to communicate with or submit a bidding proposal to our customer.

Prototype creation and establishment of project

Upon our customer's preliminary confirmation on our initial design, our design, research and development team further works on hardware, including product structure and electronic circuits, and software, including focusing and testing application, to determine the technical specifications of our new products and raw materials and components to be used to make the prototypes. Once the prototypes are made, our project engineering staff in sales team will deliver them to our customer. We also hold internal discussion to examine these prototypes so that they adhere to our initial design and we have implemented all of our customer's feedback. The project will be formally established once our customer confirms our prototypes.

Production trial and mass production

Upon our customer's approval of our prototypes, we proceed to the production trial. During the trial, our technical team finalises all the production parametres and the manufacturing workflow. Our production team will also examine the relevant machinery and equipment to be used and our quality control team will set out the quality standards for incoming raw materials and components, production process, finished products and packaging and delivery. We generally manufacture a few hundred units of the new products during our production trial.

Once the production trial is successful, we proceed to manufacture the first batch of our products under the new project. Our design, research and development team will finalise all the parametres and software used for the mass production and hold internal meetings again to ensure our production capacity for the new project. Mass production will commence once all the requirements are met.

Cooperation with technology enterprise

We engaged and cooperated with a technology enterprise in the PRC in 2013 for the design and development of software in relation to self-aligning and OTP burning process. For the year ended 31 December 2013, we incurred approximately RMB8.5 million for our cooperation with this technology enterprise, which were paid in instalments upon the progress of the projects. Pursuant to the cooperation agreement entered into between us and this technology enterprise, we agreed to provide this technology enterprise with relevant raw data and technology materials for the research and development, and the technology enterprise agreed to provide us with the information and materials of the new technology developed, technical training and guidance, relevant technical specifications of the newly developed products and operational standards. Further, we were entitled to all the intellectual property created with respect to the newly developed technologies or software and the technology enterprise was obligated to keep confidential our information and data used by it during its services. We aim to further strengthen our design, research and development capabilities by cooperating with well-known universities and institutes famous for research in the optical industry in the future.

SALES

Overview

During the Track Record Period, we primarily sold our camera modules to our customers based in the PRC. We also sold a small portion of our camera modules to our overseas customers based in Thailand, Taiwan and Turkey. We generally supply our products to our customers on an order-by-order basis and a portion of our sales is made to some of our key customers pursuant to bid or tender process. The table below sets out the breakdown of our sales in the PRC and to overseas for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2011		2012		2013		2013		2014	
	RMB ('000)	% of total turnover	RMB ('000)	% of total turnover	RMB ('000)	% of total turnover	RMB ('000)	% of total turnover	RMB ('000)	% of total turnover
							(unaudited)			
PRC sales[(1)]	283,258	99.9	637,768	100.0	1,407,221	99.8	537,316	100.0	931,773	96.5
Overseas sales[(2)]	184	0.1	18	0.0	3,392	0.2	184	0.0	33,308	3.5
Total:	**283,442**	**100.0**	**637,786**	**100.0**	**1,410,613**	**100.0**	**537,500**	**100.0**	**965,081**	**100.0**

Notes:

1. PRC sales also include sales which required us to deliver our products to Hong Kong by our customers based in the PRC.

2. Overseas sales also include sales of other product prototypes to customers.

Our sales functions are performed by our sales team which is led by our sales director and one of our senior management team members, Mr. Hu Sanmu. Our sales team members often travel to Shenzhen and Shanghai, the PRC where most of our key customers are located. As of 30 June 2014, we had 20 employees in our sales team. Our sales team members are knowledgeable about our products and have extensive sales experience. Our sales team also closely communicates with our design, research and development team and procurement team to keep abreast of the latest market trends and developments and customers' needs and requests. Our principle sales strategy is to market ourselves as a core supplier of mid-to-high end camera modules for reputable PRC and global branded smart phone and tablet PC manufacturers.

Our customers

We place a strong emphasis on establishing stable and strong business relationship with the leading branded smart phone and tablet PC manufacturers. Through years of operations, we have established stable and strong business relationship with leading Chinese branded smart phone and tablet PC manufacturers, including Lenovo, ZTE, Coolpad, TCL, BBK and Hisense, among which, Lenovo, ZTE and Coolpad were also the world's top ten smart phone manufacturers in 2013 and our top five customers during the Track Record Period. In particular, we were the biggest supplier of camera modules for Coolpad in 2013. We generally enter into framework sales agreements with our customers when we first cooperate with them and become their qualified supplier. We will further enter into sales orders with our customers on an order-by-order basis. During the Track Record Period and up to the Latest Practicable Date, our business relationship with our customers remained stable and we had not experienced any major turnover among our customers.

The terms of the framework sales agreements we entered into with our customers vary depending on their specific requirements. Set out below are the material terms of the framework sales agreements we generally enter into with our key customers:

- *Bid or tender process (if applicable)* — There is normally a tender process every quarter or half year depending on our customer's procurement planning. We are generally required to submit bidding proposals to secure future sales orders.

- *Sales forecasts* — Our customers typically provide us with their sales forecasts from time to time and we are required to make appropriate procurement planning of raw materials and components in advance.

- *Sales orders* — We generally enter into sales orders with our customers before each batch of volume production takes place. The sales orders typically set out the types, prices and quantities of our products required by our customers. We are generally required to evaluate and confirm our production capacity in writing with our customers within two days of our receipt of sales orders.

- *Pricing* — We are required to regularly provide the updated market information to our customers including the market prices of camera modules. Our customers are entitled to re-negotiate with us the prices of our products in the event that there are unforeseeable changes to the market.

- *Quality control* — We are required to manufacture camera modules in accordance with the pre-agreed product specifications and relevant laws, regulations and national or international standards in relation to product quality. We are also required to provide finish product reports to our customers for each batch of our delivery.

- *Payment* — Our customers shall pay in accordance with the pre-agreed payment terms.

- *Delivery* — We are generally required to deliver our products to the locations designated by our customers and are responsible for the costs in associated with the delivery.

- *Termination* — Our customers are entitled to terminate the framework sales agreements if we cannot deliver our products within a pre-agreed period of time.

- *Anti-bribery* — Conducts of bribery are strictly prohibited and our customers are obligated to ensure that the bid or tender processes are properly conducted.

- *Confidentiality* — We are obligated to keep strict confidential any information, technology, data and trade or business secrets obtained in relation to our customers.

For the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, sales to our top five customers represented 96.2%, 92.2%, 82.1% and 80.1%, respectively, of our total turnover for the same periods. Sales to our largest customer represented 61.4%, 47.7%, 22.8% and 25.4%, respectively, of our total turnover for the same periods. As of 30 June 2014, we had on average of three and a half years of relationship with our top five customers. Except for Heyuan CK, our connected person and one of our top five customers for the year ended 31 December 2011, none of our Directors or their respective associates and none of our existing Shareholders who (to the best knowledge of our Directors) own more than 5.0% of the issued share capital of our Company have any interest in any of our top five customers during the Track Record Period. For more details of our sales to Heyuan CK, please also refer to the section headed "Connected Transactions" in this prospectus.

PRC sales

We derived the majority of our turnover from our sales in the PRC during the Track Record Period. As of 30 June 2014, all of our top five customers were our customers based in the PRC that are leading branded smart phone and tablet PC manufacturers possessing strong cooperation relationship with both domestic and overseas telecom operators.

Securing contracts by tender

For some of our key customers in the PRC, there is normally a tender process every quarter or half year where we are required to submit bidding proposals for some of our customers' new projects. Our customers who require us to submit such bidding proposals normally provide us with the technical requirements and specifications of the new products one to two weeks in advance for us to make internal assessment. Our sales team then works closely with our design, research and development team and procurement team to evaluate the design and technical feasibilities and cost components of the new products. After we complete our internal evaluations, our sales team will then prepare the bids and submit to our customers.

Generally, our customers that make the requests for the tender select two or three successful bidding vendors to become their qualified suppliers for the new projects based on the bidding vendors' manufacturing capabilities and technologies, prices, delivery terms and locations. These customers will then decide the percentage of the overall products required under the new projects to be manufactured by each of the qualified suppliers. If we successfully become the qualified supplier for the new projects, we will then receive sales forecasts from our customers which set out the estimated quantities and pricing of our camera modules and further, sales orders for each of their orderings under the new projects. Our customers typically make sales orders with us and we generally manufacture and deliver our camera modules to our customers in batches.

During the Track Record Period, we often received verbal confirmations from certain of our customers to inform us about the bidding results. As all of customers who require us to participate in tender process are our key customers, and in order to further improve our customer services to these key customers and closely monitor our future tender participation, we have established a system to properly keep track of our tender process since January 2014. Our sales team typically records the basic information of each of our tender participated, and later records the verbal confirmations received from our customers and follows up with such customers for written confirmations. For the six months ended 30 June 2014, our tender successful rate was approximately 67.7%. We are currently in the process of enhancing such system to include more detailed information, such as bidding product types, sales forecasts, percentage secured of the overall products required under the new projects, pricing, delivery schedule, monthly delivery plan, evaluation on completion and customers' feedback.

Overseas sales

We commenced to sell a small portion of our camera modules to overseas customers in countries such as Thailand and Turkey in 2013. Beginning in 2014, we have also successfully established our business relationship with and commenced to sell our camera modules to a renowned Taiwanese manufacturer for smart devices. As part of our future strategies, we target to establish cooperation with more overseas customers to further increase our overseas sales.

Customer-oriented sales strategy and after-sales services

We emphasise customers' experience as a key to our growth, sales and profitability and we believe that our well-implemented customer-oriented sales strategy has distinguished us from our competitors and helped us to further grow our loyal customer base. We have sales personnel assigned to each of our key customers in order to regularly respond to their needs and requests. We also have designated quality control staff stationed in our key customers' factories to assist the issues in relation to the quality of our products. In addition, we are able to send our technologists and engineering personnel to our customers' locations on some special occasions to immediately analyse the situation and provide solutions in order to reduce adverse impact on our customers' operations. During the Track Record Period, we had successfully received certifications and awards from various leading internationally recognised customers which indicate the high quality of our products and customer services. For example, we were accredited by Coolpad as its "Core Supplier" (核心供應商) in 2013. We also won "Best Service Award" (最佳服務獎) from and accredited as "Best Global Partner" (全球最佳合作夥伴) by ZTE in 2013 and won "Best Service Award" (優質服務獎) from TCL in 2013. Please refer to the section headed "Business — Awards and recognitions" in this prospectus for more awards and recognition received by us during the Track Record Period.

We generally do not provide product warranty for our camera modules due to rapidly-evolving technology advancements, frequent new product specifications and changing customers' demand, but we typically allow our customers to exchange defective products with us. Our Directors believe that such after-sales arrangement is in line with the industry practice. We are currently able to achieve product success rate of around 97.0% while the average industrial product success rate, according to CCID Consulting, is around 96.0%. We have been continuously placing our efforts to monitor and ensure the quality of our products throughout the whole production process. During the Track Record Period, most of our so called defective products were products that required relabeling or further testing and focus adjustments, and we would typically re-deliver such products to our customers after relabeling, testing or focus adjustments. For the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, sales of such defective products represented approximately 0.3%, 1.1%, 0.8% and 0.4% of our turnover, respectively, for the same periods. We also regularly provide seminars to update our customers in relation to the latest technological developments on camera modules. In addition, our sales team also works closely with our design, research and development team to introduce new, low cost and high quality products which are tailor-made to suit our key customers' preferences from time to time. Internally, we regularly arrange after-sale trainings on products, sales techniques, industrial knowledge and communication skills for our sales team members. In future, we plan to make further effort to promote our customers' experience with us by continuously providing quality products and value-added services, such as providing on-site testing and adjustment for our camera module products on our customers' end products.

Pricing

Some of our sales are awarded on a competitive tender basis, which can result in pressure on our pricing. Our profitability depends in part on our market position in the PRC camera module industry, our relationship with our customers and our control on cost of sales. We determine our pricing primarily on the basis of the following factors, with appropriate consideration given to the size of transactions, our working experience with a particular customer and the significance of the business opportunities to our growth:

- sales volume, product specifications and production and delivery schedules required by our customers;
- procurement costs;
- prices of our competitors' products and their future strategies;
- production costs;
- payment terms of our sales; and
- effect of exchange rates for overseas sales.

Credit periods and payments

Our sales director and financial director are responsible for assessing our customers to determine their credit terms. We generally grant credit period to our customers ranging from 30 to 90 days from the billing date based on factors such as their background and operational scale, financial conditions, business relationship with us and historical payment record. For our new customers, we typically engage third-party rating agency to conduct preliminary assessment and evaluation of their credit history. Our PRC customers generally settle our payments by bank transfer in RMB and bank acceptance bills. Our overseas customers mainly settle our payment in U.S. dollars by bank transfer.

Sales agency arrangement

As we did not have a Hong Kong subsidiary or an office or relevant personnel in Hong Kong prior to the incorporation of Kunshan QT Hong Kong in January 2013, we engaged our connected persons, Focus, till November 2012 and Hong Kong Xitai from December 2012 to January 2013, as our sales agent for our Hong Kong Sales and Delivery and overseas sales. Our Hong Kong Sales and Delivery during the Track Record Period primarily included our sales to our connected person, Heyuan CK, a PRC enterprise primarily engaged in providing OEM/ODM services to branded smart phone manufacturers, which requested us to deliver a majority of our products to Hong Kong. For more details of our sales to Heyuan CK, please refer to the section headed "Connected Transactions" in this prospectus. Focus is a company incorporated in Hong Kong and primarily responsible for handling sales orders and logistics of overseas sales for our other related companies that need to go through Hong Kong. Focus is owned as to 99.0% by our Controlling Shareholder and executive Director, Mr. He Ningning, and 1.0% by our executive Director, Mr. Wang Jianqiang. Hong Kong Xitai is an investment holding company incorporated in the BVI and is wholly-owned by Mr. He Ningning.

During the Track Record Period till 30 November 2012, we had engaged Focus as our sales agent for our Hong Kong Sales and Delivery to mainly assist us in following up with our sales orders, liaising with our customers and arranging for relevant logistics in relation to the delivery of our products from warehouse in Hong Kong to our customers. Under such sales agency arrangement, our offshore subsidiary, CK Great China, typically entered into sales orders with our customers and Focus would then issue billing invoices on behalf of us to our customers with the sales prices agreed by both of us and our customers. After we manufactured and delivered our products to Hong Kong in accordance with such sales orders, Focus would then follow up the sales orders with our customers and arrange for further product delivery. During the period of such sales agency arrangement, majority of our customers typically made their sales payment to CK Great China while a few customers made their sales payment to our another related company, Van Telecom BVI. To the best knowledge of our Directors, these customers are also the key customers of Van Telecom BVI and preferred to make their payment through Van Telecom BVI. Van Telecom BVI would typically transfer the sales payment received from these customers in relation to our sales to CK Great China immediately upon receipt. Van Telecom BVI is a trading company incorporated in the BVI, principally engaged in purchasing and selling certain electronic components for our other related companies, and is wholly-owned by Mr. He Ningning. Once CK Great China received sales payment from our customers or Van Telecom BVI, CK Great China would typically use part of these payment to settle some of our purchase payment for our overseas procurement, and transfer the rest to Focus. Focus would then transfer the same amount received from CK Great China to Kunshan QT China.

According to our sales agency arrangement with Focus, we agreed to pay agency fees to Focus in relation to its services provided for our Hong Kong Sales and Delivery and overseas sales. Such agency fees represented various mark-ups on different types of our product sold and primarily covered relevant staff costs of Focus for handling our Hong Kong Sales and Delivery and overseas sales, and we also took into account the estimated sales for the respective years for our Hong Kong Sales and Delivery and overseas sales and the prevailing market rates for staff providing similar services in Hong Kong. For the two years ended 31 December 2011 and 2012, (i) our products sold through Focus amounted to approximately RMB51.7 million and RMB24.1 million, respectively, accounting for approximately 18.2% and 3.8% of our turnover, respectively, for the same periods; and (ii) our agency fees to Focus were approximately RMB0.5 million and RMB0.5 million, respectively.

During December 2012 and January 2013, we had engaged Hong Kong Xitai, a company incorporated by our Controlling Shareholder and executive Director, Mr. He Ningning, in the BVI, to replace Focus under the same terms as our sales agent for our Hong Kong Sales and Delivery and overseas sales as part of our internal restructuring. We had also engaged Hong Kong Xitai to replace Guangzhou CK as our service provider for our overseas procurement during December 2012 and February 2013. For more details of our overseas procurement service arrangement with Hong Kong Xitai, please refer to the section headed "Business — Procurement — Overseas procurement service arrangement" in this prospectus. For the two years ended 31 December 2012 and 2013, (i) our products sold through Hong Kong Xitai amounted to approximately RMB2.8 million and RMB4.8 million, respectively, accounting for approximately 0.4% and 0.3% of our turnover, respectively, for the same periods; and (ii) our agency fees to Hong Kong Xitai were approximately RMB0.1 million and RMB0.4 million, respectively.

In preparation for the Listing, our Directors decided to incorporate a new Hong Kong company as part of our Reorganisation to be responsible for all of our Overseas Sales and Procurement, and as a result, we incorporated Kunshan QT Hong Kong on 21 January 2013. Since February 2013, Kunshan QT Hong Kong has been responsible for all of our Hong Kong Sales and Delivery, overseas sales and storage services, and since March 2013, Kunshan QT Hong Kong has been responsible for all of our Overseas Sales and Procurement, while we continue to engage Guangzhou CK to provide storage services to us in Hong Kong. For more details of our warehouse and other arrangements in Hong Kong with Guangzhou CK, please refer to the sections headed "Business — Procurement — Overseas procurement service arrangement" and "Connected Transactions" in this prospectus.

During the Track Record Period, Focus and Hong Kong Xitai acted only as our sales agent, and our sales team was responsible for all the commercial negotiations with our customers and determining the relevant sales orders. Focus and Hong Kong Xitai acted on our instructions and were only responsible for the follow-up and liaison with our customers in relation to our sales to these customers and further delivery of our products in Hong Kong to these customers. Our Directors confirm that the above sales agency arrangement between us and Focus or Hong Kong Xitai were carried out in the ordinary course of our business and on normal commercial terms and were fair and reasonable and were in the interests of our Shareholders as a whole. Further, to the best knowledge of our Directors, we are not aware of any issues in connection with the legal ownership of the underlying products or transfer pricing throughout the aforesaid sales agency arrangement, and believe that there would be no further tax implication arising from such arrangement. In addition, after assessing the background and business rationale of such sales agency arrangement, our PRC legal advisers, King & Wood Mallesons, are of the view that such arrangement during the Track Record Period was purely our commercial decisions and was carried out in the ordinary course of business, and there was no contravention or risk of contravention of relevant PRC laws and regulations.

PRODUCTION PROCESS

We manufacture all our camera modules with the prescribed specifications provided by our customers. Before mass production commences, our sales team will obtain customers' approvals on the prototypes we make, our design, research and development team will then finalise all the production parameters, and our production team will review the production process and operational standards and finalise the production plans.

The production process for our various types of camera modules is generally similar. However, the camera modules with higher resolution typically require higher testing and dust-free packaging standards. We set out below the typical production process for our camera modules:

Our production process	Details
	Ultrasonic cleaning (超聲波清洗): clean PCBA boards with ultrasonic cleaning machines to remove dust and airborne particles on the surface
	PCBA laser cut (PCBA切割): de-panelise a larger PCBA board into individual PCBA parts
	PCBA arrangement (PCBA排片): attach individual PCBA onto the carrier with adhesive tape in accordance with the required PCBA arrangement
	Die bonding (貼芯片): attach the light-sensitive sensor onto PCBA after glue cutting
	Wire bonding (打金線): make interconnection between the sensor pad and PCBA

Our production process | **Details**

Lens assembly (蓋鏡頭): assemble the lens after glue cutting

Focusing adjustment (調焦): obtain perfect imaging through automatic focusing adjustment and perform particle inspection and functional test

Glue dispensing (點膠): stabilise lens position after focusing adjustment to prevent change of focusing

Function testing (功能測試): perform tests on telescopic and close zoom as well as image forming after focusing and dispensing, and repeat particle inspection and functional test for a second time

OTP burning (燒錄): adjust evenness for image forming

Packing (包裝): pack the finished products which have passed the quality inspection in accordance with the specifications required by customers with the protective films and deliver to the warehouse

The average production lead time (being the time required to complete the above production process) is approximately two days. The time from the confirmation of the sales orders and making production plans to delivery of our products is generally two to three weeks.

Assembly technologies and testing systems

We conduct all of our production process, including assembly and testing and packaging, in our Class 10 and Class 1,000 Cleanrooms covering approximately 8,553.0 sq.m. at our Kunshan Production Base in order to control the level of pollutants, such as dust and airborne particles, and to enhance our product quality and precision. We have also made substantial investment in advanced production machinery and equipment for our assembly production lines and focused on production automation to reduce our cost of direct labour and enhance our processing technology and production efficiency.

We currently use and expect to use in the near future, the COB and COF assembly technologies to manufacture camera modules. According to CCID Consulting, we were one of the first few manufacturers in China to use COB and COF assembly technologies in the manufacture of camera modules, which are nowadays one of the prevailing technologies in the camera module industry. COB assembly technology allows us to perform die bonding and wire bonding to encapsulate sensors onto the camera modules and provides us with thinner and lighter camera modules with better compactness and image quality. COF assembly technology is similar to COB assembly technology, but it has a higher level of integration through using FCBs or combination of flexible and rigid circuit boards rather than only using rigid circuit boards with COB assembly technology. We are currently able to achieve product success rate of around 97.0% while the average industrial product success rate, according to CCID Consulting, is around 96.0%.

Our testing systems are crucial to our image formation and product success rate. Our testing systems are also important to the implementation of our customer-oriented sales strategy as our strong testing capabilities have enabled our customers to use our camera modules without performing substantial testings at their end. We put continuous efforts in developing and upgrading testing systems and testing algorithms. We have also made substantial investment in purchasing advanced production and testing machinery and equipment to improve production automation and increase accuracy and product success rate. In future, we will continue to make our effort to enhance our assembly technologies and testing systems.

Subcontracting of our SMT and holder IR attaching process

During the Track Record Period, we subcontracted our SMT process to third-party subcontracting partners and our connected person, Van Telecom PRC. We also subcontracted our holder IR attaching process to third-party subcontracting partners and procure the finished parts as one of our manufacturing components.

Prior to August 2012, we manufactured all of our products at our Former Production Base with a total gross floor area of only approximately 1,227.0 sq.m. As production lines for SMT process require large working spaces and need to be conducted in Cleanrooms, and since Van Telecom PRC had enough spaces at its production site, Van Telecom PRC purchased relevant production machinery and equipment to manufacture the SMT components and supplied the finished parts to us subsequently. Van Telecom PRC is primarily engaged in the manufacture of connectors and we also procure a small portion of our connectors from Van Telecom PRC. For further details of our purchases from our connected persons after Listing, please refer to the section headed "Connected Transactions" in this prospectus. After our relocation to our Kunshan Production Base in August 2012, we then purchased the production lines for SMT process with the relevant machinery and equipment from Van Telecom PRC and commenced to manufacture a portion of SMT components at our Kunshan Production Base in 2013. For the three years ended 31 December 2011, 2012 and 2013, our subcontracting fees to Van Telecom PRC amounted to approximately RMB1.9 million, RMB1.3 million, and RMB29,000, respectively. During the Track Record Period, we also subcontracted a portion of our SMT process to some third-party subcontracting partners in order to support our growing need for our SMT components. For the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, our subcontracting fees to these third-party subcontracting partners for our SMT process amounted to RMB2.8 million, RMB6.7 million, RMB15.6 million and RMB7.2 million, respectively.

We also subcontracted our holder IR attaching process to our third-party subcontracting partners as we purchased IRs from these subcontracting partners and they have designated personnel to conduct relevant holder IR attaching process in their manufacturing facilities. Holder IR attaching is a relatively labour intensive process and does not require substantial technical know-how. For the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, our subcontracting fees to these third-party subcontracting partners amounted to approximately RMB0.4 million, RMB2.2 million, RMB7.8 million and RMB7.0 million, respectively.

For the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, our subcontracting cost for our SMT and holder IR attaching process accounted for approximately 2.1%, 1.9%, 2.0% and 1.8% of our total cost of sales, respectively, for the same periods. In future, we will continue to subcontract a part of our SMT process and all of our holder IR attaching process to third-party subcontracting partners.

Major production machinery and equipment

Our Kunshan Production Base is equipped with advanced production and testing machinery and equipment and we adopt leading production process and promote efficient production in all operational aspects. We purchase a majority of our key production machinery and equipment from our overseas suppliers, primarily from ASM Pacific Technology, a company based in Hong Kong and listed on the Stock Exchange (stock code: 522). We also develop and upgrade some of our production equipment, such as OTP burning devices (OTP燒錄裝置), UV automated dispenser machines (UV自動點膠機), laser cutting machines (激光切割機) and automated functional testing machines (自動功能測試機). We currently use and expect to use in the near future, the COB and COF assembly technologies, which are currently the mainstream assembly technologies in the PRC camera module market, to manufacture our camera modules, and the production machinery and equipment, production process and our intellectual properties created can generally be used to manufacture camera modules with various resolution and specifications. In order to maintain our competitiveness and increase our market share, we have been continuously focusing our efforts on upgrading and creating new intellectual properties that allow us to operate our machinery and equipment with minimal adjustments on, for example, testing procedures and light intensity and evenness, to manufacture camera modules with higher resolution and better specifications. The table below sets out a summary of our self-owned major production machinery and equipment at our Kunshan Production Base as of the Latest Practicable Date:

No.	Equipment name	Quantity (units)	Purchase period
1.	die bonding and attaching machines (自動固晶機)	16	January 2008 to December 2013
2.	wire bonding machines (金線鍵合機)	86	January 2008 to September 2014
3.	holder mount machines (自動鏡片托架焊機)	50	January 2008 to June 2014
4.	automatic lens focusing adjustment machines (自動調焦機)	107	August 2010 to November 2013
5.	centrifugal cleaning machines (離心式清洗機)	52	July 2008 to July 2014
6.	plasma cleansing machines (等離子清洗機)	8	January 2008 to December 2013
7.	automatic lens lock machines (鏡頭自動鎖附機)	46	July 2012 to September 2014
8.	laser cutting machines (激光切割機)	4	July 2011 to May 2014

Our key production machinery and equipment generally have useful lives of approximately ten years. Based on our experience, such useful lives may be extended for longer period with appropriate repair and maintenance. In determining the useful life and residual value of our production machinery and equipment, we consider various factors, such as changes in market demand, assembly technologies and production process and techniques and expected usage of the production machinery and equipment. The estimation of the useful life of production machinery and equipment is generally based on our experience with similar production machinery and equipment that are used in a similar way.

Repair and maintenance

Machinery maintenance is scheduled regularly and is carried out in accordance with our internal standards. Such internal standards are formulated after taking into account the ISO standards, the actual work flow in our Kunshan Production Base and the technical, engineering and other specific requirements and procedures set out in the operation manuals of the relevant machinery and equipment. These measures are in place to avoid unexpected failure and stoppage and to maximise our production efficiency. We conduct yearly, quarterly or monthly maintenance on various machinery and equipment depending on their characteristics and recommendations provided by our machinery and equipment suppliers. We typically conduct repair and maintenance for the same types of the machinery and equipment in batches to ensure that there will not be any production disruption. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any unexpected stoppage of operation as a result of any failure of production machinery and equipment. Our repair and maintenance expenses incurred amounted to approximately RMB0.2 million, RMB0.3 million, RMB1.7 million and RMB2.8 million for the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, respectively.

Production base

We manufacture all our camera modules in our Kunshan Production Base located at No. 3 Taihong Road, Hi-tech Industry Park, Kunshan, Jiangsu province, the PRC. We relocated our headquarters and design, research and development centre to our Kunshan Production Base with a site area of approximately 72,190.1 sq.m. and a total gross floor area of approximately 46,337.1 sq.m. in August 2012. Prior to August 2012, we manufactured all our camera modules at our Former Production Base located in Yushan Village, Kunshan, Jiangsu province, the PRC with a total gross floor area of approximately 1,227.0 sq.m. We ceased to use our Former Production Base after our relocation in August 2012. We have obtained all relevant land use right certificates and property title certificates for our Kunshan Production Base.

We currently have two major manufacturing units at our Kunshan Production Base, namely, assembly (封裝) and testing and packaging (測試及包裝). We make substantial investment in and focus on production automation. A majority of our machinery and equipment for production and testing are automated and our packaging procedures are mainly manually conducted by our production team. As of 30 June 2014, we had 825 staff in our production team.

To meet the increasing demand of our customers and further expand our business, we upgraded our Kunshan Production Base by expanding our Class 10 and Class 1,000 Cleanrooms for our production process, including assembly and testing and packaging, to approximately 8,533.0 sq.m. in gross floor area and purchasing new production and testing machinery and equipment so that we can manufacture our camera modules more precisely and efficiently. Our monthly production capacity of camera modules increased from approximately 5.6 million units in December 2013 to approximately 8.5 million units in June 2014.

For illustrative purpose only, the tables below set out the production capacity, production volume and approximate effective utilisation rate of our production of camera modules for the periods indicated:

The Former Production Base

	Year ended 31 December	Seven months ended 31 July
	2011	2012
Designed production capacity(1) (units '000)	11,305	12,328
Actual production volume(2) (units '000)	10,189	9,287
Effective utilisation rate(3) (%)	90.1	75.3

Notes:

1. The production process and machinery and equipment used for manufacturing various types of camera modules are similar and we manufacture camera modules based on the specifications provided by our customers. Our designed production capacity is calculated based on the designed capacity of the die bonding and attaching machines per hour multiplied by 19 hours per working day and 336/196 working days per calendar year/for the seven months ended 31 July 2012, taking into account the maintenance time and major public holidays during the year.

2. The production process for our VGAs, CIFs and camera modules with resolution of 0.04 mega pixels do not require us to perform die bonding, where we use such procedure to manufacture our other camera modules and as a basis to calculate

our designed production capacity. As such, we did not take into account the actual production volume for above products during the indicated periods. For the year ended 31 December 2011 and the seven months ended 31 July 2012, we manufactured a total of approximately 5.3 million units and 1.2 million units of VGAs, CIFs and camera modules with resolution of 0.04 mega pixels, respectively.

3. Effective utilisation rate is calculated by dividing the actual production volume by the designed production capacity for the same period, which is calculated based on the assumptions as disclosed above. Effective utilisation rate is typically affected by the complexity of the testing procedures as camera modules with higher resolution generally require higher and more complex testing standards and focus adjustment which may, in turn, affect our camera modules manufactured per hour.

The Kunshan Production Base

	Five months ended 31 December	Year ended 31 December	Six months ended 30 June
	2012	2013	2014
Designed production capacity(1) (units '000) .	13,114	63,760	53,747
Actual production volume(2) (units '000).	11,303	47,410	35,207
Effective utilisation rate(3) (%)	86.2	74.4	65.5

Notes:

1. The production process and machinery and equipment used for manufacturing various types of camera modules are similar and we manufacture camera modules based on the specifications provided by our customers. Our designed production capacity is calculated based on the designed capacity of the die bonding and attaching machines per hour multiplied by 19 hours per working day and 336/156 working days per calendar year/for the six months ended 30 June 2014, taking into account the maintenance time and major public holdings during the year.

2. The production process for our VGAs, CIFs and camera modules with resolution of 0.04 mega pixels do not require us to perform die bonding, where we use such procedure to manufacture our other camera modules and as a basis to calculate our designed production capacity. As such, we did not take into account the actual production volume for above products during the indicated periods. For the five months ended 31 December 2012, the year ended 31 December 2013 and the six months ended 30 June 2014, we manufactured a total of approximately 2.4 million units, 1.0 million units and 1.0 million units of VGAs, CIFs and camera modules with resolution of 0.04 mega pixels, respectively.

3. Effective utilisation rate is calculated by dividing the actual production volume by the designed production capacity for the same period, which is calculated based on the assumptions as disclosed above. Effective utilisation rate is typically affected by the complexity of the testing procedures as camera modules with higher resolution generally require higher and more complex testing standards and focus adjustment which may, in turn, affect our camera modules manufactured per hour.

Our expansion plan

The size of PRC camera module market is expected to continue to increase due to China's macro-economic growth and development of the intelligent mobile communication industry. According to CCID Consulting, the sales volume of camera modules in the PRC is expected to grow at a CAGR of approximately 23.3% from 2013 to 2016 and there is a gradual shift to manufacture camera modules to China. Further, as our existing key customers are leading Chinese branded smart phone and tablet PC manufacturers and some of them are also the world's top smart phone manufacturers, we expect that their sales will continue to grow due to the increasing demand from end customers with the development of 4G network and 4G smart phones and increasing popularity of their products in the market. As such, we expect that our business will continue to grow at a fast pace with these key customers as we believe our ability to provide consistent and high quality products and services will help us to earn recurring business from these customers. In addition, we believe that the growth of the world's and PRC camera module markets and our current leading position as a PRC-based camera module manufacturer will also help us to further expand our customer base. We are currently expanding and will continue to expand our production capacity in order to meet the increasing demand of our customers as our sales volume of camera modules in July and August 2014, respectively, has already exceeded our monthly production capacity in June 2014, and further maintain or improve our market share. Moreover, we have successfully established business relationship with a new customer, which was also one of the top ten Chinese branded smart phone manufacturers in terms of sales volume in the PRC in 2013, according to CCID Consulting. This new customer has recently approved our product prototypes for four new projects and we are now proceeding to the production trial. We expect to commence the mass production in two to three months upon receiving their first batch of sales orders. We have also been continuously investing in advanced machinery and equipment for our production process to expand our production capacity and hiring and training new employees for our testing and packaging procedures in anticipation of our increased production demand based on our current secured sales orders and the higher sales generally recorded in the second half of the year. Our monthly production capacity of camera modules has increased from approximately 5.6 million units in December 2013 to approximately 8.5 million units in June 2014. We expect that our monthly production capacity will further increase to 13.0 million units by the end of 2014 and to 18.0 million units by the end of 2015.

We have implemented our expansion plan based on our current and forecast business operation and performance and the overall market environment. As a major part of our expansion plan, we plan to enlarge and upgrade our Class 10 and Class 1,000 Cleanrooms from approximately 8,533.0 sq. m. to approximately 18,000.0 sq.m. by the end of 2015. We also plan to purchase more advanced machinery and equipment for our production process, testing procedures and design, research and development, such as die bonding and attaching machines (自動固晶機), ultrasonic cleaning machines (超聲波清洗機), multiarms (機械手) and active alignment bonding machines (主動對準鍵合機), to increase automation and functionality of our production process and testing procedures, enhance our production efficiency and increase our product success rate. We expect to incur approximately HK$48.0 million and HK$27.8 million for the year ending 31 December 2014 and 2015, respectively, on our enlargement and upgrade of our Class 10 and Class 1,000 Cleanrooms, and approximately HK$70.7 million and HK$200.0 million for the year ending 31 December 2014 and 2015, respectively, on our purchases of advanced machinery and equipment for our production process, testing procedures and design, research and development. We also plan to construct a new building for our design, research and development centre at our Kunshan Production Base or purchase a new building for our Chengdu design, research and development centre in the second half of 2015 with a total gross floor area of approximately 5,000.0 sq.m. We plan to complete the construction or the purchase by the end of 2015 and expect to incur approximately HK$18.9 million for the year ending 31 December 2015. We are also currently constructing two dormitory buildings and auxiliary facilities mainly for our production employees and expect to complete the major construction by the end of 2014. We expect to incur approximately HK$25.2 million and HK$12.9 million for the year ending 31 December 2014 and 2015, respectively, for such construction. The planned capital expenditures for our expansion plan mentioned above in total are estimated to be approximately HK$143.9 million and HK$284.6 million for the year ending 31 December 2014 and 2015, respectively, which will be funded by the net proceeds from the Global Offering. Please also refer to the sections "Financial Information — Capital expenditures — Planned capital expenditures" and "Future Plans and Use of Proceeds" in this prospectus for more details.

As our business continues to grow, we plan to continue to enhance our customers' experience with us by further improving our fast-response and customer-oriented service mechanism in terms of product delivery, quality control and customer management. We will also further strengthen our design, research and development capabilities to continue to provide our customers with a wide range of customised quality products to maintain and secure further sales orders. We also plan to expand our product offerings and broaden the functionality and application of our products by designing and developing camera modules that can be used in outdoor sports products, medical equipment, car systems and home surveillance systems. In order to achieve the above, we plan to continuously hire more professional talents and skilled staff for our design, research and development team and sales team, and more staff for our production team from time to time based on our business operation and performance and provide them with more on-the-job training. While we expect our direct labour cost and staff salaries and benefits to continue to increase due to the general increase in the level of salaries and benefits of the employees and increase in the number of our employees, especially our production team staff who manually handle our packaging procedure as a result of increased production demand and expansion of our production capacity, we do not otherwise expect our expansion plan to have any significant impact on our administrative and other operating expenses such as office expenses and utilities costs. Further, we will continue to leverage our leading position in the PRC to work closely with our key suppliers to ensure our stable supply chain. We also plan to enhance our ERP system to manage our logistic service providers and track our daily logistics arrangement in order to prevent potential delivery disruption. In addition, we will continue to strictly monitor our procurement, production, packaging and delivery processes, and supervise and manage relevant personnel according to our internal policies and guidelines to ensure the quality of our products. Our Directors currently do not foresee or expect any difficulties in sourcing additional raw materials and components required and arranging delivery logistic for our expanded production capacities.

Our expansion plan may result in a number of risks, including but not limited to, over-capacity and significant increases in depreciation and amortisation expenses arising from certain of our production and testing machinery and equipment and software development, and our turnover and profit may not increase in proportion to our increased production capacity and expansion. Please refer to the section headed "Risk Factors — Further expansion of our Kunshan Production Base may not be successful as we have planned or such expansion may result in over-capacity or significant increases in depreciation and amortisation, which may materially and adversely affect our business, financial condition and results of operations" in this prospectus for more details. However, we believe that we will be able to rationalise our management and resources and maintain or improve our cost structure, liquidity, gross profit margins and competitiveness, and do not expect our expansion plan to have any significant impact on our risk profiles and liquidity. We also believe that our expansion plan will enable us to cope with the expected increase in future demand and increase our turnover and profitability, which in turn will allow us to further strengthen our leading position in the PRC camera module market and to further raise our profile in the global camera module market.

PROCUREMENT

Raw materials and components

The principal raw materials and components we use in the production of our camera modules are sensors, lenses, VCMs and PCBs and/or FPCs. For the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, our cost of raw materials and components was RMB224.2 million, RMB496.0 million, RMB1,065.8 million and RMB719.5 million, respectively, accounting for 89.8%, 90.0%, 90.6% and 90.3%, respectively, of our total cost of sales for the same periods.

Our suppliers

We procure a majority of our raw materials and components from third-party domestic and overseas suppliers, all of whom are Independent Third Parties. We also procure a small portion of our raw materials and components, such as connectors and FPCs, from our connected persons, Van Telecom PRC and C-Flex Electronic. For further details of our purchases from our connected persons after Listing, please refer to the section headed "Connected Transactions" in this prospectus.

As of 30 June 2014, we had 87 qualified domestic suppliers and 25 qualified overseas suppliers. Our major suppliers, such as OmniVision Technologies (豪威科技) for sensors and Largan Precision Co., Ltd. (大立光電股份有限公司) for lenses, are global leading industrial players in their respective fields.

We carefully select our suppliers by evaluating their overall track record, financial strengths, business partners, manufacturing techniques and capabilities, quality management and logistic arrangement. During the selection process, our design, research and development team will also examine the product samples provided by our potential suppliers to evaluate their technique sustainability and defective rates. We also carry on-site evaluation on some of the potential suppliers to ensure that they meet our standards. Having met our selection criteria, the supplier will become our qualified supplier. We generally maintain a list of qualified suppliers by conducting monthly and annual evaluations to identify and remove suppliers that do not continuously meet our standards or cease to cooperate with us for more than six months.

As our key customers are reputable branded smart phone and tablet PC manufacturers in the PRC, they typically provide us with a list of pre-approved suppliers before they place sales orders with us. These pre-approved suppliers are also typically our qualified suppliers. Upon receiving technical requirements and product specifications provided by our sales team, our procurement team works closely with our design, research and development team to source raw materials and components from the most appropriate suppliers. Our procurement team typically makes enquiries with at least three of our suppliers and make selection on the basis of price, quality and delivery schedule.

We closely communicate and collaborate with our suppliers to regularly obtain the latest market information of technologies and make new product prototypes in anticipation of our customers' future needs. We generally enter into framework purchase agreements and several sub-agreements, including sub-agreements of process change notices ("**PCN**"), environmental management, quality control, anti-bribery and strategic cooperation, with our suppliers when they become our qualified suppliers. We require our suppliers to comply with all applicable laws and regulations for their operations. We examine and obtain copies of business licenses and tax registration certificates from our domestic suppliers and business registration certificates from our overseas suppliers during our selection process. We also generally require our domestic suppliers to submit copies of their renewed business licenses every year. Set out below are the material terms of the framework purchase agreements and sub-agreements we generally enter into with our qualified suppliers:

Framework purchase agreement

- *Purchase orders* — We generally enter into purchase orders with our suppliers before each batch of volume production takes place. The purchase orders typically set out the specifications, prices, types and quantities of the raw materials and components we require. Our suppliers are required to sign and confirm our purchase orders within 24 hours upon receiving our purchase orders. We are generally entitled to amend or cancel our purchase orders in the event that there are unforeseeable changes in the market demands and we shall promptly notify our suppliers.

- *Delivery* — Our suppliers are generally required to deliver the finished products to our designated locations and are responsible for the costs and insurance in associated with and before the delivery. We have the right to cancel our purchase orders with our suppliers for their delay in delivery for three or more days and our suppliers are liable for losses we incur as a result of the delay.

- *Payment* — We shall pay the purchase amount to our suppliers in accordance with the pre-agreed credit terms after confirming the quality and quantity of the raw materials and components delivered.

- *Termination* — We are generally entitled to terminate the framework purchase agreements in writing with our suppliers for their non-compliance with the terms of the agreements. Our suppliers are also required to inform us three months in advance and obtain our prior approval if they can no longer cooperate with us in the future.

- *Confidentiality* — Our suppliers are obligated to keep confidential any information contained in the framework purchase agreements and sub-agreements.

Sub-agreements

- *PCN* — Our suppliers are required to notify us in advance and provide us with reasons if there are major changes which will affect our procured raw materials and components in respect of their stability, key design and manufacturing techniques, production lines and manufacturing facilities and bases. In the event that such major changes happen, our suppliers are required to submit new prototypes to us to obtain our confirmation in order to continuously be our qualified suppliers. Our suppliers are also required to implement certain mechanisms to respond to such changes.

- *Environmental management* — Our suppliers are obligated to provide raw materials and components that comply with our standards and relevant PRC laws and regulations in relation to hazardous substances.

- *Quality control* — Our Suppliers are required to manufacture raw materials and components in accordance with our specifications and provide quality inspection reports to us for each batch of the delivery. We have the right to send our quality control staff to carry on-site inspection on the production process and quality control systems of our suppliers periodically. Our suppliers are also required to provide rectification measures to us within a certain period of time once they receive our complaints on product quality.

- *Anti-bribery* — Our suppliers are prohibited to offer cash, shopping cards, high-value presents and entertainments to our employees. Our suppliers are also not allowed to arrange jobs for or provide equity stake in their companies to any of our employees' family members and relatives.

- *Strategic cooperation* — Our suppliers generally agree to allow a buffer within 30% of our orderings. Our suppliers also agree to put us in their top priorities if they experience insufficient production capacities, and are required to notify us in advance if there will be any shortage of and need for us to procure certain raw materials and components.

Procurement planning

We formulate our procurement planning and budget for our purchases of raw materials and components based on our sales orders. We generally conduct risk assessment on our inventory and raw materials and components to be delivered once a week based on our procurement planning and sales forecast provided by our sales team. We generally maintain inventory level of certain raw materials and components commonly used in our production process, such as sensors and lenses, for around one to two months in order to support our production needs as well as to make prototypes for new products for our own design, research and development purpose.

We have established good and long-term relationship with our top five suppliers. As of 30 June 2014, we had maintained business relationship with our top five suppliers for an average of more than four years. For the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, purchases from our top five suppliers together accounted for approximately 64.6%, 50.4%, 51.9% and 46.7% of our total purchase, respectively, while the largest supplier accounted for approximately 40.0%, 17.1%, 26.8% and 22.0%, respectively, of our total purchase for the same periods.

As of the Latest Practicable Date, none of our Directors or their respective associates, or any of our existing Shareholders who, to the best knowledge of our Directors, owned 5.0% or more of the issued share capital of our Company, had any interest in any of our top five suppliers during the Track Record Period. We had not experienced any material disruption, disputes or delay in relation to the supply of our raw materials and components with our suppliers during the Track Record Period and up to the Latest Practicable Date.

Payment settlement

Most of the raw materials and components and machinery and equipment we purchase are paid in Renminbi and U.S. dollars. Our suppliers generally grant us credit terms of 30 to 90 days from the issuing date of the invoices and accept our payments by bank transfer, bank acceptance bills with maturities of no more than 180 days and letter of credit.

Overseas procurement service arrangement

As we procure a significant portion of our raw materials and components and machinery and equipment from overseas suppliers and we did not have a Hong Kong subsidiary or an office or relevant personnel in Hong Kong prior to the incorporation of Kunshan QT Hong Kong in January 2013, we engaged our connected persons, Guangzhou CK, till November 2012 and Hong Kong Xitai, from December 2012 to February 2013, as our service providers for our overseas procurement of raw materials and components and machinery and equipment. Guangzhou CK is a trading company incorporated in Hong Kong and is wholly-owned by our executive Director, Mr. Wang Jianqiang. Hong Kong Xitai is an investment holding company incorporated in the BVI and is wholly-owned by our Controlling Shareholder and executive Director, Mr. He Ningning.

During the Track Record Period till 30 November 2012, we had engaged Guangzhou CK as our service provider to mainly provide logistic and storage services in Hong Kong for our overseas procurement and assist us with the relevant import custom declaration and settlement of the purchase payment with our overseas suppliers. Under such service arrangement, CK Great China typically entered into purchase orders with our suppliers, and our PRC subsidiary, Kunshan QT China, generally issued letter of credit with our purchase amount to Guangzhou CK and Guangzhou CK would then transfer the same amount to CK Great China to subsequently settle our purchases with our overseas suppliers. Guangzhou CK has leased a warehouse in Shatin (沙田), Hong Kong and has designated personnel in Hong Kong to handle purchase orders and logistics of overseas procurement for our other related companies. During the Track Record period, Guangzhou CK had also provided storage services for our Hong Kong Sales and Delivery and overseas sales. According to our overseas procurement service arrangement with Guangzhou CK, we agreed to pay HK$40,000 per month as service fees to Guangzhou CK, which mainly represented costs of storage and relevant personnel, taking into account the prevailing market price for similar storage services in Hong Kong and the prevailing market rates for staff providing similar services in Hong Kong. For the two years ended 31 December 2011 and 2012, our overseas procurement conducted under our overseas procurement service arrangement with Guangzhou CK amounted to approximately RMB140.1 million and RMB292.6 million, respectively, accounting for approximately 56.1% and 53.1% of our total cost of sales for the same periods, respectively.

During December 2012 and February 2013, we had engaged Hong Kong Xitai, an existing company incorporated by our Controlling Shareholder and executive Director, Mr. He Ningning, in the BVI, to replace Guangzhou CK as our service provider for our overseas procurement as part of our internal restructuring. We had also engaged Hong Kong Xitai to replace Focus as our sales agent for our Hong Kong Sales and Delivery and overseas sales during December 2012 and January 2013. For more details on our sales agency arrangement, please refer to the section headed "Business — Sales — Sales agency arrangement" in this prospectus. As (i) we paid agency fees to Hong Kong Xitai for it to be our sales agent for our Hong Kong Sales and Delivery and overseas sales during December 2012 and January 2013, and (ii) Hong Kong Xitai only assisted us in settling our purchase payment to overseas suppliers during December 2012 and February 2013 while Guangzhou CK continued to provide us with storage services and personnel to handle relevant import logistics, we continued to pay service fees of HK$40,000 per month to Guangzhou CK during December 2012 and February 2013. For the two years ended 31 December 2012 and 2013, our overseas procurement conducted under our overseas procurement service arrangement with Hong Kong Xitai amounted to approximately RMB15.1 million and RMB24.3 million, respectively, accounting for approximately 2.7% and 2.1% of our total cost of sales for the same periods, respectively.

In preparation for the Listing, our Directors decided to incorporate a new Hong Kong company as part of our Reorganisation to be responsible for all of our Overseas Sales and Procurement, and as a result, we incorporated Kunshan QT Hong Kong on 21 January 2013. Since March 2013, Kunshan QT Hong Kong has been responsible for all of our Overseas Sales and Procurement while we continue to engage Guangzhou CK to provide storage services to us in Hong Kong. As the relevant personnel who handled the logistics for our overseas procurement were under an one-year employment contract with Guangzhou CK, we decided to only engage these personnel by Kunshan QT Hong Kong in 2014 after their employment contract ceased with Guangzhou CK at the end of December 2013. These personnel, including a few people newly hired from time to time, also have been responsible for our Hong Kong Sales and Delivery and overseas sales since March 2013. Taking into account our expected growth of business, the prevailing market price for similar storage services in Hong Kong and the prevailing market rates for staff providing similar services in Hong Kong, we agreed to pay HK$80,000 per month to Guangzhou CK as service fees, which mainly represented costs of storage and relevant personnel handling our Overseas Sales and Procurement, from 1 March 2013 to 31 December 2013. Since 2014, we only pay HK$20,000 per month to Guangzhou CK for our continuous use of its storage services after the relevant personnel moved from Guangzhou CK to our Kunshan QT Hong Kong, taking into account the prevailing market price for similar storage services in Hong Kong. For more details of our storage arrangement in Hong Kong with Guangzhou CK after Listing, please refer to the section headed "Connected Transactions" in this prospectus.

During the Track Record Period, Guangzhou CK and Hong Kong Xitai only acted as our service providers, and our procurement team was responsible for all the liaisons with our suppliers and making relevant purchase orders. Guangzhou CK and Hong Kong Xitai acted on our instructions and Guangzhou CK was only primarily responsible for providing logistic and storage services in Hong Kong and Hong Kong Xitai was only responsible for our logistic services in relation to our overseas procurement. Our Directors confirm that the above overseas procurement service arrangement between us and Guangzhou CK and Hong Kong Xitai were carried out in the ordinary course of our business and on normal commercial terms and were fair and reasonable and were in the interests of our Shareholders as a whole. Further, to the best knowledge of our Directors, we are not aware of any issues in connection with the legal ownership of the underlying products or transfer pricing throughout the aforesaid overseas procurement service arrangement. Moreover, as the only difference between our overseas procurement service arrangement and the current arrangement is the minimal service fees we paid to Guangzhou CK on top of our actual overseas procurement costs during the overseas procurement service arrangement, we believe that there would be minimal tax implication on the termination of our overseas procurement and the adoption of the current arrangement taking into account the service fees we previously paid to Guangzhou CK. In addition, after assessing the background and business rationale of such overseas procurement service arrangement, our PRC legal advisers, King & Wood Mallesons, are of the view that such arrangement during the Track Record Period was purely our commercial decisions and was carried out in the ordinary course of business, and there was no contravention or risk of contravention of relevant PRC laws and regulations.

QUALITY CONTROL

We believe that our commitment to quality control is one of the principal factors contributing to our success. We have established a strict quality control system and a set of quality standards. Our quality control measures start early in the design, research and development stage and throughout our production process, including (i) inspection on incoming raw material and components; (ii) testing of work-in-progress; and (iii) inspection of finished products. As of 30 June 2014, we had 138 staff in our quality control team, including incoming material quality controllers ("**IQCs**"), supply quality engineers ("**SQEs**"), production quality controllers ("**PQCs**") and customer service team ("**CSs**"), to monitor our various quality control procedures. Our quality control team is led by our senior design, research and development and quality control manager, Mr. Chen Bingqing, who is also one of our senior management team members and has approximately seven years of experience in quality control. The table below sets out a breakdown of our quality control team as of 30 June 2014:

	Number of employees
IQCs	32
SQEs	5
PQCs	
Design quality engineers (DQAs)	2
Final quality controllers (FQCs)	28
Outgoing quality controllers (OQCs)	13
Process quality engineers (PQEs)	6
Product quality controllers (PQCs)	40
CSs	12
Total	**138**

Inspection on incoming raw materials and components

Our IQCs are responsible for the inspection of our incoming raw materials and components. Our IQCs generally conduct random sample tests on each batch of the incoming raw materials and components according to our quality control guidelines, and inform our design, research and development team, procurement team and production team if we have procured any unqualified raw materials and components. Upon receiving feedback from our IQCs, our SQEs will liaise with our suppliers to exchange or return the unqualified raw materials and components, and to further work with our suppliers to improve the quality of our raw materials and components. Our SQEs are also responsible for evaluating the cost component of our procurement. Our IQCs and SQEs strive to solve any quality issues in relation to our raw materials and components to ensure that our production processes will go smoothly and we meet the quality standard required by our customers.

Testing of work-in-progress

Our PQEs are responsible for monitoring our quality during our production process and testing our semi-finished products. During the various stages of our production process, our PQCs conduct functional tests on every batch of our products, and analyse and follow-up with the problems during the production process to minimise the rate of our defective products and ensure that our semi-finished products comply with the requisite quality and performance standards. Our PQCs are also responsible for re-examining our defective products, giving feedbacks and suggestions for improvement and responding to clients' requests.

Inspection of finished products

We currently have FQCs and OQCs to inspect our finished products to ensure that the relevant quality standards on functionality, product volume and packaging have been all met. Products in storage are also subject to regular quality check and we adopt vacuum packaging for all of our finished products. As part of our customer-oriented sales strategy, we also assign designated CS team members to particularly assist our key customers with the technical and quality issues in relation to our products.

We have been accredited with quality assurance certificates which signify our commitment and active pursuit of high quality control standards throughout our operational and production process. We were accredited with ISO9001 certification in July 2008 and August 2013, respectively, for our quality management system on the design, manufacturing and service of camera modules. We have also obtained IECQ certification in September 2008 and July 2013, respectively, for our implementation of the management and related procedures on hazardous substances for the design, development and manufacturing of camera modules. In addition, we were accredited with ISO14000 certification in August 2014 for our environmental management system on the design, production and service of camera modules for mobile phones. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any complaints on us or our products from our customers which had caused a material adverse impact on our business or our reputation.

INVENTORY MANAGEMENT

Our inventory primarily comprises of raw materials and components, work-in-progress and finished products. We have designated personnel to track our raw materials and components and finished products to systematically manage our inventory. We also use a centrally-administered ERP system which allows us to track our inventory on a timely basis.

We generally procure raw materials and components on an order-by-order basis. However, we typically maintain inventory level of commonly used raw materials and components in our production process, such as sensors and lenses, for around one to two months in order to support our production needs as well as to make prototypes for new products for our own design, research and development purpose. We generally conduct assessment on our inventory and also raw materials and components to be delivered once a week based on the procurement planning made by our procurement team and sales forecasts provided by our sales team.

We closely monitor our inventory of raw materials and components and maintain them on a first-in-first-out basis. We also place stringent storage requirement for some of our raw materials and components. For example, various types of glue used for our assembly process are required to be stored in fridges with temperature below zero to negative thirty degrees, and the sensors we procured are required to be placed in the nitrogen cabinets to prevent them from oxidation.

Our main warehouse for storage of our raw materials and components and machinery and equipment procured domestically and our finished products is located at our Kunshan Production Base. Our raw materials and components and machinery and equipment procured overseas are generally arranged by Kunshan QT Hong Kong to be delivered to our Kunshan Production Base. For more details of our storage arrangement with Guangzhou CK after Listing, please also refer to the section headed “Connected Transactions” in this prospectus. As of 31 December 2011, 2012 and 2013 and 30 June 2014, our closing balance of our inventories amounted to approximately RMB46.5

million, RMB79.7 million, RMB129.3 million and RMB185.0 million, respectively, which represented approximately 14.5%, 9.0%, 8.8% and 10.7% of our total current assets, respectively. Our average inventory turnover days were 55.6 days, 41.8 days, 32.4 days and 35.5 days for year ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, respectively.

INFORMATION SYSTEM

We believe that well-implemented information systems are important in improving our efficiency in administering and operating our business. We maintain a comprehensive ERP system which integrates the internal and external management information across various aspects of our business operations, including design, research and development process, procurement, quality control, inventory, trade receivables and assets. We also implemented a MES system which enables us to track each of our products during the production process and provides us with real-time data on our production efficiency and product defective rate.

To improve our operational efficiency and ensure effective coordination among various aspects of our business, we intend to further enhance our management information systems. We plan to introduce additional management information system, such as the product lifecycle management system to manage the entire lifecycle of our products from inception, through our design, research and development and manufacture, to delivery of finished products and provision of customer services. We believe that our further enhanced management information systems will help us to obtain and process market information on an expedited basis, support our decision-making process, increase our production efficiency, which in turn will also improve our relationship with our customers and increase our turnover and profitability.

DELIVERY AND LOGISTICS

Raw materials and components supplied by our suppliers are delivered to our designated warehouse for later production at our suppliers' own costs and risks. Delivery of our products to our PRC and overseas customers are generally made by air freight. As of 30 June 2014, we engaged three logistic companies in the PRC to deliver our products to our customers. Pursuant to the agreements entered into between us and the third-party logistic companies, the logistic companies are responsible for any direct losses caused during the delivery. As such, we also maintain carriage insurance coverage for the delivery of our products. For the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, our cost in engaging third-party logistic companies and maintaining carriage insurance coverage were approximately RMB0.1 million, RMB0.4 million, RMB0.8 million and RMB0.5 million, respectively. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material disruption or damage to our products in the delivery of our products.

AWARDS AND RECOGNITION

We have been granted a number of awards and certificates in recognition of our business development, details of which are set out as follows:

Year of grant	Award/Certificate	Awarding Body
2013	Best Service Award (優質服務獎)	TCL
2013	Coolpad Quality Supplier Award (宇龍供應商質量獎)	Coolpad
2013	2013 Coolpad Core Supplier (2013年度宇龍酷派核心供應商)	Coolpad
2013	Best Service Award (最佳服務獎)	ZTE
2013	The Best Global Partner (全球最佳合作夥伴)	ZTE
2012	Certificate of New and High Technology Enterprise (高新技術企業證書)	Science and Technology Department of Jiangsu Province (江蘇省科學技術廳); Finance Bureau of Jiangsu Province (江蘇省財政廳), State Administration of Jiangsu Province (江蘇省國家税務局); and Jiangsu Province Local Taxation Bureau of Jiangsu Province (江蘇省地方税務局)
2012	Certificate of Trustworthy Enterprise (重合同守信用企業證書)	Kunshan City Municipal Government (昆山市人民政府)
2009	Kunshan City Science Research Institution (昆山市科技研發機構)	Kunshan City Science and Technology Bureau (昆山市科學技術局)
2008	Model Enterprise for Promoting New and High Technology Industry (推進特色產業基地示範企業)	Committee of the People's Government of Yushan Town (中共玉山鎮委員會玉山鎮人民政府)

INTELLECTUAL PROPERTY

Patents

In order to protect our intellectual property rights, we obtained a total 20 registered patents in the PRC for our new design and development in relation to the manufacture of camera modules, such as testing systems, burning devices and product structure of camera modules as of 30 June 2014. As of the Latest Practicable Date, we also applied for 10 additional patents in the PRC of our new design and development.

Trademarks and Other Intellectual Property

As of the Latest Practicable Date, we applied for three additional trademarks in the PRC and three additional trademarks in Hong Kong.

We have also entered into confidentiality agreements (which contain non-compete clauses) with our key design, research and development personnel and cooperation agreements with the technology enterprise we cooperate with in design, research and development activities to protect our intellectual property rights.

In addition to patented intellectual property rights and trademarks, we rely on know-how and processes and other intellectual property rights in our operations. For further details of our intellectual property rights, please see the section headed "Statutory and General Information — B. Information about the Business — 2. Intellectual property rights of our Group" in Appendix IV to this prospectus. For risks associated with our intellectual property rights, please see section headed "Risk Factors — Risks relating to our business and industry — Our products may be subject to counterfeiting, imitation, and/or infringement by third parties" in this prospectus. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any infringement and dispute of our intellectual property rights which had a material adverse effect on our business.

EMPLOYEES

As of 30 June 2014, we had a total of 1,266 full-time employees in the PRC, including both our employees directly hired by us and employees hired through several employment agencies ("**contracted employees**"), which are both Independent Third Parties. Our goal is to provide employees with resources and an environment that encourages them to develop careers with us. We provide employees with on-the-job education, training and other opportunities to improve their skills and knowledge. The table below sets out a breakdown of our employees, including the contract employees, by department as of 30 June 2014:

	Number of employees directly hired by us	Number of contracted employees	Percentage of total employees
Management	21	—	1.7%
Finance	8	—	0.6%
Product design, research and development	184	5	14.9%
Production	774	51	65.2%
Procurement	9	—	0.7%
Sales	20	—	1.6%
Quality control	125	13	10.9%
Inventory, logistics and information system	31	—	2.4%
Human resources and administration	24	1	2.0%
Total	**1,196**	**70**	**100.0**

As advised by our PRC legal advisers, King and Wood Mallesons, the Independent Third Party employment agencies we engage hold the relevant permits, and the agreements we entered into with them are effective and legal. The employment agencies are responsible for entering into labour contracts with and making contribution to the social insurance and housing provident fund for our contracted employees.

During the Track Record Period, we also entered into cooperation agreements with several institutions, pursuant to which we offered internship programs to the students from these institutions to gain practical experience in different departments of our Group, including product design, research and development, production and quality control. As of 30 June 2014, we had 1,096 interns working with us.

During the Track Record Period and as of the Latest Practicable Date, we have not noticed and been held jointly liable for any employment agency's failure to comply with applicable PRC labour laws.

Welfare Contribution

Pursuant to applicable PRC laws and regulations, we are required to make contributions for our employees to various social insurance funds, such as pension insurance, medical insurance, work-related injury insurance, maternity insurance and unemployment insurance plans, as well as housing provident funds. During the Track Record Period, we did not make full contribution to the social insurance and housing provident fund for some of our employees in the PRC. For more details of our non-compliances in relation to our contribution to social insurance and housing provident fund for our employees during the Track Record Period, please refer to the section headed "Business — Compliance and legal proceedings — Non-compliances" in this prospectus.

Remuneration

We incurred staff costs of approximately RMB19.4 million, RMB42.0 million, RMB79.7 million and RMB51.7 million for the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, respectively, representing 6.8%, 6.6%, 5.6% and 5.4%, respectively, of our turnover for the same periods. We review the performance of our employees monthly, quarterly and annually, the results of which are used in his or her annual salary review and promotion appraisal. Our key employees are also entitled to participate in our Pre-IPO Share Option Scheme. Please refer to the section headed "Statutory and general information — Pre-IPO Share Option Scheme" in Appendix IV to this prospectus for further details. We believe that by offering our key employees a shareholding stake in us, we are aligning their interests with that of ours, thereby providing our key employees with additional incentives to improve our performance. We consider our relationship with our employees to be sound. We have not experienced any strikes, work stoppages or significant labour disputes in the past and have not experienced any significant difficulties in recruiting or retaining qualified employees.

PROPERTIES

Owned Properties

Our Kunshan Production Base is located at No. 3 Taihong Road, Hi-tech Industry Park, Kunshan, Jiangsu province, the PRC with a site area of approximately 72,190.1 sq.m. and a total gross floor area of approximately 46,337.1 sq.m. Our Kunshan Production Base comprises principally a three-storey building which houses, among others, our headquarters, Kunshan design, research and development centre and production facilities. As confirmed by our PRC legal advisers, King & Wood Mallesons, we have obtained the relevant building ownership certificates for this piece of property and have the rights to possess, lease, use, transfer the title of this property. Our Directors confirm that as of the Latest Practicable Date, we did not have plans to dispose of or change the use of this property.

Our Directors confirm that the properties above comprise all of our material properties. Such properties are the properties used for our business operations and auxiliary purposes and collectively constitute our headquarters and principal business in the PRC.

We plan to expand and modernise our Kunshan Production Base by further enlarging and upgrading our Class 10 and Class 1,000 Cleanrooms for our production process, and constructing a new building for our design, research and development centre and two dormitory buildings and auxiliary facilities for our employees. We plan to commence the enlargement and upgrade of our Cleanrooms and the construction of the two dormitory buildings and auxiliary facilities in the second half of 2014 and construction of the new building for our design, research and development in the first half of 2015, and expect them to be fully completed by the end of 2015. Please refer to the sections headed "Business — Production base — Our expansion plan" and "Future Plans and Use of Proceeds" in this prospectus for more details.

Leased Properties

In June 2014, our Chengdu QT Subsidiary entered into a property sub-lease agreement with Chengdu CK (the "**Sub-lease Agreement**"), pursuant to which Chengdu CK agreed to sub-lease 242.0 sq.m. of the premises situated on the 6th floor, Block 12, Zone C, Tianfu Software Park, No. 219 Tianhua Er Road, Gaoxin District, Chengdu, the PRC to our Chengdu QT Subsidiary from 6 June 2014 to 31 December 2016 at an annual rent of RMB130,680 (including utilities and management fees). The landlord of Chengdu CK is an Independent Third Party. Please refer to the section headed "Connected Transactions" in this prospectus for more details of this sub-leased agreement.

Our PRC legal advisers, King & Wood Mallesons, confirmed that the property owner had valid title ownership certificate for the premises leased by Chengdu CK and sub-leased by our Chengdu QT Subsidiary, and the landlord had given consent in relation to the Sub-lease Agreement.

We have registered the Sub-lease Agreement with the relevant government authorities according to the relevant PRC laws and regulations. As confirmed by our PRC legal advisers, King and Wood Mallesons, the Sub-lease Agreement is valid and our Chengdu QT Subsidiary has the rights to possess and use the premises it sub-leased.

As of the Latest Practicable Date, no single property interest forming part of our non-property activities had a carrying amount of 15.0% or more of our total assets. Accordingly, we are not required by Chapter 5 of the Listing Rules to value or include in this prospectus any valuation report of our property interests. As such, according to section 6(2) of Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 342(1)(b) under paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires us to include a valuation report for all of our interests in land or buildings.

ENVIRONMENTAL PROTECTION

Our operation is subject to the current environmental protection laws and regulations promulgated by the PRC government, a summary of which is set out in the section headed "Regulations — Environmental Protection" in this prospectus. The environment and safety related laws and regulations applicable to our operations in the PRC include "The Environmental Protection Law of the PRC" (中華人民共和國環境保護法), "Water Pollution Prevention and Control Law of the

PRC (2008 Revision)" (中華人民共和國水污染防治法), "Detailed Rules for the Implementation of the Water Pollution Prevention and Control of the PRC" (中華人民共和國水污染防治法實施細則), "The Law on the Prevention and Control of Air Pollution" (中華人民共和國大氣污染防治法), "The Law on the Prevention and Control of Solid Waste Pollution" (中華人民共和國固體廢物污染環境防治法), and "The Law on the Prevention and Control of Noise Pollution" (中華人民共和國環境噪音污染防治法) and "The Law of the PRC on Appraising Environment Impacts" (中華人民共和國環境影響評價法), and "The Regulations on the Administration of Environmental Protection of Construction Projects" (建設項目環境保護管理條例).

During the Track Record Period and up to the Latest Practicable Date, we had not received any notice or warning in relation to pollution in respect of our production, nor we had not been subject to any fines, penalties or other legal actions by government agencies in the PRC resulting from any non-compliance with any environmental protection laws in the PRC and, so far as our Directors are aware after making all reasonable enquiries, there was no threatened or pending action by any PRC environmental government agencies in respect thereof.

Our cost for compliance with applicable environmental rules and regulations for the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014 was approximately RMB0.2 million, RMB1.8 million, RMB3.1 million and RMB1.5 million, respectively. We expect our cost for compliance with applicable environmental rules and regulations for the year ending 31 December 2014 will be immaterial.

OCCUPATIONAL SAFETY

We are subject to various production safety rules and regulations in the PRC. For further details, please refer to the section headed "Regulations" in this prospectus. We have implemented various labour safety measures for the production process. We have also established procedures to ensure the work-place safety of our employees. We also implement safety guidelines and operating procedures for our production process and conduct regular and thorough worksite inspection to eliminate potential hazardous work environment. In addition, we also, from time to time, provide our employees with occupational safety education and training to enhance their awareness of safety issues. We had not experienced any material work-place accident during the Track Record Period and up to the Latest Practicable Date, and our PRC legal advisers, King & Wood Mallesons, have confirmed that we are in compliance in all material respects with applicable laws relating to labour safety matter in the PRC.

INSURANCE

Our insurance coverage includes social insurance for our employees, property insurance, carriage insurance and group accident insurance. We do not maintain legal expenses insurance, business interruption insurance, product liability insurance, pollution insurance, third-party liability insurance or insurance for key employees as maintenance of such insurance is not a mandatory legal requirement in the PRC nor is it contrary to the industry practice in the PRC. We consider our current insurance coverage to be adequate as we have maintained insurance policies which are mandatory under relevant PRC laws and regulations and in accordance with the industry practice.

During the Track Record Period and up to the Latest Practicable Date, we had not made, neither had we been the subject of, any insurance claims which are of a material nature to the Group.

RISK MANAGEMENT

The ultimate goal of our risk management process is to bring focus and effort to the issues in our business operations that create impediments to our success. Our risk management process starts with identifying the major risks associated with our corporate strategy, goals and business operation. Based on assessment of our risks in terms of their likelihood and potential impact, we then prioritise and pair each risk with a mitigation plan. We provide training to our employees on risk management that ensures all employees are aware of and responsible for managing risks. Each of our operating departments is responsible for identifying and analysing risks associated with its function, maintaining a comprehensive risk register, preparing risk mitigation plans, measuring effectiveness of such risk mitigation plans and reporting status of risk management. Our audit personnel, the Audit Committee of, and ultimately our Board supervise the implementation of our risk management policy at the corporate level by bringing together each operating department, such as design, research and development, quality control, procurement and sales, to collaborate on risk issues among different functions. For details about the qualifications and experience of the members of the Audit Committee and our Board, please refer to the section headed "Directors and Senior Management" in this prospectus. The following table sets out some of the primary risks relating to our business and our existing risk management measures:

Risk identified	Our risk management measures and procedures
Protection of product design	• We require our key designers and employees to sign confidentiality and non-competition agreements.
Stable supply of raw materials and components	• We require all of our suppliers to keep confidential any information and sign various sub-agreements including PCN, environmental management, quality control and anti-bribery when they enter into framework purchase agreements with us.
	• We have also established internal standards to select and evaluate our suppliers.
	• We closely monitor our raw materials and components and maintain them on a first-in-first-out basis.
Inventory	• We conduct risk assessment on our inventory and raw materials and components to be delivered once a week based on the procurement planning made by our procurement team and sales forecasts provided by our sales team.
	• We place stringent storage requirements for some of our raw materials and components, such as glue and sensors, to ensure our product quality.
Working capital and cash flow management	• We closely monitor the aging profile of our trade and bills receivables and take follow-up measures to ensure timely collection.

Risk identified	Our risk management measures and procedures
	• We perform credit evaluations on all customers requiring credit terms based on our customers' history of making payments and current ability to pay, and take into account information specific to our customers as well as pertaining to the economic environment in which our customers operate. • We perform monthly budgeting and review to ensure adequate liquidity to meet our payment obligations. • We maintain sufficient cash reserve level or banking facilities to fulfil our working capital requirements for at least six months.
Investment in wealth management products	• We have implemented internal investment policies and further tightened it in June 2014 to monitor and control our exposure and potential risks in connection with our wealth management products. • From June 2014, we are only allowed to invest in (i) principal-protected wealth management products or (ii) wealth management products fully covered by insurance, issued by or sold through the top 10 commercial banks in terms of total assets to enhance the return on our shareholders' investments. • From June 2014, we are only allowed to invest in wealth management products that (i) are quoted as low risk in the product description guides published by the issuers; (ii) expire within one year; and/or (iii) can be pledged as security for our bank borrowings and bills payables. • All our investments in wealth management products are required to be reviewed and approved by our chief legal director, Mr. Fan Fuqiang, and then by our executive Director and chief financial officer, Mr. Wang Jianqiang. • After the establishment of our risk management committee on 13 November 2014, any purchase of wealth management product with the transaction amount exceeding RMB10.0 million needs to be reviewed and approved by our risk management committee. As part of the approval process of our wealth management products, our risk management committee will, inter alia, review and assess the expected return of the wealth management products with similar principal amount, and the track record of relevant issuers and similar wealth management products previous sold in the market.

Risk identified	Our risk management measures and procedures
	• No purchase of wealth management product with the transaction amount exceeding RMB50.0 million is allowed, and the outstanding balance of our wealth management products is not allowed to exceed RMB300.0 million at any given time from October 2014 onwards, taking into account a few of our existing wealth management products that are expiring in July to September 2014.
	• We established our risk management committee, comprising two of our independent non-executive Directors and our chief legal director, Mr. Fan Fuqiang, on 13 November 2014. Our chief legal director, Mr. Fan Fuqiang, has been and will continue to be responsible for monitoring our overall financial investments to ensure that we comply with our internal investment policies and all relevant PRC laws and regulations, with the support of our finance department staff. Mr. Fan has over 18 years of experience in providing services relating to personal, corporate and investment banking, including relevant experience on selling wealth management products to and subsequently, managing and monitoring such wealth management products. Our finance manager at our finance department obtained a master degree in operational research and cybernetics and had also previously worked at an investment consulting company and a venture capital company for several years where he was responsible for assessing and advising on various investment projects. Our independent non-executive Directors, Ms. Chen Jun and Mr. Ng Sui Yin, have solid track record in the fields of accounting, finance and corporate management. We believe that our risk management committee members possess extensive experience in finance and risk management, and will be able to assist us to review and assess, on quarterly basis, our wealth management product investment in terms of whether such investment complies with our treasury and investment policies, and the fund safety of and risks associated with such investment. For more details of our risk management committee and committee members, please refer to the section of "Directors and Senior Management" in this prospectus.
	• Going forward, we will only invest in wealth management products that are principal-protected or fully covered by insurance and quoted as low risk but generally provide higher investment returns than fixed rate returns from bank deposits at commercial banks.

There are various other risks relating to our business and industry and market risks in the ordinary course of our business. For further details of our risks, please refer to the sections headed "Risk Factors" and "Financial Information — Quantitative and qualitative disclosures about market risks" in this prospectus. Please also refer to the sections headed "Business — Treasury policy" and "Financial Information — Certain items of consolidated statements of financial position — Other financial assets" for more information of our treasury and investment policies and our wealth management products.

TREASURY POLICY

As we normally pay our suppliers, salaries to our employees and other operating and administrative expenses around the same time each month, we normally have surplus funds for a period of time each month before we make these regular payments. When determining how to deploy our surplus funds, we consider factors such as our short-term payment obligations, fund safety, liquidity and profitability. During the Track Record Period, we generally deployed our surplus funds either into short-term bank deposits or to purchase certain daily/short-term wealth management products issued by or sold through publicly listed banks with credit ratings. Our daily/short-term wealth management products are generally quoted as low risk in the product description guides published by the issuers and a number of them were also principal-protected. In addition, as agreed with the relevant banks in advance, most of our short-term wealth management products purchased during the Track Record Period with relatively longer expiry dates mainly ranging from 180 days and 366 days but higher yields were able to be accepted by relevant banks to replace bank deposits and be pledged as security for our bank borrowings or to issue letter of credit for our bills payables to be due soon. If we did not invest in these wealth management products, the surplus funds would either be deposited directly with banks as security for them to issue letters of credit for our bills payables to be due soon or be used directly to settle the payment with our suppliers when such payment was due. We closely monitor our daily cash flows, bank deposits, future payment obligations, interest rates and foreign exchange rates by preparing daily consolidated fund report to provide a timely overview of our overall cash position and liquidity and risk control measurements. In the future, we will closely monitor the applicable percentage ratios for the purchase of our wealth management products in order to comply with the requirements under Chapter 14 in the Listing Rules. Our chief legal director, Mr. Fan Fuqiang is responsible for reviewing and analysing the consolidated report and providing comments and necessary risk control measurements for our executive Director and chief financial officer, Mr. Wang Jianqiang's further review. Our executive Director and chief financial officer, Mr. Wang Jianqiang, our executive Director, Mr. Yang Peikun and our chief legal director, Mr. Fan Fuqiang, are responsible for the formulation and overseeing our treasury policies and reporting to the Board. For more details of Mr. Wang Jianqiang's, Mr. Yang Peikun's and Mr. Fan Fuqiang's background and experience, please refer to the section headed "Directors and Senior Management — Board of Directors — Executive Directors" and "— Senior management" in this prospectus. Going forward, we will continue to strictly monitor our cash position, finance costs and relevant exposure and review our treasury policies from time to time to ensure the sufficiency of our working capital.

INTERNAL CONTROL

It is the responsibility of our Board to ensure that the Company maintains sound and effective internal controls to safeguard our Shareholders' investment and the Group's assets at all times. We have adopted a series of internal control policies and procedures designed to provide reasonable assurance for achieving objectives including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. Highlights of our internal control system include the following:

- *Code of Conduct* — Our code of conduct explicitly communicates to each employee our values, acceptable criteria for decision-making and our ground rules for behaviour.

- *Management of related party transactions* — We have settled all of our non-trade balances with related parties. In future, we will continue to enhance our internal control by strictly monitoring and managing our related party transactions and only enter into transactions with related parties that are carried out in the ordinary course of our business and on normal commercial terms and are in the interests of our Shareholders as a whole.

- *Internal Audit* — Our internal audit function regularly monitors key controls and procedures in order to assure our management and Board that the internal control system is functioning as intended. The Audit Committee of our Board is responsible for supervising our internal audit function.

- *Compliance with Listing Rules and relevant laws and regulations* — We will continue to monitor our compliance with relevant laws and regulations and our senior management team will work closely with our employees to implement actions required to ensure our compliance with relevant laws and regulations. We will also continue to arrange various trainings to be provided by Hong Kong legal advisers to our Directors and senior management on the Listing Rules, including but not limited to aspects related to corporate governance and connection transactions, and by PRC legal advisers on PRC laws and regulations.

COMPLIANCE AND LEGAL PROCEEDINGS

We are subject to laws, regulations and supervision by different levels of regulatory authorities and are required to maintain various licences, permits and approvals in order to operate our facilities and conduct our business. A summary of such relevant PRC laws and regulations which our business operations are subject to is set out in the section headed "Regulations" in this prospectus. Our PRC legal advisers, King & Wood Mallesons, have confirmed that we have obtained all relevant licences, permits and approvals for our business operations in the PRC and such licences, permits and approvals are valid and remain in effect as of the Latest Practicable Date.

During the Track Record Period, although there had been some instances of non-compliances as detailed below, we had not incurred any material non-compliance incidents. As of the Latest Practicable Date, we were not a party to any legal, administrative or arbitration proceedings, and we were not aware of any such proceedings threatened against us that could have a material adverse impact upon our financial condition or results of operations.

Non-compliances

During the Track Record Period, we did not make contribution to the social insurance fund for some of our employees as they had participated in their local social insurance fund and did not want to bear their portion of social insurance fund while they were working for our Group. As of the Latest

Practicable Date, 21 of them were still our employees, and all of them have undertaken that they would not claim from us their portion of the social insurance fund and would waive any rights against us. During the Track Record Period, we also did not make contribution to the social insurance fund based on the actual wages of the employees.

We have received a confirmation letter dated 20 May 2014 from Kunshan Human Resources and Social Insurance Authority (昆山市人力資源和社會保障局) that we had never been subject to administrative penalty in respect of any non-compliance regarding social insurance fund during the Track Record Period and up to the date of the confirmation letter. Our PRC legal advisers, King & Wood Mallesons, are of the view that such authority is the competent and responsible government authority for registration, approval and administration of social insurance fund related matters for our Kunshan QT China. Further, based on the verbal confirmation obtained from such authority, our PRC legal advisers, King & Wood Mallesons, are also of the view that the likelihood of such authority requesting us to make retrospective payment or imposing any penalty on us is remote. In view of the foregoing, no provision has been made by our Group in this regard.

During the Track Record Period, we also did not make contribution to the housing provident fund for some of our employees. We have also received a confirmation letter dated 26 May 2014 from the Suzhou Housing Provident Fund Management Centre (蘇州市住房公積金管理中心) that we had never been subject to administrative penalty in respect of any non-compliance regarding housing provident fund up to the date of the confirmation letter. As confirmed by our PRC legal advisers, King & Wood Mallesons, Kunshan Branch of Suzhou Housing Provident Fund Management Centre (the "**Kunshan Branch**") is the branch responsible for administering the housing provident fund related matters in Kunshan, Jiangsu province, the PRC, and that Suzhou Housing Provident Fund Management Centre and the Kunshan Branch are the competent and responsible government authorities for our Kunshan QT China. Further, based on the verbal confirmation obtained from the Kunshan Branch, our PRC legal advisers, King & Wood Mallesons, are also of the view that the likelihood of such authority requesting us to make retrospective payment or imposing any penalty on us is remote. In view of the foregoing, no provision has been made by our Group in this regard.

The maximum outstanding amount of social insurance fund and housing provident fund contributions for the Track Record Period is estimated to be approximately RMB5.2 million and RMB1.0 million, respectively. Our Controlling Shareholder, Mr. He Ningning, has undertaken to compensate us in full for any economic loss and payment liabilities that we may suffer due to the above non-compliances. Based on the above, and the fact that since April 2014, we have been in compliance with the relevant PRC laws and regulations with respect to the timely contribution of social insurance fund and the housing provident fund, our PRC legal advisers, King & Wood Mallesons, are of the further view that that the above non-compliances would not have an adverse effect on our operations.

Our chief legal director, Mr. Fan Fuqiang, has been mainly responsible for monitoring the regulatory environment and developments in local laws and regulations during the Track Record Period. In order to prevent the reoccurrence of similar non-compliances and support our business expansion, we will continue to monitor and update the relevant laws, regulations and information on a regular basis to ensure regulatory compliance of our Group. We will also arrange our PRC legal advisers, King & Wood Mallesons, to provide training and advice to us in relation to PRC laws and regulations. Our finance department will also review and approve the contributions that we are required to make under the relevant PRC laws and regulations for the social insurance fund and housing provident fund for our employees on monthly basis.

COMPETITION

The camera module market in the PRC is a competitive field, but the demand for mid-to-high end camera modules has been growing steadily in recent years, in line with the rapid development of the global and PRC markets for smart phones, tablet PCs and other smart devices, favourable PRC government policies in relation to internet, mobile communications and smart devices, rapid growth of China's economy and increasing purchasing power of China's urban and rural households. The PRC camera module industry is led by a small number of major players, with the rest of the market highly fragmented. The entry barriers to set up and operate in this market are considered by our Directors to be high as substantial capital investment, high-tech professionals and high quality management team, quality suppliers and customer network and advanced technologies are required. We currently face competition primarily from several domestic manufacturers of camera modules in our regional markets, such as Sunny Optical Technology (Group) Company Limited (舜禹光學科技(集團)有限公司), Truly International Holdings Ltd. (信利國際有限公司) and Shenzhen O-film Tech Co. Ltd. (深圳歐菲光科技股份有限公司). We believe that we compete on the basis of design, research and development capabilities, assembly technologies, customers, product quality, price, lead time in production and customer service. For more details, please refer to the sections headed "Risk Factors — Risks relating to our business and industry — We operate in a very competitive market and if we fail to compete effectively, our market share and profit margins may decline" and "Industry Overview" in this prospectus.

According to the CCID Report, there are mainly three key advantages of our camera modules compared to our competitors, including (i) our customer services, such as rapid response to the needs of our customers and timely product delivery; (ii) strong internal management ability and our internal control in production costs; and (iii) strong design, research and development capacities. We focus on mid-to-high end camera module market and make continuous effort in developing advanced technologies, which benefit us with more opportunities for continuous sales and growth.

OVERVIEW

Pursuant to Chapter 14A of the Listing Rules, our Directors, substantial shareholders and chief executive officer or those of our subsidiaries, any person who was our Director or a director of our subsidiaries within 12 months preceding the Listing Date and any of their associates will become a connected person of our Company upon the Listing. Upon the Listing, our transactions with such connected persons will constitute connected transactions under Chapter 14A of the Listing Rules.

Our Directors confirm that the following transactions which will continue after the Listing will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules.

(A) Continuing connected transactions which are fully exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements

(1) Sub-lease Agreement in respect of sub-leasing of the Premises by Chengdu CK

On 6 June 2014, Chengdu QT Subsidiary entered into a property sub-lease agreement (the "**Sub-lease Agreement**") with Chengdu CK, pursuant to which Chengdu CK agreed to sub-lease to Chengdu QT Subsidiary certain portion of the premises situated on the 6th floor, Block 12, Zone C, Tianfu Software Park, No. 219 Tianhua Er Road, Gaoxin District, Chengdu, the PRC in the total area of approximately 1,396.6 sq.m. (the "**Premises**") for the use as our research and development centre for a term commencing from 6 June 2014 to 31 December 2016 at an annual rent of RMB130,680 (including utilities and management fees) for each of the three years ending 31 December 2014, 2015 and 2016. The total gross area sub-leased by our Company is approximately 242 sq.m.. The landlord of Chengdu CK is an Independent Third Party (the "**Landlord**").

There were no historical transaction amounts for the three years ended 31 December 2011, 2012 and 2013 as Chengdu QT Subsidiary was only established in June 2014. The rental paid by Chengdu QT Subsidiary under the Sub-lease Agreement for the six months ended 30 June 2014 in respect of the term from 6 June 2014 to 30 June 2014 was RMB9,075.

The rental payable by Chengdu QT Subsidiary under the Sub-lease Agreement was determined with reference to (i) the rentable area to be sub-leased to Chengdu QT Subsidiary under the Sub-lease Agreement; (ii) the prevailing market rent at that time for similar premises; and (iii) the rental fee, utilities and management fees payable by Chengdu CK under the tenancy agreement entered into with the Landlord.

Chengdu CK is owned as to 95.0% by Shenzhen Handi, a wholly-owned subsidiary of Shenzhen CK and 5.0% by Shenzhen CK, which is in turn owned as to 90.0% by Mr. He Ningning, our executive Director and our Controlling Shareholder, and 10.0% by Wang Jianqiang, our executive Director. As such, Chengdu CK is a connected person of our Company for the purpose of the Listing Rules.

Since each of the applicable percentage ratios (other than the profits ratio) for the Sub-lease Agreement is expected to be less than 0.1% on an annual basis, the transactions are exempt from the reporting, annual review, announcement, circular and the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

(2) Service Agreement in respect of the provision of the storage services provided by Guangzhou CK

On 13 November 2014, our Company entered into a service agreement (the "**Service Agreement**") with Guangzhou CK, pursuant to which Guangzhou CK agreed to provide storage services to our Group in Hong Kong, for a term commencing from 1 January 2014 to 31 December 2016.

For the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, the total service fees charged by our Group from Guangzhou CK amounted to approximately HK$0.2 million, HK$0.2 million, HK$0.2 million and HK$0.1 million, respectively. The service fee payable to Guangzhou CK under the Service Agreement was determined with reference to (i) the prevailing market rates for similar services; and (ii) the proportion of the rental payable by Guangzhou CK to its landlord attributable to the storage spaces with the gross floor area of approximately 139.4 sq.m. to be occupied by our Group.

Our Directors estimate that the maximum transaction amount under the Service Agreement will not exceed HK$0.3 million, HK$0.3 million and HK$0.3 million for the three years ending 31 December 2014, 2015 and 2016, respectively. Such estimate is based on (a) the historical transaction amount of the storage services provided by Guangzhou CK to our Group for the three years ended 31 December 2011, 2012 and 2013; and (b) the prevailing market price for the relevant storage services in the open market in Hong Kong.

Guangzhou CK is wholly owned by Wang Jianqiang, our executive Director. As such, Guangzhou CK is a connected person of our Company for the purpose of the Listing Rules.

Our Group is capable of carrying on its business independently of Guangzhou CK as it can procure the storage services provided by Guangzhou CK from Independent Third Parties. Our Group is able to access to other service providers independently and the storage services provided by Guangzhou CK are generally and widely available in the market at comparable market prices and quality. Our Directors believe that entering into of the Service Agreement would benefit our Group for the following reasons:

(i) the provision of storage services charged by Guangzhou CK will be at competitive prices not less favourable than those that our Group can obtain from Independent Third Parties; and

(ii) Guangzhou CK is familiar with our Group's operations and our Group has confidence in the storage services from Guangzhou CK, thus lowering the operating risks and facilitating our Company's routine management on business operations; and

(iii) our Directors consider that it is crucial for our Group to maintain the stability in quality of the storage services for our existing and future operation needs. In view of our past transaction experience with Guangzhou CK, our Directors are of the view that Guangzhou CK can effectively fulfill our requirements of services quality.

Since each of the applicable percentage ratios (other than the profits ratio) for the Service Agreement is expected to be less than 0.1% on an annual basis, the transactions are exempt from the reporting, annual review, announcement, circular and the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

(B) Continuing connected transactions which are subject to the reporting, annual review and announcement requirements but exempt from the circular and independent shareholders' approval requirements

(3) Master Purchase Agreement in respect of the purchase of precise connectors from Van Telecom PRC

On 13 November 2014, our Company entered into a master purchase agreement (the "**Master Purchase Agreement**") with Van Telecom PRC, pursuant to which Van Telecom PRC agreed to supply the precise connectors to our Group, for a term commencing from 1 January 2014 to 31 December 2016.

For the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, the total purchases of precise connectors by our Group from Van Telecom PRC amounted to approximately RMB2.5 million, RMB0.9 million, RMB0.4 million and RMB0.04 million, respectively for the production of our camera modules with resolution of 3 mega pixels and lower. The decrease in the amount of sales in 2012 as compared to 2011 was primarily attributable to the decrease in our sales of camera modules with resolution of 3 mega pixels and lower, which resulted in a decrease in the procurement amount of the precise connectors. Decrease in sales of our camera modules with resolution of 3 mega pixels and lower was primarily attributable to the rapid-evolving technology advancements and increasing demand for better picture resolution by end customers. The price for the precise connectors to be supplied by Van Telecom PRC under the Master Purchase Agreement will be determined with reference to the price at which comparable types of precise connectors that are sold by independent suppliers to our Group under normal commercial terms in the ordinary course of its business and such price shall be no less favourable to our Group than is available from independent suppliers. In considering whether to purchase from Van Telecom PRC, our Group will seek quotations from at least two Independent Third Parties offering the same or comparable products. Our Group will purchase the precise connectors from Van Telecom PRC if the price and quality of the products offered are comparable to or more favourable to our Group than those offered by Independent Third Parties for the same or comparable products.

Our Directors estimate that the maximum transaction amount under the Master Purchase Agreement will not exceed RMB0.3 million, RMB0.3 million and RMB0.3 million for the three years ending 31 December 2014, 2015 and 2016, respectively. Such estimate is based on (a) the projected demand of the precise connectors that our Group would purchase from Van Telecom PRC for the production of camera modules with resolution of 3 mega and lower in the coming three years; (b) the prevailing market rates of such precise connectors in the open market in the PRC; (c) historical transaction amounts for the three years ended 31 December 2011, 2012 and 2013; and (d) the expected demand for our camera modules with resolution of 3 mega pixels.

Van Telecom PRC is wholly owned by CK Telecom, which is in turn wholly owned by Mr. He Ningning, our executive Director and one of our Controlling Shareholders. As such, Van Telecom PRC is a connected person of our Company for the purpose of the Listing Rules.

Our Group is capable of carrying on its business independently of Van Telecom PRC as it can easily procure the precise connectors supplied by Van Telecom PRC from Independent Third Parties. Our Group currently has independent access to suppliers and the precise connectors supplied by Van Telecom PRC are generally and widely available in the market at comparable market prices and quality. Our Directors believe that the purchases of precise connectors from Van Telecom PRC would benefit our Group for the following reasons:

(i) the purchases from Van Telecom PRC will be at competitive prices not less favourable than those that our Group can obtain from Independent Third Parties;

(ii) Van Telecom PRC is familiar with our Group's specifications, standards and requirements and our Group has confidence in the quality of the precise connectors supplied by Van Telecom PRC;

(iii) our Directors consider that it is crucial for our Group to maintain the stability in supply and quality of the precise connectors for our existing and future production needs. In view of our past purchasing experience with Van Telecom PRC, our Directors are of the view that Van Telecom PRC can effectively fulfill our requirements of supply stability as well as product quality; and

(iv) Van Telecom PRC has provided our Group more favourable terms such as flexible and timely delivery schedule of the precise connectors purchased by our Group.

The Master Purchase Agreement is a framework agreement which provides the mechanism for the operation of the connected transactions described therein. It is envisaged that from time to time and as required, individual purchase orders may be required to be entered into between our Group and Van Telecom PRC. Each individual purchase order will set out the relevant precise connectors purchased by our Group from Van Telecom PRC, the purchase price of the precise connectors purchased by our Group and any detailed specifications which may be relevant to those purchases. The individual purchase orders may only contain provisions which are in all material respects consistent with the binding principles, guidelines, terms and conditions set out in the Master Purchase Agreement. As the individual purchase orders are simply further elaborations on the purchases as contemplated by the Master Purchase Agreement, they do not constitute new categories of connected transactions as far as Listing Rules are concerned.

Since each of the applicable percentage ratios (other than the profits ratio) for the Master Purchase Agreement is expected to be more than 0.1% but less than 5.0% on an annual basis, the transactions are subject to the reporting, annual review and announcement requirements but exempt from the circular and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

(4) Master Electronic Purchase Agreement in respect of the purchase of FPCs from C-Flex Electronic

On 13 November 2014, our Company entered into a master purchase agreement (the "**Master Electronic Purchase Agreement**") with C-Flex Electronic, pursuant to which C-Flex Electronic agreed to supply the FPCs to our Group for a term commencing from 1 January 2014 to 31 December 2016.

For the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, the historical transaction amount of purchases by our Group from C-Flex Electronic amounted to approximately RMB1.5 million, RMB0.1 million, RMB0.02 million and RMB1.0 million, respectively. The decrease in the transaction amount during the Track Record Period was primarily attributable to the fact that the increase in sales orders from the existing customers of C-Flex Electronic, which led to the reduction of sales by C-Flex Electronic to us as a result of the limited production capacity of C-Flex Electronic at the relevant time. The price for the FPCs to be supplied by C-Flex Electronic under the Master Electronic Purchase Agreement will be determined with reference to the price at which comparable types of FPCs that are sold by independent suppliers to our Group under normal commercial terms in the ordinary course of its business and such price shall be no less favourable to our Group than is available from independent suppliers. In considering whether to purchase from C-Flex Electronic, our Group will seek quotations from at least two Independent Third Parties offering the same or comparable products. Our Group will purchase the FPCs from C-Flex Electronic if the price and quality of the products offered are comparable to or more favourable to our Group than those offered by Independent Third Parties for the same or comparable products.

Our Directors estimate that the maximum transaction amount under the Master Electronic Purchase Agreement will not exceed RMB3 million, RMB4.5 million and RMB6.5 million for the three years ending 31 December 2014, 2015 and 2016, respectively. Such estimate is based on (a) projected demand of the FPCs that our Group would purchase from C-Flex Electronic for the production of our camera modules in the coming three years; (b) the prevailing market rates of such raw materials; (c) historical transaction amounts for the three years ended 31 December 2011, 2012 and 2013; and (d) the expected growth in the demand for the camera modules of our Group, taking into account of the launch of new products, and the resulting future increases in the purchases to be made by our Group from C-Flex Electronic for our production.

The increases in the estimated maximum amount of purchases for the three years ending 31 December 2014, 2015 and 2016 are due to (a) an increase in the production capacity of C-Flex Electronic; (b) C-Flex Electronic's plan to upgrade certain type of FPCs, which aligns with the Company's future production plan; and (c) the launch of the new products by our Group in the next three years.

C-Flex Electronic is wholly owned by Shenzhen Handi, a wholly-owned subsidiary of Shenzhen CK which is in turn owned as to 90.0% by Mr. He Ningning, our executive Director and one of our Controlling Shareholders, and 10.0% by Mr. Wang Jianqiang, our executive Director. As such, C-Flex Electronic is a connected person of our Company for the purpose of the Listing Rules.

Our Group is capable of carrying on its business independently of C-Flex Electronic as it can easily procure the FPCs supplied by C-Flex Electronic from Independent Third Parties. Our Group currently has independent access to suppliers and the FPCs supplied by C-Flex Electronic are generally and widely available in the market at comparable market prices and quality. Our Directors believe that the purchases of the FPCs from C-Flex Electronic would benefit our Group for the following reasons:

(i) the purchases from C-Flex Electronic will be at competitive prices not less favourable than those that our Group can obtain from Independent Third Parties;

(ii) C-Flex Electronic is familiar with our Group's specifications, standards and requirements and our Group has confidence in the quality of the FPCs supplied by C-Flex Electronic;

(iii) our Directors consider that it is crucial for our Group to maintain the quality of the FPCs for our existing and future production needs. In view of our past purchasing experience with C-Flex Electronic, our Directors are of the view that C-Flex Electronic can effectively fulfil our requirements of product quality; and

(iv) our Directors consider that such procurement arrangements will allow our Group to maintain a broader supplier and supplies base.

The Master Electronic Purchase Agreement is a framework agreement which provides the mechanism for the operation of the connected transactions described therein. It is envisaged that from time to time and as required, individual purchase orders may be required to be entered into between our Group and C-Flex Electronic. Each individual purchase order will set out the relevant FPCs purchased by our Group from C-Flex Electronic, and purchase price of the FPCs purchased by our Group and any detailed specifications which may be relevant to those purchases. The individual purchase orders may only contain provisions which are in all material respects consistent with the binding principles, guidelines, terms and conditions set out in the Master Electronic Purchase Agreement. As the individual purchase orders are simply further elaborations on the purchases as contemplated by the Master Electronic Purchase Agreement, they do not constitute new categories of connected transactions as far as Listing Rules are concerned.

Since each of the applicable percentage ratios (other than the profits ratio) for the Master Electronic Purchase Agreement is expected to be 0.1% but less than 5.0% on an annual basis, the transactions under the Master Electronic Purchase Agreement are subject to the reporting, annual review, announcement requirements but exempt from the circular and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

(C) Continuing connected transactions which are subject to the reporting, annual review, announcement, circular and the independent shareholders' approval requirements

(5) Master Supply Agreement in respect of the supply of camera modules to Heyuan CK

On 13 November 2014, our Company entered into a master supply agreement (the "**Master Supply Agreement**") with Heyuan CK, pursuant to which our Group agreed to supply the camera modules to Heyuan CK for the production of its products for a term commencing from 1 January 2014 to 31 December 2016.

For the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, the total purchases of camera modules by Heyuan CK from our Group amounted to approximately RMB61.3 million, RMB32.4 million, RMB52.1 million and RMB21.7 million, respectively. The decrease in the transaction amount in 2012 as compared to 2013 was primarily attributable to (a) the decrease in the demand for Heyuan CK's low end products by its customers; and (b) the increase in the sales orders placed by our existing customers. In view of our limited production capacity and increasing demand from our customers, we intentionally reduced our sales to Heyuan CK. Since the second half of 2012, Heyuan CK implemented changes to its business strategies by putting more emphasis on its mid-to-high end products and resulted in the increase in demand for its products by its customers. Coupled with the increase in our production capacity in 2013, the transaction amount in 2013 increased. The price for the camera modules to be supplied by our Group under the Master Supply Agreement will be determined with reference to our raw material costs and production costs to be incurred by our Group and the profit margin, which is expected to be comparable with the level of profits derived from our sales to independent customers, subject to adjustments arising from the expected quantity, quality, delivery schedule, specifications and market competition.

Our Directors estimate that the maximum transaction amount under the Master Supply Agreement will not exceed RMB55.0 million, RMB60.0 million and RMB65.0 million for the three years ending 31 December 2014, 2015 and 2016, respectively. Such estimate is based on (a) the projected purchases of camera modules that Heyuan CK would purchase from our Group for the production of its products based on preliminary discussion with Heyuan CK; (b) the prevailing market price for the camera modules in the open market in the PRC; and (c) the historical transaction amounts during the three years ended 31 December 2011, 2012 and 2013. The increases in the estimated maximum amount of sales for the three years ending 31 December 2014, 2015 and 2016 are due to (a) the anticipated increases in the purchase orders to be placed by customers of Heyuan CK; (b) the production volume of Heyuan CK's mid-to-high end products, taking into account the anticipated increases in demand for those products; and (c) the projected growth in turnover of Heyuan CK due to the changes of business strategies coupled with the expansion and improvement of sales network and services of Heyuan CK.

Heyuan CK is wholly owned by CK Telecom, which is in turn wholly owned by Mr. He Ningning, our executive Director and our Chairman. As such, Heyuan CK is a connected person of our Company for the purpose of the Listing Rules.

Our Directors believe that the sales of the camera modules by our Group to Heyuan CK would benefit our Group as the sales revenue received by our Group from Heyuan CK under the Master Supply Agreement will provide an additional, reliable and stable source of income for our Group.

The Master Supply Agreement is a framework agreement which provides the mechanism for the operation of the connected transactions described therein. It is envisaged that from time to time and as required, individual sales order may be required to be entered into between our Group and Heyuan CK. Each individual sales order will set out the relevant camera modules purchased by Heyuan CK from our Group, the selling price of the camera modules provided by our Group and any detailed specifications which may be relevant to those sales. The individual sales orders may only contain provisions which are in all material respects consistent with the binding principles, guidelines, terms and conditions set out in the Master Supply Agreement. As the individual sales orders are simply further elaborations on the sales contemplated by the Master Supply Agreement, they do not constitute new categories of connected transactions as far as Listing Rules are concerned.

Since each of the applicable percentage ratios (other than the profits ratio) for the Master Supply Agreement is expected to be more than 5.0% on an annual basis, the transactions under the Master Supply Agreement are subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

WAIVERS

The transactions described in paragraphs 1 to 2 above constitute exempt continuing connected transactions under the Listing Rules. The transactions described in paragraphs 3 to 5 above constitute non-exempt continuing connected transactions under the Listing Rules. The applicable percentage ratios as defined in Rule 14.07 of the Listing Rules. In respect of the transactions described in paragraph 5, the percentage ratios calculated with reference to the proposed annual caps each of the years shown above are more than 5.0% on an annual basis. As such, the non-exempt continuing connected transactions in paragraph 5 above would be subject to reporting, annual review, announcement, circular and the independent shareholders' approval requirements under the Listing Rules. In respect of the transactions described in paragraphs 3 to 4, the percentage ratios calculated with reference to the proposed annual caps for each of the years shown above are more than 0.1% but less than 5% on an annual basis. As such, the continuing connected transactions in paragraphs 3 to 4 above would be subject to reporting, annual review and announcement requirements but exempt from the circular and independent shareholders' approval requirement under the Listing Rules. In respect of the transactions described in paragraphs 1 to 2, the percentage ratios calculated with reference to the proposed annual caps for each of the years shown above are less than 0.1% on an annual basis. As such, the continuing connected transactions in paragraphs 1 to 2 above would be exempt from reporting, annual review, announcement, circular and the independent shareholders' approval requirement under the Listing Rules.

We have applied for, and the Stock Exchange has granted us, waivers from strict compliance with the announcement, (where applicable) circular and independent shareholders' approval requirements of the Listing Rules in respect of the continuing connected transactions as disclosed in paragraphs 3 to 5 subject to the aggregate value of each of these non-exempt continuing connected transactions for each financial year not exceeding the relevant annual cap amount set forth in the respective caps stated above.

DIRECTORS' VIEW

Our Directors, including the independent non-executive Directors, consider that all the continuing connected transactions above are conducted on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole and are in the ordinary and usual course of our business. Our Directors, including the independent non-executive Directors, are also of the view that the annual caps of all of the non-exempted continuing connected transactions above are fair and reasonable and in the interests of the Shareholders, as a whole.

SOLE SPONSOR'S VIEW

The Sole Sponsor is of the view that the continuing connected transactions as disclosed in paragraphs 3 to 5 and their respective annual caps are fair and reasonable, and that such transactions have been entered into in the ordinary and usual course of their businesses, on normal commercial terms that are fair and reasonable and in the interest of our Shareholders as a whole.

BOARD OF DIRECTORS

Our Board currently consists of six Directors, comprising three executive Directors and three independent non-executive Directors. The powers and duties of our Board include convening general meetings and reporting our Board's work at our Shareholders' meetings, determining our business and investment plans, preparing our annual financial budgets and final reports, formulating proposals for profit distributions and for the increase or reduction of our registered capital as well as exercising other powers, functions and duties as conferred by our Memorandum and Articles of Association. We have entered into a service contract with each of our executive Directors. We have also entered into a letter of appointment with each of our independent non-executive Directors.

The table below shows certain information with respect to our Directors:

Name	Age	Position in our Company	Date of joining our Group	Date of appointment as Director	Roles/ Responsibilities	Relationship with other Directors
Mr. He Ningning (何寧寧)	43	Chairman and executive Director	October 2007	5 May 2014	Responsible for the overall strategic planning and formulation of investment strategies	Step-brother of Mr. Wang Jianqiang
Mr. Wang Jianqiang (王健強)	41	Executive Director and chief financial officer	October 2007	5 May 2014	Responsible for overall financial management	Step-brother of Mr. He
Mr. Yang Peikun (楊培坤)	34	Executive Director and chief executive officer	January 2010	5 May 2014	Responsible for the business operations	N/A
Mr. Chu Chia-Hsiang (初家祥)	44	Independent non-executive Director	November 2014	13 November 2014	Responsible for supervising and providing independent judgment to the Board	N/A
Ms. Chen Jun (陳郡)	51	Independent non-executive Director	November 2014	13 November 2014	Responsible for supervising and providing independent judgment to the Board	N/A
Mr. Ng Sui Yin (吳瑞賢)	46	Independent non-executive Director	November 2014	13 November 2014	Responsible for supervising and providing independent judgment to the Board	N/A

Executive Directors

Mr. He Ningning (何寧寧), aged 43, was appointed as a Director on 5 May 2014 and was re-designated as an executive Director on 13 November 2014. He is primarily responsible for overall strategic planning and formulation of investment strategies of our Group. Mr. He founded Kunshan QT China in October 2007 and has nearly 19 years of experience in the electrical and electronic industry. Prior to founding our Group, Mr. He served as a sales officer of Samsung Electro-Mechanics Dongguan Co., Ltd. (東莞三星電機有限公司), a manufacturer of electronic components, from July 1992 to April 1997 where he was primarily responsible for sales and delivery management. In November 2000 and June 2004, Mr. He founded Surewheel Asia Pacific Limited (幸誠賽貝亞太有限公司), a company principally engaged in agency sales of printheads, and Shenzhen CK, a company principally engaged in the research, development and sales of complete handsets components, and has been the chairman of Surewheel Asia Pacific Limited and Shenzhen CK. Mr. He is primarily responsible for the strategic planning. In December 2004, Mr. He founded Heyuan CK, a company principally engaged in the sales and manufacturing of complete handsets and handset components and modules, and has been the chairman of Heyuan CK. Mr. He is primarily responsible for the strategic planning of Heyuan CK. Mr. He received his bachelor's degree in science, majoring in dynamic meteorology, from the Peking University (北京大學) in July 1992 and his master's degree of business administration from the University of California in March 2002. Mr. He is the step-brother of Mr. Wang Jianqiang.

Mr. Wang Jianqiang (王健強), aged 41, was appointed as our Director on 5 May 2014 and was re-designated as an executive Director on 13 November 2014. Mr. Wang is the chief financial officer of the Group and is primarily responsible for audit management and budgeting of the Group. Prior to joining our Group, Mr. Wang served as a supervisor of the quality assurance department of SAE Magnetics (東莞新科電子廠), a computer hardware manufacturer, from October 1995 to September 1996, where he was primarily responsible for product quality assurance. From August 1998 to January 2005, he served as the sales assistant manager of the Shenzhen office of Samsung Electro-Mechanics (H.K.) Limited (三星電機(香港)有限公司), a manufacturer of electronic components, where he was primarily responsible for sales of the electronic components. From February 2005 to April 2014 and December 2005 to April 2014, respectively, Mr. Wang served as chief financial officer of Shenzhen CK and Heyuan CK where he was primarily responsible for audit management and budgeting. Mr. Wang received his bachelor's degree in engineering, majoring in fluid machinery and engineering, from Sichuan University of Science and Technology (四川工業學院) in June 1995. Mr. Wang is the step-brother of Mr. He.

Mr. Yang Peikun (楊培坤), aged 34, was appointed as our Director on 5 May 2014 and was re-designated as an executive Director on 13 November 2014. Mr. Yang is the general manager of Kunshan QT China and is primarily responsible for the business operations of Kunshan QT China. Prior to joining our Group, Mr. Yang worked at ZTE Corporation (中興通訊股份有限公司), a company whose shares are listed on the Stock Exchange (Stock code: 763) and Shenzhen Stock Exchange (Stock Code: 000063) which engages in design, development, production, distribution and installation of a broad range of advanced telecommunications equipment, from July 2004 to August 2007. From December 2007 to September 2013, he held various positions in Shenzhen CK and last served as the assistant to general manager and was primarily responsible for human resources management and internal control. Mr. Yang received his bachelor's degree in management, majoring in financial management, and his master's degree in management, majoring in accounting, from Wuhan University (武漢大學) in June 2001 and June 2004, respectively.

Independent non-executive Directors

Mr. Chu Chia-Hsiang (初家祥), aged 44, was appointed as our independent non-executive Director on 13 November 2014. From June 1997 to June 2002, Mr. Chu served various positions in Hewlett-Packard Taiwan Ltd. (惠普科技股份有限公司), which is a provider of computing devices, testing and skilled solutions, and last served as an expert sales and was primarily responsible for overseeing its sales department in respect of the computing devices. From May 2002 to August 2004, Mr. Chu served as the investment manager of CDIB Venture Capital Corp. (中華開發創業投資股份有限公司), which was a wholly-owned subsidiary of China Development Financial Holding Corporation (中華開發金融控股股份有限公司) (Stock Code: 2883) listed on Taiwan Stock Exchange and was primarily engaged in enterprise operations, management, and consulting services. Mr. Chu was primarily responsible for exploring and assessing of investment plan and post-investment management. In January 2014, Mr. Chu established W K Innovation Ltd. (普訊創新股份有限公司), the venture capital firm, and served as managing director and acted as its chairman and chief executive officer, where he is primarily responsible for its strategic planning. In January 2014, Mr. Chu established WK Technology Fund IX Ltd. (普訊玖創業投資股份有限公司), an investment fund, and served as general manager, where he is responsible for its strategic planning. From August 2004 to January 2014, Mr. Chu served as general manager of W K Technology Fund (普訊創業投資, previously known as 普訊創業投資股份有限公司), a venture capital firm. Mr. Chu was primarily responsible for exploring and assessing of investment plan and post investment management. He was the legal representative of the following companies listed on the Taiwan Cretai Securities Market (臺灣證券櫃檯買賣中心):

Date	Name of listed company	Stock code	Principal business activities	Responsibilities
June 2009 to June 2012	Litemax Electronics Inc. (晶達光電股份有限公司)	4995	High-brightness LCD panel and display module's Application platform	Overseeing the business operations
November 2012 to January 2014	Raydium Semi-conductor Corporation (瑞鼎科技股份有限公司)	3592	Design, development and sales of a wide range of display driver ICs solutions	Overseeing the business operations

From November 2012 to January 2014, Mr. Chu received his bachelor of science degree in electrical engineering, from National Tsing-Hua University in Taiwan in July 1993 and his master's degree in management from National Cheng-Kung University in Taiwan in June 1995. Mr. Chu served as an executive council member of Taiwan Private Equity & Venture Capital Association (中華民國創業投資商業同業公會) from May 2008 to May 2010.

Ms. Chen Jun (陳郡), aged 51, was appointed as our independent non-executive Director on 13 November 2014. Since July 1987, Ms. Chen was the tutor in accounting and auditing at Capital University of Economics and Business (首都經濟貿易大學) in the PRC and was primarily responsible for teaching and research work. Since June 1999, Ms. Chen was accredited as an assistant professor at Capital University of Economics and Business. Ms. Chen received her bachelor's degree and master's degree in economics, majoring in accounting, from Capital University of Economics and Business (首都經濟貿易大學) in July 1985 and December 1988, respectively. Ms. Chen received her doctor's degree in management, majoring in corporate management, from Renmin University of China (中國人民大學) in June 2007. Ms. Chen completed a program of international management education at the Brennan School of Business of Dominican University in November 2007.

She was a speaker for various organisations, including Beijing Institute of Certified Public Accountants (北京註冊會計師協會) and Beijing Lianxin School (北京聯信學校). She actively participated in the preparation of The Administrative Method for Financial Revenue and Expenditure Auditing in Beijing Health Sector (北京市衛生系統財務收支審計管理辦法) and The Practice Guideline for Financial Revenue and Expenditure Auditing in Beijing Health Sector (北京市衛生系統財務收支審計操作指南).

Mr. Ng Sui Yin (吳瑞賢), aged 46, was appointed as our independent non-executive Director on 13 November 2014. From June 2002 to December 2004, Mr. Ng served as an audit assistant manager of David Ho & Company Certified Public Accountants (Practising) (何大偉會計師事務所), an accounting firm principally engaged in provision of the audit services, where he was primarily responsible for audit plan and audit works. Since January 2005, Mr. Ng served as the financial controller of China Print Power Group Limited (HK Stock Code: 6828), a company and its subsidiaries principally engaged in the printing business and sales of paper and leather products, listed on the Stock Exchange and the Singapore Stock Exchange, where he is in charge of the finance and administrative matters. Mr. Ng has over 12 years of experience in areas of finance, audit, tax and bankruptcy. Mr. Ng has been admitted as a member of the Hong Kong Institute of Certified Public Accountants (香港會計師公會) and an associate of the Taxation Institute of Hong Kong (香港稅務學會) since April 2001 and April 2009, respectively. Mr. Ng was registered as a certified tax adviser of the Taxation Institute of Hong Kong in July 2010. Mr. Ng received his honours diploma in accounting from Hong Kong Shue Yan College (香港樹仁學院) (now known as Hong Kong Shue Yan University (香港樹仁大學)), in July 1998.

Each of our Directors has not been involved in any of the events described under Rule 13.51(2) of the Listing Rules. Save as disclosed above, none of our Directors has been a director of other listed entities for the three years immediately preceding the date of this prospectus.

SENIOR MANAGEMENT

The following table sets forth certain information in respect of our senior management:

Name	Age	Position	Date of joining our Group	Roles/Responsibilities
Mr. Hu Sanmu (胡三木)	38	Sales Director	December 2009	Responsible for the expansion of our Group's sales network and maintenance of relationship with customers
Mr. Chen Bingqing (陳丙青)	34	Senior Research and Development and Quality Control Manager	June 2010	Responsible for quality control and our Group's product research and development
Mr. Liu Tongquan (劉統權)	36	Production Director	November 2007	Responsible for our Group's production planning and production management

Name	Age	Position	Date of joining our Group	Roles/Responsibilities
Mr. Sun Wei (孫偉)	35	Senior Purchasing Manager	April 2011	Responsible for selecting and evaluating our Group's suppliers and overseeing the sourcing and purchases of raw materials and equipment
Ms. Zhang Zhuomin (張卓敏)	38	Financial Manager	April 2014	Responsible for our Group's financial matters
Ms. Le Yanfang (樂燕芳)	30	Human Resources Manager	December 2010	Responsible for our Group's human resources matters
Mr. Fan Fuqiang (范富強)	36	Chief Legal Director	January 2011	Responsible for our Group's legal compliance matters and risk control

Mr. Hu Sanmu (胡三木), aged 38, is the sales director of our Group. He is primarily responsible for the expansion of sales network and maintenance of relationship with customers. Mr. Hu has been a director of Kunshan QT China since June 2014. Prior to joining our Group, Mr. Hu held various positions in VTech (Shenzhen) Electronic Limited (偉易達電子產品(深圳)有限公司), a company principally engaged in manufacturing of telecommunication products, from July 1998 to November 2002, where he last served as a mechanical structure engineer and was primarily responsible for the mechanical design. From November 2002 to August 2004, Mr. Hu held varies positions in Tianjin Amphenol Kae Co., Ltd. (天津安費諾凱翼電子有限公司), a manufacturer of interconnect products, where he last served as a sales engineer and was primarily responsible for maintaining the relationship with existing customers and the expansion of sales network. From July 2004 to November 2009, Mr. Hu held various positions in Van Telecom PRC, a company principally engaged in manufacturing and sales of precise connectors, where he lasted served as the sales director and was primarily responsible for sales management and product planning. Mr. Hu received his bachelor's degree in engineering, majoring in mechanical design and manufacture from Xi'an University of Science and Technology (西安科技大學), previously known as Xi'an Mining Institute (西安礦業學院), in July 1998.

Mr. Chen Bingqing (陳丙青), aged 34, is the senior research and development and quality control manager of our Group. He is primarily responsible for quality control and the product research and development. Prior to joining our Group, Mr. Chen served as the department head of the product technology department of Kunshan Camtech Optronics Co., Ltd. (昆山鉅亮光電科技有限公司), a company principally engaged in manufacturing, testing and development of camera modules, from March 2005 to March 2007, where he was primarily responsible for testing and analysing new products. From June 2007 to June 2010, he served as the assistant director of the production development team of Ningbo Sunny Opotech Co., Ltd. (寧波舜宇光電信息有限公司), a subsidiary of Sunny Optical Technology (Group) Company Limited (Stock Code: 2382), which was principally engaged in manufacturing and sales of optoelectronics products, where he was primarily responsible for assessing the new products, analysing new technology and preparing the technology development plan. Mr. Chen received his graduation certificate from East China Shipping Institute (華東船舶工業學院) in July 2002, majoring in mechanical and electronic engineering.

Mr. Liu Tongquan (劉統權), aged 36, is the production director of our Group. Mr. Liu is primarily responsible for the production planning and production management. Prior to joining our Group, Mr. Liu served as a production manager of Kunshan Giantplus Optoelectronics Technology Co., Ltd. (昆山淩達光電技術有限公司), a LCD display manufacturer, from July 2002 to November 2007, where he was primarily responsible for production management. Mr. Liu received his bachelor's degree in engineering, majoring in measurement and control technology and instrumentation, and his bachelor's degree in economics from Wuhan University (武漢大學) in June 2002 and July 2002, respectively.

Mr. Sun Wei (孫偉), aged 35, is the senior purchasing manager of our Group. Mr. Sun is primarily responsible for selecting and evaluating the suppliers and overseeing the sourcing and purchases of raw materials and equipment. Prior to joining our Group, Mr. Sun served as the procurement officer (採購專員) of Compal Electronic Technology (Kunshan) Co., Ltd. (仁寶電子科技(昆山)有限公司), a notebook computer manufacturer, from July 2004 to May 2005, where he was primarily responsible for procurement of the materials. From July 2005 to June 2008, Mr. Sun served as the procurement supervisor of Altek (Kunshan) Co., Ltd. (彩晶光電科技(昆山)有限公司), a digital camera manufacturer, where he was primarily responsible for sourcing and buying the materials for optical products. From July 2008 to February 2011, he served as the section manager of the supplier development division of Young Optics (Kunshan) Co., Ltd. (昆山揚明光學有限公司), a projector manufacturer, where he was primarily responsible for sourcing and buying the materials for optical products. Mr. Sun received his master's degree in management, majoring in management sciences and engineering, from Harbin Institute of Technology (哈爾濱工業大學) in July 2004.

Ms. Zhang Zhuomin (張卓敏), aged 38, is the financial manager of our Group. Ms. Zhang is primarily responsible for the Group's financial matters. Prior to joining our Group, Ms. Zhang served as the accounting supervisor in Sinar Mas Paper (China) Investment Co., Ltd. (金光紙業(中國)投資有限公司), an investment holding company, from May 1999 to June 2003 where she was primarily responsible for budget control, preparation of financial statements and tax-related matters. From July 2003 to December 2003, Ms. Zhang served as accounting supervisor of Saint-Gobain HanGlas Sekurit (Shanghai) Co., Ltd. (聖戈班韓格拉斯世固銳德玻璃(上海)有限公司), a company primarily engaged in provision of products, service and innovative solutions to the Asian automotive industry, where she was primarily responsible for set-up of financial reporting system and computerised operating procedures. From January 2004 to May 2006, Ms. Zhang served as financial consultant of Maychun Capital Limited (美京融資有限公司), a company principally engaged in provision of advisory services in connection with financial, legal and construction matters, where she was primarily responsible for internal control and financial management. From January 2007 to September 2007, Ms. Zhang served as an auditor in Lau & Fung CPA Limited (劉馮會計師事務所有限公司), an accounting firm principally engaged in provision of the audit services, where she was primarily responsible for providing audit and secretarial services. From October 2007 to April 2013, Ms. Zhang served different positions at Maxpeak Investment Limited, a company principally engaged in the provision of advisory services, and last served as financial consultant, where she was primarily responsible for providing advisory services regarding finance matters and internal control. From June 2013 to December 2013, Ms. Zhang served as the financial and accounting controller of Dongguan Media6 POS Equipment Co., Ltd. (東莞美迪陸展示設備有限公司), a company principally engaged in the production and sales of the equipment, where she was primarily responsible for financial matters. From May 2013 to December 2013, Ms. Zhang served as the financial and accounting controller Media 6 Asia Production Limited (美迪陸(亞洲)生產有限公司), an investment holding company, where she was primarily responsible for the preparation of the consolidated financial statements. Ms. Zhang received her bachelor's degree in economics, majoring in accounting, from Donghua University (東華大學)

(formerly known as China Textile University (中國紡織大學)) in July 1997. Ms. Zhang was admitted a member of the Association of Chartered Certified Accountants (特許公認會計師公會) in June 2010. She was admitted a member of the Institute of Certified Management Accountants in September 2012.

Ms. Le Yanfang (樂燕芳), aged 30, is the human resources manager of our Group. Ms. Le is primarily responsible for management of human resources of Kunshan QT China. Prior to joining our Group, Ms. Le served as the head of the human resources department in AVCON Information Technology Co., Ltd. (華平信息技術股份有限公司), a company principally engaged in the provision of the multi-media communication system solutions, and was primarily responsible for formulating human resources policies and human resources affairs from October 2007 to December 2010. Ms. Le received her graduation certificate from Jiujiang Vocational and Technical College (九江職業技術學院) in June 2004, majoring in electronic technology and application. Ms. Le completed an online programme in human resources management provided by Nankai University (南開大學) in January 2012.

Mr. Fan Fuqiang (范富強), aged 36, is the chief legal director of our Group. Mr. Fan is primarily responsible for legal compliance matters and risk control. Prior to joining our Group, Mr. Fan held various positions in Heyuan branch of Bank of China, a state-owned bank principally engaged in providing a range of corporate banking, personal banking, investment banking and other services from July 1996 to June 2011 and last served as branch general manager and vice general manager of the corporate department of Heyuan Gao Xin Qu branch of Bank of China, where he was primarily responsible for the grant of the credit facilities, risks management and international settlement. From May 2013 to April 2014 and July 2011 to April 2014, respectively, Mr. Fan served as the assistant to the chief financial officer of Shenzhen CK and Heyuan CK, and was primarily responsible for legal compliance matters and risk control. Mr. Fan received the professional certificate from Guangdong International Finance College (廣東國際金融學校) located in the PRC, in July 1996, majoring in international finance. He received the graduation certificate from the Central Party School of the Guangdong Provincial Committee (中共廣東省委黨校) located in the PRC, in January 2008, majoring in public management. Mr. Fan received the "Top Ten Distinguished Employees (十佳員工) Award" for the years 2005 and 2006 and the "Innovative Employee Award (先進工作者)" by Heyuan branch of Bank of China for the year 2007.

JOINT COMPANY SECRETARIES

Mr. Fan Fuqiang (范富強), aged 36, is one of our joint company secretaries and was appointed on 11 June 2014. Please refer to his biography under the paragraph headed "Senior Management — Mr. Fan Fuqiang" above.

Mr. Kwok Siu Man (郭兆文), aged 55, is one of our joint company secretaries and was appointed on 11 June 2014. Mr. Kwok is the head of corporate secretarial department of Boardroom Corporate Services (HK) Limited and a director of Boardroom Share Registrars (HK) Limited. Mr. Kwok has about 25 years' extensive in-house legal, corporate secretarial and management experience gained from reputable listed companies in Hong Kong and overseas. Mr. Kwok was admitted a fellow of the Institute of Chartered Secretaries and Administrators and the Institute of Financial Accountants in England and The Hong Kong Institute of Chartered Secretaries ("**HKICS**") (formerly known as The Hong Kong Institute of Company Secretaries) in October 1990, August 1996 and August 1994, respectively. He has been a fellow member of The Hong Kong Institute of Directors and The Association of Hong Kong Accountants since July and June 2014 respectively. Mr. Kwok received his post-graduate diploma in laws from the Manchester Metropolitan University in England and his bachelor's degree of arts, majoring in accountancy, from the Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic) in July 1998 and November 1994, respectively. Mr. Kwok also possesses professional qualifications in tax, arbitration, securities and investment, financial planning and human resource management. In addition, Mr. Kwok was a council member of the HKICS and the chief examiner and the reviewer for "Hong Kong Company Secretarial Practice" and "Corporate Secretaryship" modules, respectively, at HKICS.

As of the Latest Practicable Date, Mr. Kwok was the company secretary and a joint company secretary of a number of companies listed on the Stock Exchange.

BOARD COMMITTEE

Audit Committee

We have established an audit committee on 13 November 2014 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The audit committee consists of three independent non-executive Directors, Mr. Ng Sui Yin (being the chairman of the audit committee who has a professional qualification in accountancy), Ms. Chen Jun and Mr. Chu Chai-Hsiang. The primary duties of the audit committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system of our Group, to oversee the audit process, to develop and review our policies and to perform other duties and responsibilities as assigned by our Board.

Remuneration Committee

We have established a remuneration committee on 13 November 2014 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B1 of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The remuneration committee consists of three members, two of whom are independent non-executive Directors, being Mr. Chu Chai-Hsiang, Mr. Ng Sui Yin and Ms. Chen Jun. The remuneration committee is chaired by Mr. Chu Chai-Hsiang. The primary duties of the remuneration committee include (but without limitation): (i) making recommendations to the Directors regarding our policy and structure for the remuneration of all our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) making recommendations to the Board on the remuneration packages of our Directors and senior management; (iii) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives; and (iv) considering and approving the grant of share options to eligible participants pursuant to the Share Option Scheme.

During the Track Record Period, our remuneration policy for our Directors and senior management members was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the profit performance of our Group and the individual performance of our Directors and senior management members. We intend to adopt the same remuneration policy after the Listing, subject to review by and the recommendations of our remuneration committee.

Nomination Committee

We have established a nomination committee on 13 November 2014 with written terms of reference. The nomination committee consists of three members, namely Mr. He Ningning, Ms. Chen Jun and Mr. Chu Chai-Hsiang. Two of the members are our independent non-executive Directors. The chairman of the nomination committee is Mr. He Ningning. The primary function of the nomination committee is to make recommendations to our Board on the appointment of members of our Board.

Risk Management Committee

We have established a risk management committee on 13 November 2014 with written terms of reference. The risk management committee consists of three members, namely Ms. Chen Jun, Mr. Ng Sui Yin and Mr. Fan Fuqiang. Two of the members are our independent non-executive Directors. The chairlady of the risk management committee is Ms. Chen Jun. The primary function of the risk management committee is to review and assess our wealth management product investment in terms of whether such investment complies with our treasury and investment policies, the fund safety of and risks associated with such investment. For further details, please refer to the section headed "Business — Risk management" in this prospectus.

CORPORATE GOVERNANCE

Our Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group so as to achieve effective accountability.

Our Company has adopted the code provisions stated in the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules. Our Company is committed to the view that the Board should include a balanced composition of executive and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our executive Directors, who are also our employees, receive, in their capacity as our employees, compensation in the form of salary and cash bonus.

The aggregate amount of remuneration including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses which were paid to our Directors for the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014 was RMB208,000, RMB331,000, RMB631,000 and RMB496,000, respectively. In addition, we also recognised approximately RMB1,357,000, RMB1,357,000 and RMB678,000 of share-based payment expenses in 2012 and 2013 and the six months ended 30 June 2014 in connection with the share options granted by CK Great China to two executive Directors, namely Mr. Wang Jianqiang and Mr. Yang Peikun.

The aggregate amount of remuneration including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses which were paid by our Group to the five highest paid individuals for the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, was RMB857,000, RMB1,020,000, RMB1,177,000 and RMB935,000, respectively. In addition, we also recognised approximately RMB1,601,000, RMB1,601,000 and RMB764,000 of share-based payment expenses in 2012 and 2013 and the six months ended 30 June 2014 in connection with the share options granted by CK Great China to two executive Directors, namely Mr. Wang Jianqiang and Mr. Yang Peikun and certain key employees.

No remuneration was paid by our Group to the Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office in respect of the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014. Further, none of our Directors waived any remuneration during the same periods.

Under our arrangements currently in force, the aggregate remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind) of our Directors for the year ending 31 December 2014 is estimated to be no more than RMB0.8 million.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme and Pre-IPO Share Option Scheme on 13 November 2014. For details of the Share Option Scheme and Pre-IPO Share Option Scheme, please refer to the sections headed "Statutory and General Information — D. Other information — 1. Share Option Scheme" and "Statutory and General Information — D. Other information — 2. Pre-IPO Share Option Scheme" in Appendix IV to this prospectus.

COMPLIANCE ADVISER

We have appointed Somerley Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us in the following circumstances:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(c) where we propose to use the net proceeds of the Global Offering 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

(d) where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment shall commence on the Listing Date and end on the date which we distribute our annual report of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

OVERVIEW

Immediately upon completion of the Capitalisation Issue and the Global Offering, Mr. He Ningning will, via QT Investment, indirectly and beneficially owns in total approximately 75.0% of the issued share capital of our Company taking no account of the Shares which may be issued pursuant to the exercise of the Over-allotment Option or Shares which may be issued upon the exercise of options granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme, and hence Mr. He Ningning and QT Investment are our Controlling Shareholders.

Apart from our business relating to the design, research, development, manufacture and sales of the mid-to-high end camera modules for telecommunication device, our Controlling Shareholders, their close associates and Mr. Wang Jianqiang, our executive Director, are currently operating other businesses such as agency sales of print heads and connectors, research and development of complete handsets components, software applications for complete handsets, manufacture of FPCs, sales and manufacture of complete handsets on ODM basis and precise connectors and sourcing of equipment and PCBA (the "**Excluded Business**"). In order to focus on business of camera modules, and in line with our strategic direction and development plan, the Excluded Businesses will not form part of our Group after Listing.

None of our Controlling Shareholders is interested in any business which is, whether directly or indirectly, in competition with our business. To ensure that competition will not exist in the future, each of our Controlling Shareholders has entered into the Deed of Non-competition in favour of our Company to the effect that each of them will not, and will procure each of their respective close associates not to, directly or indirectly participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with our businesses.

DELINEATION OF BUSINESS

Our Directors are of the view that there is a clear delineation between the Excluded Businesses and our business, as a result of which none of the Excluded Businesses would compete, or is expected to compete, directly or indirectly, with our core business. None of the companies which are excluded from our Group (the "**Excluded Group**") are engaged in any business relating to the design, research, development, manufacture and sales of the mid-to-high end camera modules that competes or may compete with us. The Excluded Businesses were not injected into our Group as our Directors are of the view that such businesses neither form part of our core business nor are in line with our strategy to strengthen our market position in the camera modules industry in the PRC.

Our Group is principally engaged in the design, research, development, manufacture and sales of the mid-to-high end camera modules in the PRC, whereas the Excluded Businesses comprise principally agency sales of print heads and connectors, research and development of complete handsets components, software applications for complete handsets, manufacture of FPCs, sales and manufacture of complete handsets on ODM basis and precise connectors and sourcing of the equipment and PCBA. Given the different nature of our business and the Excluded Businesses, our Directors do not expect there to be any overlap or competition of the Excluded Businesses and our Group's business after the Listing.

NON-COMPETITION UNDERTAKINGS

Each of our Controlling Shareholders has undertaken to us in the Deed of Non-Competition that it/he will not, and will procure its/his close associates (other than members of our Group) not to directly or indirectly be involved in or undertake any business (other than our business) that directly or indirectly competes, or may compete, with our business or undertaking (the "**Restricted Activity**"), or hold shares or interest in any companies or business that compete directly or indirectly with the business engaged by our Group from time to time except where our Controlling Shareholders hold less than 5% of the total issued share capital of any company (whose shares are listed on the Stock Exchange or any other stock exchange) which is engaged in any business that is or may be in competition with any business engaged by any member of our Group and they do not control 10.0% or more of the composition of our Board.

Further, each of our Controlling Shareholders has undertaken to procure that if any new business investment or other business opportunity relating to the Restricted Activity (the "**Competing Business Opportunity**") is identified by or made available to him or it or any of his or its close associates, he or it shall, and shall procure that his or its close associates shall, refer such Competing Business Opportunity to our Company on a timely basis and in the following manner:

- refer the Competing Business Opportunity to our Company by giving written notice ("**Offer Notice**") to our Company of such Competing Business Opportunity within 30 business days of identifying the target company (if relevant) and the nature of the Competing Business Opportunity, the investment or acquisition costs and all other details reasonably necessary for our Company to consider whether to pursue such Competing Business Opportunity;

- upon receiving the Offer Notice, our Company shall seek approval from our Board or a board committee (in each case comprising only independent non-executive Directors) which has no interest in the Competing Business Opportunity (the "**Independent Board**") as to whether to pursue or decline the Competing Business Opportunity (any Director who has actual or potential interest in the Competing Business Opportunity shall abstain from attending (unless their attendance is specifically requested by the Independent Board) and voting at, and shall not be counted in the quorum for, any meeting convened to consider such Competing Business Opportunity);

- the Independent Board shall consider the financial impact of pursuing the Competing Business Opportunity offered, whether the nature of the Competing Business Opportunity is consistent with our Group's strategies and development plans and the general market conditions of our business. If appropriate, the Independent Board may appoint independent financial advisors and legal advisors to assist in the decision-making process in relation to such Competing Business Opportunity;

- the Independent Board shall, within 30 business days of receipt of the written notice referred above, inform our Controlling Shareholders in writing on behalf of our Company its decision whether to pursue or decline the Competing Business Opportunity;

- our Controlling Shareholders shall be entitled but not obliged to pursue such Competing Business Opportunity if he or it has received a notice from the Independent Board declining such Competing Business Opportunity or if the Independent Board failed to respond within such 30 days' period mentioned above; and

- if there is any material change in the nature, terms or conditions of such Competing Business Opportunity pursued by our Controlling Shareholders, he or it shall refer such revised Competing Business Opportunity to our Company as if it were a new Competing Business Opportunity.

The Deed of Non-Competition will lapse automatically if our Controlling Shareholders and their close associates cease to hold, whether directly or indirectly, 30.0% of our Shares or our Shares cease to be listed on the Stock Exchange.

In order to promote good corporate governance practices and to improve transparency, the Deed of Non-Competition includes the following provisions:

- our independent non-executive Directors shall review, at least on an annual basis, the compliance with the Deed of Non-competition by our Controlling Shareholders;

- each of our Controlling Shareholders has undertaken to us that it/he will provide all information necessary for the annual review by our independent non-executive Directors for the enforcement of the Deed of Non-competition;

- we will disclose the review by our independent non-executive Directors on the compliance with, and the enforcement of, the Deed of Non-competition in our annual report or by way of announcement to the public in compliance with the requirements of the Listing Rules;

- we will disclose the decisions on matters reviewed by the independent non-executive Directors (including the reasons for not taking up the Competing Business Opportunity referred to our Company) either through our annual report or by way of announcement to the public;

- each of our Controlling Shareholders will make an annual declaration in our annual report on the compliance with the Deed of Non-competition in accordance with the principle of voluntary disclosure in the corporate governance report;

- in the event that any of our Directors and/or their respective close associates has material interests in any matter to be deliberated by our Board in relation to the compliance and enforcement of Deed of non-competition, he/she may not vote on the resolutions of our Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles of Association; and

- we are committed that our Board shall include a balanced composition of executive and non-executive Directors (including the independent non-executive Directors). Given that the independent non-executive Directors represents half of our Board, we believe that there is strong independent element on our Board, which allow them to exercise independent judgment and to protect the interests of our public Shareholders. For further details of our independent non-executive Directors, please refer to the section headed "Directors and Senior Management — Board of Directors — Independent non-executive Directors" in this prospectus.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

We believe that our Group is capable of carrying on its business independently of our Controlling Shareholders and their respective close associates (other than our Group) after Listing for the following reasons:

Management Independence

Our Board comprises three executive Directors and three independent non-executive Directors. Other than Mr. He Ningning, none of our executive Directors currently holds any directorship or senior management role in the Excluded Group. Mr. He Ningning is the director and (in the case of PRC-established company) legal representative for most of the members of the Excluded Group. Mr. He Ningning does not expect to devote substantial time in the management of the Excluded Group going forward save for attending from time to time the board meetings of certain members of the Excluded Group. It is expected that Mr. He Ningning will spend substantially all of his working time in the operations of our Group after Listing.

In the event that Mr. He Ningning is required to absent himself from any board meeting on any matter which may give rise to a potential conflict of interest with the Excluded Group, our remaining Directors will have sufficient expertise and experience to fully consider any such matter. Notwithstanding the directorship of Mr. He Ningning in most of the members of the Excluded Group, our Directors, including the independent non-executive Directors, are of the view that our Board is able to manage our business on a full time basis independently from the Excluded Group for the following reasons:

(a) none of our businesses undertaken or carried on by the Excluded Group competes with our core business, and there are adequate corporate governance measures in place to manage the existing and potential conflicts of interest. Therefore, the dual roles assumed by Mr. He Ningning will not affect the requisite degree of impartiality of our executive Directors in discharging their fiduciary duties owed to our Company;

(b) we have three independent non-executive Directors, and certain matters of our Company, including matters referred to in the Deed of Non-competition, details of which are set out in the section headed "Relationship with Controlling Shareholders — Non-competition undertakings" above, must always be referred to the independent non-executive Directors for their review. This helps to enhance the independence of our management from that of the Excluded Group;

(c) in the event of a conflict of interests, Mr. He Ningning will abstain from voting, will not be present in the relevant Board meetings and will be excluded from deliberation by our Board. Hence, Mr. He Ningning will not be able to influence our Board in making decisions on matters in which he is, or may be, interested. We believe all of our Directors, including the independent non-executive Directors, have the requisite qualifications, integrity and experience to maintain an effective board and observe their fiduciary duties in the event of a conflict of interests. Please refer to the section headed "Directors and Senior Management — Board of directors — Independent non-executive Directors" in this prospectus for a summary of the relevant experience and qualifications of our Directors; and

(d) save as disclosed herein, our daily operations will be managed by our senior management team, none of whom currently holds any senior managerial position or directorship position within the Excluded Group.

Operational Independence

We are independent from our Controlling Shareholders as we do not share operational capabilities with our Controlling Shareholders, and we have independent access to suppliers and customers, as well as an independent management team to handle our day-to-day operations. We are also in possession of all relevant licenses necessary to carry on and operate our business and we have sufficient operational capacity in terms of capital and employees to operate independently from our Controlling Shareholders.

Although we entered into certain continuing connected transactions for our Company after Listing, such transactions have been entered into and will continue to be entered into on normal commercial terms and in the ordinary course of business of our Company. The details of the connected transactions that will continue after Listing are set out in the section headed "Connected Transactions" in this prospectus.

(a) Purchase of precise connectors and FPCs from the Excluded Group

We purchased from the Excluded Group precise connectors and FPCs produced by the Excluded Group for the manufacture of our camera modules. Our purchases of precise connectors from the Excluded Group for the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014 amounted to approximately RMB2.5 million, RMB0.9 million, RMB0.4 million and RMB0.04 million, respectively, represented approximately 1.0%, 0.2%, 0.03% and 0.005% of the total cost of sales of our Group for the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, respectively.

Our purchases of FPCs from the Excluded Group for the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014 amounted to approximately RMB1.5 million, RMB0.1 million, RMB0.02 million and RMB1.0 million, respectively, represented approximately 0.6%, 0.02%, 0.002% and 0.1% of the total cost of sales of our Group for the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, respectively.

The prices for the precise connectors and FPCs purchased from the Excluded Group during the Track Record Period are no less favourable than that charged by independent suppliers. We estimate that the maximum amount of our purchases of precise connectors from the Excluded Group for the three years ending 31 December 2014, 2015 and 2016 will not exceed RMB0.3 million, RMB0.3 million and RMB0.3 million, respectively, representing approximately 0.03%, 0.03% and 0.03% of the total cost of sales of our Group for the year ended 31 December 2013, respectively. We estimate that the maximum amount of our purchases of FPCs from the Excluded Group for the three years ending 31 December 2014, 2015 and 2016 will not exceed RMB3 million, RMB4.5 million and RMB6.5 million, respectively, representing approximately 0.3%, 0.4% and 0.6% of the total cost of sales of our Group for the year ended 31 December 2013, respectively.

Given the high quality of the precise connectors and FPCs supplied by the Excluded Group, its familiarity with our specifications, standards and requirements, we believe that it would be in our interest to continue purchasing precise connectors and FPCs from the Excluded Group and maintain a broader supplier and supplies base.

As we have independent access to other precise connectors and FPCs suppliers, and the precise connectors and the FPCs supplied by the Excluded Group are generally and widely available in the market at comparable market prices, we do not consider that such purchases of precise connectors and FPCs from the Excluded Group are of such materiality so as to affect our ability to conduct our business independently of the Excluded Group upon Listing.

(b) Supply of the storage services provided by Guangzhou CK

We entered into a service agreement with Guangzhou CK, pursuant to which Guangzhou CK agreed to provide storage services to our Group. The service fee for the provision of storage services for the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014 amounted to approximately HK$0.2 million, HK$0.2 million, HK$0.2 million and HK$0.1 million, respectively. The service fee for the provision of storage services provided by Guangzhou CK during the Track Record Period is no less favourable than that charged by independent service providers. We estimate that the maximum amount of the service fees payable to Guangzhou CK for the three years ending 31 December 2014, 2015 and 2016 will not exceed HK$0.3 million, HK$0.3 million and HK$0.3 million, respectively.

As we have independent access to other service providers, and the storage services provided by Guangzhou CK are generally and widely available in the market at comparable market prices, we do not consider that the provision of storage services by Guangzhou CK has any material impact on the independence of the operations of our Group.

Financial Independence

All loans, advances and balances due from our Controlling Shareholders and their respective close associates and all loans, advances and balances due to our Controlling Shareholders have been fully settled. All share pledges and guarantees provided by our Controlling Shareholders and their respective close associates on our Group's borrowing will also be fully released before Listing. Accordingly, we believe we are able to maintain financial independence from our Controlling Shareholders and their respective close associates. 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.

CORPORATE GOVERNANCE MEASURES

Our Controlling Shareholders and their respective close associates may not compete with us as provided in the Deed of Non-competition. Each of our Controlling Shareholders has confirmed that he/it fully comprehends his/its obligations to act as our Shareholders' best interests as a whole. Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, we have implemented the following measures:

(a) as part of our preparation for the Global Offering, we have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provided that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his close associates have a material interest nor shall such Director be counted in the quorum present at the meeting;

(b) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself from the board meetings on matters in which such Director or his associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;

(c) we are committed that our Board should include a balanced composition of executive Directors and independent non-executive Directors. We have appointed independent non-executive Directors and we believe our independent non-executive Directors possesses sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgement and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. Details of our independent non-executive Directors are set out in the section headed "Directors and Senior Management — Board of Directors — Independent non-executive Directors" in this prospectus; and

(d) we have appointed Somerley Capital Limited as our compliance adviser, which 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 corporate governance.

So far as is known to our Directors or chief executive officer as of the Latest Practicable Date, the following persons will, immediately prior to and following the completion of the Global Offering and the Capitalisation Issue (taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option or Shares which may be issued upon the exercise of any options which were granted under the Pre-IPO Share Option Scheme and may be granted under the Share Option Scheme), have interests or short positions in our Shares or underlying Shares which fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

		Shares held immediately prior to the Capitalisation Issue and the Global Offering[1]		Shares held immediately following the completion of the Capitalisation Issue and the Global Offering[1]	
Name of Shareholder	**Nature of Interest**	**Number**	**Percentage (approx.)**	**Number**	**Percentage (approx.)**
Mr. He Ningning	Interest of a controlled corporation	3(L)	100%	750,000,000(L)	75.0%
QT Investment[2]	Beneficial owner	3(L)	100%	750,000,000(L)	75.0%

Notes:

(1) The letter "L" denotes the person's long position in our Shares.

(2) QT Investment is beneficially and wholly owned by Mr. He Ningning. By virtue of the SFO, Mr. He Ningning is deemed to be interested in our Shares held by QT Investment.

If the Over-allotment Option is fully exercised, the beneficial interests of each of Mr. He Ningning and QT Investment will be approximately 72.29%, respectively.

Except as disclosed in this prospectus, our Directors and our chief executive officer are not aware of any person who will, immediately prior to and following the completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and no Shares are to be issued upon the exercise of any options which were granted under the Pre-IPO Share Option Scheme and may be granted under the Share Option Scheme), have interests or short positions in any Shares or underlying Shares, which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in the circumstances at general meetings of any member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately before and following the completion of the Global Offering (without taking into account the exercise of the Over-allotment Option or Shares which may be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme) and the Capitalisation Issue (assuming the Over-allotment Option is not exercised):

		Nominal value
		HK$
Authorised share capital:		
50,000,000,000	Shares of HK$0.01 each	500,000,000

		Nominal value
		HK$
Issued and to be issued, fully paid or credited as fully paid:		
3	Shares in issue as of the date of this prospectus	0.03
749,999,997	Shares to be issued pursuant to the Capitalisation Issue	7,499,999.97
250,000,000	Shares to be issued under the Global Offering	2,500,000.00
1,000,000,000	Total	10,000,000.00

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and the issue of Shares pursuant to the Global Offering and Capitalisation Issue are made. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or pursuant to the exercise of the options which were granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKINGS

The Offer Shares will be ordinary shares in the share capital of our Company and will rank pari passu in all respects with all Shares in issue or to be issued as mentioned in this prospectus and, in particular, will rank in full for all dividends or other distributions declared, made or paid on our Shares in respect of a record date which falls after the date of this prospectus save for the entitlement under the Capitalisation Issue.

GENERAL MANDATE TO ALLOT AND ISSUE NEW SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to allot, issue and deal with Shares in the share capital of our Company with a total nominal value of not more than the sum of:

(1) 20% of the total nominal amount of the share capital of our Company in issue immediately following the completion of the Global Offering and the Capitalisation Issue (excluding Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which were granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme); and

(2) the total nominal amount of share capital of our Company repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares granted to our Directors referred to below.

Our Directors may, in addition to our Shares which they are authorised to issue under this general mandate, allot, issue or deal with Shares under a rights issue, scrip dividend scheme or similar arrangement, or on the exercise of any option which were granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme.

This general mandate to issue Shares will remain in effect until the earliest of:

(i) the conclusion of our Company's next annual general meeting; or

(ii) the expiry of the period within which our Company is required by any applicable laws or its articles of association to hold its next annual general meeting; or

(iii) when varied or revoked by an ordinary resolution of the Shareholders in general meeting.

Further information on this general mandate is set out in the section headed "Statutory and General Information — A. Further information about our Group — 3. Resolutions in writing of the Shareholders of our Company passed on 13 November 2014" in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to exercise all the powers of our Company to repurchase Shares with a total nominal amount of not more than 10% of the total nominal amount of the share capital of our Company in issue immediately following the completion of the Global Offering and the Capitalisation Issue (excluding Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which were granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange or any other stock exchange on which our Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Statutory and General Information — A. Further information about our Group — 6. Repurchases of our Shares" in Appendix IV to this prospectus.

This general mandate to repurchase Shares will remain in effect until the earliest of:

(i) the conclusion of our Company's next annual general meeting; or

(ii) the expiry of the period within which our Company is required by any applicable laws or its articles of association to hold its next annual general meeting; or

(iii) when varied or revoked by an ordinary resolution of the Shareholders in general meeting.

Further information on this general mandate is set out in the section headed "Statutory and General Information — A. Further information about our Group — 3. Resolutions in writing of the Shareholders of our Company passed on 13 November 2014" in Appendix IV to this prospectus.

SHARE OPTION SCHEME AND PRE-IPO SHARE OPTION SCHEME

Pursuant to the written resolutions of the Shareholders dated 13 November 2014, we conditionally adopted the Share Option Scheme and the Pre-IPO Share Option Scheme. Summaries of the principal terms of the Share Option Scheme and the Pre-IPO Share Option Scheme are respectively set out in the sections headed "Statutory and General Information — Share Option Scheme" and "Statutory and General Information — Pre-IPO Share Option Scheme" in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company has only one class of shares, namely ordinary shares, each of which ranks *pari passu* with the other shares.

Pursuant to the Cayman Companies Law and the terms of the Memorandum and the Articles, 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 Cayman Companies Law, reduce its share capital or capital redemption reserve by its shareholders passing special resolution. For further details, please refer to the section headed "Summary of the Constitution of the Company and Cayman Islands Company Law — Articles of Association — Alteration of capital" in Appendix III to this prospectus.

Pursuant to the Cayman Companies Law and the terms of the Memorandum and the Articles, all or any of the special rights attached to our Shares or any class of our 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 our Shares of that class. For further details, please refer to the section headed "Summary of the Constitution of the Company and Cayman Islands Company Law — Articles of Association — Variation of rights of existing shares or classes of shares" in Appendix III to this prospectus.

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements with two investors (the "**Cornerstone Investors**"), who have agreed to subscribe at the Offer Price for such number of Shares (rounded down to the nearest whole board lot of 1,000 Shares) that may be subscribed (the "**Cornerstone Placing**") with an aggregate amount of approximately HK$122.25 million (excluding brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% and on the assumption that the Offer Shares are subscribed at an Offer Price of HK$3.195, being the mid-point of the Offer Price range set forth in this prospectus). Assuming an Offer Price of HK$3.195, the mid-point of the Offer Price range set forth in this prospectus, and the subscription amount is calculated based on the exchange rate of HK$7.7523 = US$1.00, the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 38,263,000 Shares, representing approximately 3.83% of our issued share capital after the Global Offering (assuming the Over-allotment Option is not exercised) or approximately 15.31% of the number of Offer Shares initially offered under the Global Offering.

Each of the Cornerstone Investors is independent from our Company, our connected persons and our associates. The Cornerstone Investors will not subscribe for any Offer Shares under the Global Offering other than pursuant to the relevant cornerstone investment agreements. Immediately following the completion of the Global Offering, the Cornerstone Investors will not have any board representation in our Company, nor will any of the Cornerstone Investors become a substantial shareholder of our Company. The Offer Shares to be subscribed by the Cornerstone Investors will rank *pari passu* with the fully paid Shares then in issue and to be listed on the Stock Exchange and will be counted towards the public float of our Shares. No special rights have been granted to the Cornerstone Investors as part of the Cornerstone Placing.

The Cornerstone Placing forms part of the International Offering. The total number of Offer Shares to be purchased by the Cornerstone Investors may be affected by reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed "Structure and conditions of the Global Offering — Hong Kong Public Offering — Number of Shares initially offered and their allocation" in this prospectus. Details of the allocations to the Cornerstone Investors will be disclosed in the announcement of results of allocations in the Hong Kong Public Offering to be published on 1 December 2014. The following table sets forth certain information regarding the anticipated holding of Offer Shares of the Cornerstone Investors.

			Approximate percentage of total issued Shares immediately following the completion of the Capitalisation Issue and the Global Offering (%)	
Cornerstone Investors	**Number of Offer Shares subscribed[1]**	**Approximate percentage of total number of Offer Shares initially offered under the Global Offering (%)**	**(assuming the Over-allotment Option is not exercised)**	**(assuming the Over-allotment Option is exercised in full)**
Pan Hou	24,263,000[2]	9.71	2.43	2.34
Samart	14,000,000	5.60	1.40	1.35
Total	38,263,000	15.31	3.83	3.69

Notes:

(1) Rounded down to the nearest whole board lot of 1,000 Shares and assuming an Offer Price of HK$3.195 (being the mid-point of the Offer Price range stated in this prospectus).

(2) The committed investment amount of Pan Hou is US$10 million (or approximately HK$77.523 million based on the exchange rate of HK$7.7523 = US$1.00).

OUR CORNERSTONE INVESTORS

Our Cornerstone Investors are set our below:

1. **Pan Hou Capital Management Limited ("Pan Hou")**

Pan Hou has agreed to subscribe for such number of Shares (rounded to the nearest whole board lot of 1,000 Shares) which may be purchased with an aggregate amount of US$10 million (or approximately HK$77.523 million based on the exchange rate of HK$7.7523 = US$1.00) at the Offer Price. Assuming an Offer Price of HK$3.195, being the mid-point of the Offer Price range set forth in this prospectus, Pan Hou will subscribe for approximately 24,263,000 Shares, representing approximately 2.43% of the Shares upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised).

Pan Hou is a company incorporated with limited liability in the BVI whose business includes investment in the equity capital markets. It is wholly-owned by Mr. Lin Liming, an Independent Third Party.

2. **Samart i-Mobile Public Company Limited** ("**Samart**")

Samart has agreed to subscribe for 14,000,000 Offer Shares, representing approximately 1.40% of the Shares upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised), at an aggregate subscription price of approximately HK$44.73 million (on the assumption that the 14,000,000 Offer Shares are subscribed at an Offer Price of HK$3.195, being the mid-point of the Offer Price range set forth in this prospectus).

Samart is a company listed on the Stock Exchange of Thailand. Based on publicly available information, Samart distributes mobile phones with "i-mobile" brand and provides mobile phones bundled with content, provides voice services, audiovisual or multimedia services and infotainment services through mobile phones, and also engages in mobile virtual network operator (MVNO) business which involves wholesale and resale of mobile services on 3G networks at a frequency of 2,100 MHz, which is a service purchased from TOT Public Company Limited. Samart is also one of our overseas customers.

CONDITIONS PRECEDENT

The subscription obligation of each of the Cornerstone Investors to subscribe for the Shares is subject to, among other things, the following conditions precedent:

(1) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become effective and unconditional (in accordance with their respective original terms, or as subsequently varied or waived (to the extent it may be waived) by agreement of the parties thereto) by no later than the time and date as specified in such agreements or any such later time and date as may be agreed between the Sole Sponsor and the Sole Global Coordinator;

(2) none of the Hong Kong Underwriting Agreement nor the International Underwriting Agreement having been terminated;

(3) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Shares and such approval or permission not having been revoked; and

(4) no laws shall have been enacted or promulgated which prohibit the consummation of the transactions contemplated in the Hong Kong Public Offering, the International Offering or in the cornerstone investment agreements and no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions.

RESTRICTIONS ON THE CORNERSTONE INVESTORS' INVESTMENT

Each of the Cornerstone Investors has agreed that, without the prior written consent of each of our Company, the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Underwriters), it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date, dispose of (as defined in the relevant cornerstone investment agreements) any of the Shares subscribed for by it pursuant to the relevant cornerstone placing agreement or any interest in any company or entity holding thereof, nor will it agree or contract to, or publicly announce any intention to enter into a transaction with a third party for disposal thereof, other than transfers to any wholly-owned subsidiary of such Cornerstone Investor provided that such wholly-owned subsidiary undertakes to, and such Cornerstone Investor undertakes to procure that such wholly-owned subsidiary will, abide by the restrictions on disposals imposed on such Cornerstone Investor.

You should read the following discussion and analysis in conjunction with our financial information, including the accompanying notes thereto, set out in Appendix I to this prospectus. Our financial information has been prepared in accordance with IFRS. The following discussion and analysis contains certain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depend on a number of risks and uncertainties over which we do not have control. Please also see the sections headed ''Risk Factors'' and ''Forward-looking Statements'' in the prospectus.

OVERVIEW

We are a leading PRC-based camera module manufacturer mid-to-high end camera module market for Chinese branded smart phone and tablet PC manufacturers. We have been primarily engaged in the design, research, development, manufacture and sales of camera modules since our establishment in 2007. With professional talents and technologies accumulated throughout the years, we are currently able to offer a wide range of high quality AF and FF camera modules with resolution ranging from 3 mega pixels and lower to 16 mega pixels. We are also able to offer super-thin AF camera module prototype with resolution of 20 mega pixels and camera modules with wide-angle lenses (廣角鏡), larger aperture (大光圈) and functions of OIS and Closed-loop control with our latest technologies. According to CCID Consulting, we are also currently one of the few manufacturers in China that can manufacture and sell camera modules with resolution of 16 and 20 mega pixels. According to CCID Consulting, we ranked second and third, respectively, in the PRC camera module market for smart devices in terms of revenue and sales volume in 2013, and ranked third in terms of both revenue and sales volume in the first half of 2014 with a market share of approximately 6.6% and 6.1%, respectively. We also ranked third in the PRC in terms of revenue and sales volume of mid-to-high end camera modules, being camera modules with resolution of 5 mega pixels and higher, in the first half of 2014, with a market share of approximately 8.4% and 9.1%, respectively.

During the Track Record Period, we primarily sold our products to our customers in the PRC. We believe that our product quality, technological expertise and customer-oriented sales services have helped us to gain a strong reputation and maintain a stable and strong customer base. Our key customers are leading Chinese branded smart phone and tablet PC manufacturers, including Lenovo, ZTE, Coolpad, TCL, BBK and Hisense, among which, Lenovo, ZTE and Coolpad were also the world's top ten smart phone manufacturers in 2013 and our top five customers during the Track Record Period. Our suppliers, on the other hand, are also global leading industrial players, such as OmniVision Technologies (豪威科技) and Largan Precision Co., Ltd. (大立光電股份有限公司). For the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, we sold a total of approximately 15.3 million, 23.9 million, 48.2 million and 35.1 million units of camera modules. For the year ended 31 December 2013 and the six months ended 30 June 2014, approximately 88.5% and 93.5% of our turnover, respectively, was generated from the sales of our camera modules with resolution of 5 mega pixels and higher.

We have experienced rapid growth during the Track Record Period. Our turnover increased from RMB283.4 million for the year ended 31 December 2011 to RMB637.8 million for the year ended 31 December 2012 and further to RMB1,410.6 million for the year ended 31 December 2013, representing a CAGR of 123.1%. Our profit for the year for the three years ended 31 December 2011, 2012 and

2013 was RMB37.4 million, RMB50.5 million and RMB163.2 million, respectively, representing a CAGR of 108.7%. Our turnover also increased from RMB537.5 million for the six months ended 30 June 2013 to RMB965.1 million for the six months ended 30 June 2014, while our profit for the period increased from RMB47.2 million for the six months ended 30 June 2013 to RMB89.0 million for the six months ended 30 June 2014.

BASIS OF PRESENTATION

During the Track Record Period, our Group's business was conducted through CK Great China and our subsidiaries, Kunshan QT China and Kunshan QT Hong Kong. Our Company was incorporated as an exempted company under the laws of Cayman Islands with limited liability on 5 May 2014 as part of the Reorganisation and in preparation for the Listing. CK Great China was incorporated on 3 July 2007 and was beneficially owned and controlled by our Controlling Shareholder, Mr. He Ningning. Upon completion of the Reorganisation on 26 June 2014, our Company became our Group's holding company. The companies that took part in the Reorganisation were controlled by the Controlling Shareholder before and after the Reorganisation and there were no change in the business of our Group as a result of the Reorganisation.

As our Company had no substantive operations prior to the Reorganisation and was formed for the sole purpose of effecting our Group's restructuring and the Listing, no business combination had occurred and the Reorganisation has been accounted for using principle similar to that for a reverse acquisition as set out in IFRS 3, Business combinations.

The financial information has been prepared and presented as a continuation of the financial information of CK Great China with the assets and liabilities of CK Great China and its subsidiaries recognised and measured at their historical carrying amounts prior to the Reorganisation.

Intra-group balances and intra-group transactions are eliminated in full in preparing the financial information.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been and will continue to be affected by a number of external factors, including the following:

Growth of China's economy and camera module market

We conduct majority of our operations and generate significant portion of our turnover in the PRC. According to the CCID Report, the PRC economy has maintained rapid growth in recent years, achieving a CAGR for real GDP of approximately 8.8% from 2009 to 2013. Economic growth in the PRC contributes to increases in disposable income and consumer spending among its population, which, in turn, drive demand for consumer products. The PRC camera module market also experienced a significant growth from 2009 to 2013 primarily due to the rapid development of the global and PRC markets for smart phones, tablet PCs and other smart devices, favourable PRC government policies in relation to internet, mobile communications and smart devices and terminals and rapid growth of China's economy. According to the CCID Report, sales revenue of camera modules in the PRC increased from approximately RMB1.8 billion in 2009 to RMB23.2 billion in 2013, representing a CAGR of approximately 89.5%. Sales volume of camera modules in the PRC also increased from 46.3 million units in 2009 to 877.3 million units in 2013, representing a CAGR of approximately 108.6%.

Camera modules for smart phones represented the largest sector of the total PRC camera module market according to the CCID Report, accounting for approximately 83.6% of the total revenue of the PRC camera module market in 2013. We believe that the growth of China's economy and camera module market will continue to help us to expand our customer base and contribute to the growth of our turnover and profit. However, any slow down or decline in China's economy may adversely affect consumers' purchasing power on consumer products, including smart phones, tablet PCs and other smart devices, which in turn, may affect China's camera module market and demand for our products. If that happens, our future business, financial condition and results of operations will be materially and adversely affected. Please also refer to the section headed "Risk Factors — Risk relating to our business and industry — Demand for our products depends on the trends and developments in the markets, and decrease in demand for our products may materially and adversely affect our business, financial condition and results of operations" in this prospectus for more details.

Our design, research and development ability to enhance our existing products and develop new products, software and production equipment

The camera module industry is characterised by rapidly-evolving technology advancements, frequent new product specifications and changing customers' demand. With professional talents and technologies accumulated throughout the years, we are currently able to offer a wide range of high quality AF and FF camera modules with resolution ranging from 3 mega pixels and lower to 16 mega pixels. We are also able to offer super-thin AF camera module prototype with resolution of 20 mega pixels and camera modules with wide-angle lenses (廣角鏡), larger aperture (大光圈) and functions of OIS and Closed-loop control with our latest technologies. According to CCID Consulting, we are also currently one of the few manufacturers in China that can manufacture and sell camera modules with resolution of 16 and 20 mega pixels. We also regularly conduct research, and develop and upgrade our software and production equipment to improve our assembly technologies and testing systems, such as testing algorithms (測試算法), UV automated dispenser machines (UV自動點膠機), laser cutting machines (激光切割機), automated functional testing machines (自動功能測試機), USB3.0 image transmission technology (USB3.0圖像傳輸技術) and OTP burning devices (OTP燒錄裝置). We will continue to focus on mid-to-high end camera module market and consistently focus our effort on developing new technologies to support the evolving industry standards and meet our customers' needs. However, we may encounter practical difficulties in commercialising the results of our design, research and development activities and launching new products as originally intended, or fail to further refine our technology or improve processes which may render our products uncompetitive or obsolete and result in a decline in our market share. Please also refer to the section headed "Risk Factors — Risk relating to our business and industry — We may fail to further refine our technology and develop and introduce new products or encounter technological obsolescence relating to our production machinery and equipment and production methods due to revolutionary changes of our current assembly technologies, which may in turn materially and adversely affect our business, financial condition and results of operations" in this prospectus for more details.

Product mix and pricing of our products

Our results of operations and financial conditions are affected by our product mix and the pricing of our products. We currently offer AF and FF camera modules with various resolution and specifications. Generally, our camera modules with higher resolution and/or better specifications have higher gross profit margins than our camera modules with lower resolution and/or lower specifications. We intend to strengthen our products by incorporating advancements into our existing products as well as develop new products featuring the latest technologies and with more specifications. We aim to continue to adjust our product mix in an effort to expand our business and improve our market position.

Our turnover and profitability are also affected by the pricing of our products, which is determined by factors such as prevailing market conditions, cost of our design, research and development, cost of our raw materials and components, cost of production, and competitors' prices for similar products. In particular, we obtain some of our sales orders through competitive and open tender process from some of our key customers, which limit our ability to set prices for our products at levels that reflect our market position. Further, average selling prices of our camera modules with similar resolution and specifications typically decrease over time due to rapid changes of market trends and customers' demand. Please also refer to the section headed "Risk Factors — Risks relating to our business and our industry — Market development may result in declining turnover, sales volume and average selling prices of our certain products, which may in turn affect our gross profit margin for such products and overall profitability" and "Financial Information — Principal consolidated income statements components — Gross profit and gross profit margin" in this prospectus for more details.

Cost of raw materials and components

We manufacture all of our products at our Kunshan Production Base. The principal raw materials and components we use in our manufacture of camera modules are sensors, lenses, VCMs and PCBs and/or FPCs. We purchase our raw materials and components from both domestic and overseas suppliers and some of our major suppliers are also global leading industrial players. For the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, our cost of raw materials and components was RMB224.2 million, RMB496.0 million, RMB1,065.8 million and RMB719.5 million, respectively, accounting for 89.8%, 90.0%, 90.6% and 90.3%, respectively, of our total cost of sales for the same periods. While the prices of our principal raw materials and components for the camera modules with similar resolution and specifications generally decrease over time due to the competitiveness of the supply chain, rapidly-evolving technology advancement, and market trends and developments of the camera module industry, the selling prices of such camera modules may also decrease significantly due to rapid launches of new products, continuous technological advancements and changing of market trends and customers' preferences. In the event that decrease in the selling price of a particular type of camera modules cannot be offset by a corresponding decrease in the prices of raw materials and components for such camera modules, our turnover and gross profit margin will be materially and adversely affected. In addition, we also require raw materials and components with better quality and more technological advancement to develop and manufacture new types of camera modules with higher resolution and better specifications. As a result, our performance in future will continue to depend on our ability to retain and develop qualified suppliers and the cost of our raw materials and components. Please also refer to the section headed "Risk Factors — Risks relating to our business and our industry — We may not be able to pass onto our suppliers any or all decreases in average selling prices of our certain products, which may in turn adversely affect our profitability" and "— We depend on a limited number of quality suppliers, and termination of business relationships by our suppliers or any significant decrease in supplying quality raw materials and components to us would have a material and adverse effect on our business, financial condition and results of operations" in this prospectus for more details.

Our production capacity

To effectively adjust our manufacturing capabilities to meet the growing customers' demand, we must ensure that we have sufficient production capacity, which affects our turnover, in particular our turnover growth in the near future. Our effective utilisation rate was approximately 90.1% and 75.3% for the year ended 31 December 2011 and the seven months ended 31 July 2012, respectively, at our Former Production Base, and we achieved effective utilisation rate of approximately 86.2%, 74.4% and 65.5% for the five months ended 31 December 2012, the year ended 31 December 2013 and the six months ended 30 June 2014, respectively, at our Kunshan Production Base. According to CCID Consulting, we ranked third in the PRC camera module market in terms of sales volume in 2013. In order to meet the increasing demand of our customers and maintain or improve our market share, we will need additional production capacity. As such, we decided to upgrade our Kunshan Production Base by expanding our Class 10 and Class 1,000 Cleanrooms for our production process, including assembly and testing and packaging, and purchasing new production and testing machinery and equipment in the second half of 2013. Our monthly production capacity of camera modules increased from approximately 5.6 million units in December 2013 to approximately 8.5 million units in June 2014. We expect our monthly production capacity will further increase to 13.0 million units by the end of 2014 and to 18.0 million units by the end of 2015. We believe that our future operating results will depend upon on our ability to maintain sufficient operation of our Kunshan Production Base. If we are unable to achieve high utilisation rate at our Kunshan Production Base, or if we are not able to manufacture sufficient products to meet the orders of our customers, our business, financial condition and results of operations may be materially and negatively affected. Please also refer to the section headed "Risk Factors — Risks relating to our business and our industry — Our future operating results may depend on our ability to maintain efficiency and production at our Kunshan Production Base" in this prospectus for more details.

Seasonality

Our business and operating results are subject to seasonal fluctuations. We generally record higher sales in the second half of the year due to the increased demand of our customers resulting from their needs to manufacture smart phones and tablet PCs as they and/or telecom operators typically have sales promotions for smart phones and tablet PCs during the holiday seasons, such as the Chinese National Day holidays and Chinese New Year. Our customers typically make purchase orders with us in batches within two or three months before these holiday sales. As a result, any comparisons of our sales and operating results between different periods within a single financial year are not necessarily meaningful and cannot be relied on as indicators of our performance. Our results of operations are likely to continue to fluctuate due to the seasonality.

Competition

The PRC camera modules industry is led by a small number of major players, with the rest of the market highly fragmented. We currently compete primarily with several domestic camera module manufacturers in the PRC on the basis of design, research and development capabilities, assembly technologies, customers, product quality, price, lead time in production and customer service. In addition, according to the CCID Report, competition in the PRC camera module market is expected to intensify as more new entrants will enter into the market, which may pose challenges to our market share and reduce our sales, prices and gross profit margin and materially and adversely affect our business, financial condition and results of operations. Please also refer to the sections headed "Risk Factors — Risks relating to our business and our industry — We operate in a very competitive market and if we fail to compete effectively, our market share and profit margins may decline" and "Industry Overview" in this prospectus for more details.

Taxation

Our profitability and financial performance is affected by the level of taxation that we pay on our profit and the preferential tax treatments to which we are entitled. Under the EIT Law, our subsidiaries in the PRC are subject to the PRC income tax at the statutory PRC corporate income tax rate of 25.0%. However, our Kunshan QT China was recognised as a High and New Technology Enterprise by the local government authority and enjoys a preferential income tax rate of 15.0% from 1 January 2012 to 31 December 2014. We expect to renew the High and New Technology Enterprise qualification for our Kunshan QT China for another three-year period commencing from 1 January 2015. If our Kunshan QT China fails to renew its High and New Technology Enterprise qualification, its applicable corporate income tax rate would increase to 25.0%, which would have a material adverse effect on our financial condition and results of operations. Please also refer to the sections headed "Risk Factors — Risks relating to our business and our industry — Discontinuation of any preferential tax treatment or imposition of any additional taxes could materially and adversely affect our financial condition and results of operations" and "Financial Information — Principal consolidated income statements components — Income tax" in this prospectus for more details.

SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

We have identified certain accounting policies that are significant to the preparation of our financial information. We have also made certain accounting judgements and assumptions in the process of applying our accounting policies. When reviewing our financial information, you should consider (i) our selection of significant accounting policies; (ii) the judgement and assumptions affecting the application of such policies; and (iii) the sensitivity or reported results to change in conditions and assumptions. We set out below those accounting judgement and estimates used in the preparation of our financial statements. Our significant accounting policies, estimates and judgements, which are important for an understanding of our financial condition and results of operations, are set out in more details in notes 1 and 31 to the accountants' report in Appendix I to this prospectus.

Revenue recognition

We measure our revenue at the fair value of the consideration received or receivable, provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably. We recognise revenue when goods are delivered and when the customer has accepted the related risks and rewards of ownership. Our turnover represents the sales value of our goods sold, less value-added tax and any trade discounts.

Government grants

Government grants are recognised in the statements of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same year in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful lives of the asset by way of reduced depreciation expense. Unconditional discretionary government grants from the government authorities are recognised in the profit or loss as other revenue when the amount is received.

Research and development

Our research and development costs comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Because of the nature of our research and development activities, the criteria for the recognition of such costs as an asset are generally not met until late in the development stage of the project when the remaining development costs are immaterial. Hence both research costs and development costs are generally recognised as expenses in the period in which they are incurred.

Share-based payment under employee benefits

The fair value of shares granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the black-scholes model, taking into account the terms and conditions upon which the shares were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the shares, the total estimated fair value of the shares is spread over the vesting period, taking into account the probability that the shares will vest.

During the vesting period, the number of shares that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged / credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of shares that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the shares are exercised (when it is transferred to the share premium account) or the shares expire (when it is released directly to retained profits).

Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market conditions and the historical experience of selling products with similar nature. When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

We estimate the impairment allowances for trade and other receivables by assessing the recoverability based on credit history and prevailing market conditions. This requires the use of estimates and judgements. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, such difference will affect the carrying amounts of trade and other receivables and thus the impairment loss in the period in which such estimate is changed. We reassess the impairment allowances annually.

Property, plant and equipment

We measure our property, plant and equipment at cost less accumulated depreciation and impairment losses. Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives as follows:

Plant and machinery	10 years
Motor vehicles	5 years
Office and other equipment	3-5 years
Buildings	over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 20 years after the date of completion

after taking into account their estimated residual values as follows:

	Residual value rate (%)
Buildings	10.0%
Plant and machinery	10.0%
Motor vehicles	10.0%
Office and other equipment	10.0%

No depreciation is provided in respect of construction in progress. Both the useful lives of an asset and its residual value, if any, are reviewed annually in order to determine the amount of depreciation to be recorded during any reporting period. The useful lives are based on our historical experience with similar assets. The depreciation for future periods are adjusted prospectively if there are significant changes from previous estimates.

Other financial assets

Other financial assets are initially stated at fair value plus any directly attributable transaction costs. At the end of each reporting period, the fair value is re-measured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. Interest income from these financial assets is recognised using the effective interest method in profit or loss in accordance with the policy sets out in note 1(u)(ii) to our financial information included in the accountants' report in Appendix I to this prospectus. When these financial assets are derecognised or impaired, the cumulative gain or loss is reclassified from equity to profit or loss.

For our other financial assets, we determine fair values using discounted cash flow models, as well as other types of valuation model. Assumptions and inputs used in valuation techniques include discount rate and the expected return. Where discounted cash flow techniques are used, estimated cash flows are based on management's best estimates and the discount rate used is estimated based on the risk free interest rate plus credit spread of comparable bonds with similar credit rating, coupons and maturity of each wealth management product. The credit spread of each of the wealth management products is calculated by the expected return on such product minus risk-free rate as of each of the balance sheet date. According to the external valuer of our wealth management products, the discount rate used to value our wealth management products during the Track Record Period ranged from approximately 3.2% to 7.4%, and taking into account the comparatively large carrying amount of our wealth management products during the Track Record Period, the valuation of our wealth management products was not sensitive to the changes in the discount rate used. Where other pricing models are used, inputs are based on observable market data at each of the reporting period dates.

RESULTS OF OPERATIONS

The following table sets forth the consolidated income statements for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 *(unaudited)*	RMB'000
Turnover	283,442	637,786	1,410,613	537,500	965,081
Cost of sales	(249,565)	(550,925)	(1,176,567)	(465,419)	(796,835)
Gross profit	33,877	86,861	234,046	72,081	168,246
Other revenue	6,011	9,299	11,483	5,064	7,195
Other net income/(loss)	17,346	1,650	15,341	1,665	(5,888)
Selling and distribution expenses	(1,291)	(2,192)	(3,259)	(1,747)	(2,400)
Administrative and other operating expenses	(2,597)	(7,352)	(14,572)	(5,907)	(18,129)
Research and development expenses	(8,886)	(24,956)	(51,058)	(16,544)	(33,224)
Profit from operations	44,460	63,310	191,981	54,612	115,800
Finance costs	(591)	(5,307)	(9,010)	(3,035)	(10,203)
Share of (losses)/profit of an associate	(1,618)	(3,681)	5,201	2,778	—
Profit before taxation	42,251	54,322	188,172	54,355	105,597
Income tax	(4,804)	(3,852)	(25,011)	(7,152)	(16,645)
Profit for the year/period	37,447	50,470	163,161	47,203	88,952

PRINCIPAL CONSOLIDATED INCOME STATEMENTS COMPONENTS

Turnover

During the Track Record Period, we derived our turnover primarily from the manufacture and sales of our camera modules to Chinese branded smart phone and tablet PC manufacturers. Our turnover represents the sales value of our goods sold, less value-added tax and any trade discounts.

The table below sets out our turnover by product category for the periods indicated:

Our camera modules with resolution of[1]	Year ended 31 December						Six months ended 30 June			
	2011		2012		2013		2013		2014	
	RMB ('000)	% of total turnover	RMB ('000)	% of total turnover	RMB ('000)	% of total turnover	RMB ('000)	% of total turnover	RMB ('000)	% of total turnover
							(unaudited)			
3 mega pixels and lower[2]	271,685	95.8	292,831	45.9	160,467	11.4	119,116	22.2	62,154	6.5
5 mega pixels	10,408	3.7	319,858	50.2	953,162	67.5	335,661	62.5	584,206	60.5
8 mega pixels	—	—	23,132	3.6	281,796	20.0	81,930	15.2	261,637	27.1
13 mega pixels	—	—	42	0.0	13,923	1.0	193	0.0	57,057	5.9
16 mega pixels	—	—	—	—	—	—	—	—	27	0.0
Others[3]	1,349	0.5	1,923	0.3	1,265	0.1	600	0.1	—	—
Total:	**283,442**	**100.0**	**637,786**	**100.0**	**1,410,613**	**100.0**	**537,500**	**100.0**	**965,081**	**100.0**

Notes:

1. We only sold camera modules with resolution ranging from 3 mega pixels and lower to 16 mega pixels during the Track Record Period.
2. Our camera modules with resolution of 3 mega pixels and lower primarily include VGAs, CIFs and camera modules with resolution of 0.04 mega pixels, 1 mega pixels, 1.3 mega pixels, 2 mega pixels and 3 mega pixels.
3. Others include sales of other product prototypes to customers.

The table below sets out our sales volume and average selling prices of our camera modules by product category for the periods indicated:

Our camera modules with resolution of[1]	Year ended 31 December						Six months ended 30 June			
	2011		2012		2013		2013		2014	
	Sales volume ('000 units)	Average selling price/unit (RMB)	Sales volume ('000 units)	Average selling price/unit (RMB)	Sales volume ('000 units)	Average selling price/unit (RMB)	Sales volume ('000 units)	Average selling price/unit (RMB)	Sales volume ('000 units)	Average selling price/unit (RMB)
							(unaudited)			
3 mega pixels and lower[2]	15,017	18.1	15,568	18.8	10,310	15.6	7,105	16.8	5,386	11.5
5 mega pixels	217	48.0	7,859	40.7	32,556	29.3	10,837	31.0	23,222	25.2
8 mega pixels	—	—	373	62.0	4,875	57.8	1,319	62.1	5,637	46.4
13 mega pixels	—	—	0.4	116.7	243	57.3[3]	2	91.7	884	64.5[3]
16 mega pixels	—	—	—	—	—	—	—	—	0.2	136.4
Others[4]	84	16.1	130	14.8	199	6.4	131	4.5	—	—
Total:	**15,318**	**18.5**	**23,930**	**26.7**	**48,183**	**29.3**	**19,394**	**27.7**	**35,129**	**27.5**

Notes:

1. We only sold camera modules with resolution ranging from 3 mega pixels and lower to 16 mega pixels during the Track Record Period.
2. Our camera modules with resolution of 3 mega pixels and lower primarily include VGAs, CIFs and camera modules with resolution of 0.04 mega pixels, 1 mega pixels, 1.3 mega pixels, 2 mega pixels and 3 mega pixels.
3. We sold a majority and a small portion of our camera modules with resolution of 13 mega pixels in the second half of 2013 and the first half of 2014, respectively, to one of our overseas customers who provided us with the sensors associated with the manufacture of such camera modules. As such, the selling price of our camera modules with resolution of 13 mega pixels sold to this customer was generally lower than our camera modules with resolution of 13 mega pixels sold to other customers. The average selling price of our camera modules with resolution of 13 mega pixels would be approximately RMB85.2 per unit for the year ended 31 December 2013 and approximately RMB68.8 per unit for the six months ended 30 June 2014 if we take no account of our sales of camera modules with resolution of 13 mega pixels to this customer.
4. Others include sales of other product prototypes to customers.

We experienced strong growth in sales during the Track Record Period. Our turnover increased from RMB283.4 million for the year ended 31 December 2011 to RMB637.8 million for the year ended 31 December 2012, and further to RMB1,410.6 million for the year ended 31 December 2013, representing a CAGR of 123.1% during the period. Our turnover also increased from RMB537.5 million for the six months ended 30 June 2013 to RMB965.1 million for the six months ended 30 June 2014. The increase in our turnover during the Track Record Period was primarily due to the increase in sales volume of our products, especially our camera modules with resolution of 5 mega pixels and 8 mega pixels, accompanied by their relatively higher average selling prices during the first few years of their introduction. The increase in sales volume of our camera modules was primarily the results of (i) the increase in demand of our products from some of our existing customers; (ii) the increase in sales of our products to our new customers as we continued to expand and gain more reputation in the market; and (iii) the increase in sales in the overall PRC camera module market due to the rapid development of the global and PRC markets for smart phones, tablet PCs and other smart devices, favourable PRC government policies in relation to internet, mobile communications and smart devices, rapid growth of China's economy and increasing purchasing power of China's urban and rural households.

During the Track Record Period, turnover and sales volume of our camera modules with resolution of 3 mega pixels and lower declined significantly, from approximately RMB271.7 million and 15.0 million units, accounting for approximately 95.9% and 98.0% of our total turnover and sales volume for the year ended 31 December 2011, respectively, to approximately RMB160.5 million and 10.3 million units, accounting for approximately 11.4% and 21.4% of our total turnover and sales volume for the year ended 31 December 2013, respectively. Our turnover and sales volume of camera modules with resolution of 3 mega pixels and lower further declined to approximately RMB62.2 million and 5.4 million units for the six months ended 30 June 2014, accounting for approximately 6.5% and 15.3% of our total turnover and sales volume for the same period, respectively. Such decreases were primarily due to rapid-evolving technology advancements and increasing demand of end customers for higher picture resolution and better specifications.

On the other hand, our turnover and sales volume of camera modules with resolution of 5 and 8 mega pixels have grown rapidly. Turnover of our camera modules with resolution of 5 mega pixels substantially increased from approximately RMB10.4 million and 0.2 million units, accounting for approximately 3.7% and 1.4% of our total turnover and sales volume for the year ended 31 December 2011, respectively, to approximately RMB953.2 million and 32.6 million units, accounting for approximately 67.5% and 67.6% of our total turnover and sales volume for the year ended 31 December 2013, respectively, representing a CAGR of 857.4% and 1,176.7% during the period. For the six months ended 30 June 2014, our turnover and sales volume of camera modules with resolution of 5 mega pixels were approximately RMB584.2 million and 23.2 million units, accounting for approximately 60.5% and 66.1% of our total turnover and sales volume for the same period, respectively. We commenced the sales of our camera modules with resolution of 8 mega pixels in 2012 and for the year ended 31 December 2013, turnover and sales volume of such camera modules reached RMB281.8 million and 4.9 million units, accounting for approximately 20.0% and 10.1% of our total turnover and sales volume for the same year, respectively. For the six months ended 30 June 2014, our turnover and sales volume of camera modules with resolution of 8 mega pixels were approximately RMB261.6 million and 5.6 million units, accounting for approximately 27.1% and 16.0% of our total turnover and sales volume for the same period, respectively. Further, we launched our camera module prototype with resolution of 13 mega pixels in 2012 and commenced the sales of such camera modules in 2013. Turnover and sales volume of our camera modules with resolution of 13 mega pixels increased from RMB13.9 million and 0.2 million units for the year ended 31 December 2013 to RMB57.1 million and 0.9 million units for the six months ended 30 June 2014. Due to technology advancement and market trends and developments, we expect our camera modules with resolution of 8 and 13 mega pixels and higher to become more popular and contribute to our turnover significantly.

Similarly, due to rapid changes of technologies, market trends and increased customers' demand for better picture resolution, average selling prices of newly launched camera modules with higher resolution and better specifications are generally higher than the average selling prices of camera modules with lower resolution and specifications, but generally decrease over time. For example, the average selling price of our camera modules with resolution of 5 mega pixels decreased from RMB48.0 per unit for the year ended 31 December 2011 to RMB29.3 per unit for the year ended 31 December 2013, and further to RMB25.2 per unit for the six months ended 30 June 2014, while the average selling price of our camera modules with resolution of 8 mega pixels decreased from RMB62.0 per unit since the year of its launch in 2012 to RMB57.8 per unit for the year ended 31 December 2013, and further to RMB46.4 per unit for the six months ended 30 June 2014. We were, however, able to offset the decline in their average selling prices by continuing to develop and launch new products featuring the latest technologies and specifications, which generally have higher selling prices than our existing products. Overall, we were able to generally increase the average selling price of our camera modules during the Track Record Period, from RMB18.5 per unit for the year ended 31 December 2011 to RMB29.3 per unit for the year ended 31 December 2013, and RMB27.5 per unit for the six months ended 30 June 2014.

During the Track Record Period, we primarily sold our camera modules to our customers based in the PRC. For some of our key customers in the PRC, there is normally a tender process every quarter or half year where we are required to submit a bidding proposal for some of our customers' new projects. We also sold a small portion of our camera modules to our overseas customers based in

Thailand, Taiwan and Turkey. Going forward, we expect to increase our overseas sales as we continue to grow and target more overseas customers. The table below sets out the breakdown of our sales in the PRC and to overseas for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2011		2012		2013		2013		2014	
	RMB ('000)	% of total turnover	RMB ('000)	% of total turnover	RMB ('000)	% of total turnover	RMB ('000)	% of total turnover	RMB ('000)	% of total turnover
							(unaudited)			
PRC sales[1]	283,258	99.9	637,768	100.0	1,407,221	99.8	537,316	100.0	931,773	96.5
Overseas sales[2]	184	0.1	18	0.0	3,392	0.2	184	0.0	33,308	3.5
Total:	**283,442**	**100.0**	**637,786**	**100.0**	**1,410,613**	**100.0**	**537,500**	**100.0**	**965,081**	**100.0**

Notes:

1. PRC sales also include sales which required us to deliver our products to Hong Kong subsidiaries of our customers based in the PRC.
2. Overseas sales also include sales of other product prototypes to customers.

Cost of sales

Our cost of sales primarily consists of cost of raw materials and components, direct labour, production overhead and subcontracting cost. The following table sets out a breakdown of our cost of sales for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2011		2012		2013		2013		2014	
	RMB ('000)	% of total cost of sales	RMB ('000)	% of total cost of sales	RMB ('000)	% of total cost of sales	RMB ('000)	% of total cost of sales	RMB ('000)	% of total cost of sales
							(unaudited)			
Raw materials and components	224,208	89.8	495,988	90.0	1,065,825	90.6	417,249	89.6	719,509	90.3
Direct labour	10,444	4.2	24,068	4.4	48,571	4.1	21,319	4.6	29,989	3.8
Production overhead	9,594	3.8	19,006	3.4	37,349	3.2	16,172	3.5	30,201	3.8
Subcontracting cost	5,129	2.1	10,217	1.9	23,362	2.0	10,657	2.3	14,262	1.8
Others[1]	190	0.1	1,646	0.3	1,460	0.1	22	0.0	2,874	0.3
Total cost of sales	**249,565**	**100.0**	**550,925**	**100.0**	**1,176,567**	**100.0**	**465,419**	**100.0**	**796,835**	**100.0**

Note:

1. Others primarily include business tax and surcharges and other business related costs.

We experienced a significant increase in our cost of sales primarily due to an increase in production volume driven by increased demand and sales during the Track Record Period. For the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, our cost of sales were RMB249.6 million, RMB550.9 million, RMB1,176.6 million and RMB796.8 million, representing approximately 88.0%, 86.4%, 83.4% and 82.6%, respectively, of our turnover for the same periods.

The cost of raw materials and components was the largest component of our cost of sales, representing approximately 89.8%, 90.0%, 90.6% and 90.3%, respectively, of our total cost of sales for the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014. Our principal raw materials and components used for the manufacture of our camera modules consist of sensors, lenses, VCMs and PCBs and/or FPCs, among which cost of sensors was the largest component of our total cost of raw materials and components, representing approximately 40.3%, 43.9%, 46.0% and 44.2%, respectively, of our total cost of sales for the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014. Notwithstanding that the prices of our principal raw materials and components for camera modules with similar resolution and specifications generally decrease over time due to the competitiveness of the supply chain, rapidly-evolving technology advancement, and market trends and developments of the camera module industry, our cost of raw materials and components increased significantly during the Track Record Period, due to our increased production volume driven by increased demand and sales. Further, we also require new or enhanced types of raw materials and components with better quality and/or more advanced technologically from time to time to be used in the manufacture of our new types of camera module products in order to keep abreast of the latest market trends and our customers' demand. These raw materials and components generally have higher selling prices when they first come into the market.

Direct labour represented approximately 4.2%, 4.4%, 4.1% and 3.8%, respectively, of our total cost of sales for the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014. The increase in our cost of direct labour during the Track Record Period was primarily the result of an increase in (i) the number of employees engaged in the production operations as our production volume increased as a result of increased demand and sales of our camera modules; and (ii) the general level of salaries and benefits for employees.

Production overhead mainly comprises indirect labour costs (representing primarily staff costs in relation to our production operations), depreciation of plant and machinery, maintenance, fuel and utilities, and represented approximately 3.8%, 3.4%, 3.2% and 3.8%, respectively, of our total cost of sales for the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014. Our cost of production overhead increased during the Track Record Period, primarily due to our increased purchases of advanced production and testing machinery and equipment, especially after our relocation of the production base to our Kunshan Production Base in August 2012, and amortisation and depreciation arising from certain of our software and production and testing machinery and equipment which have enhanced our production automation and increased the accuracy and consistency of our testing procedures.

Subcontracting cost primarily arises from our subcontracting of SMT and holder IR attaching process to our connected person, Van Telecom PRC, and other third-party subcontracting partners. Our subcontracting cost accounted for approximately 2.1%, 1.9%, 2.0% and 1.8%, respectively, of our total cost of sales for the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014. Please refer to the section headed "Business — Production process — Subcontracting of our SMT and holder IR attaching process" in this prospectus for more details. Our subcontracting cost increased during the Track Record Period, primarily due to an increase in production volume driven by increased demand and sales and our growing need for SMT components and IR holders for our camera modules from our subcontracting partners.

During the Track Record Period, cost of sales of our camera modules by product category as a percentage of our total cost of sales were largely in line with their respectively percentage contribution to our turnover. The following table sets out a breakdown of our cost of sales by product category for the periods indicated:

Our camera modules with resolution of(1)	Year ended 31 December						Six months ended 30 June			
	2011		2012		2013		2013		2014	
	RMB ('000)	% of total cost of sales	RMB ('000)	% of total cost of sales	RMB ('000)	% of total cost of sales	RMB ('000)	% of total cost of sales	RMB ('000)	% of total cost of sales
							(unaudited)			
3 mega pixels and lower(2)	239,520	96.0	254,812	46.3	143,936	12.2	108,180	23.2	54,177	6.8
5 mega pixels	8,657	3.5	276,730	50.2	793,597	67.5	289,866	62.3	485,608	60.9
8 mega pixels	—	—	17,223	3.1	229,734	19.5	66,786	14.4	211,937	26.6
13 mega pixels	—	—	0(3)	0.0	8,121(4)	0.7	0(3)	0.0	45,113(4)	5.7
16 mega pixels	—	—	—	—	—	—	—	—	0(5)	0.0
Others(6)	1,388	0.5	2,160	0.4	1,179	0.1	587	0.1	—	—
Total cost of sales	**249,565**	**100.0**	**550,925**	**100.0**	**1,176,567**	**100.0**	**465,419**	**100.0**	**796,835**	**100.0**

Notes:

1. We only sold camera modules with resolution ranging from 3 mega pixels and lower to 16 mega pixels during the Track Record Period.
2. Our camera modules with resolution of 3 mega pixels and lower primarily include VGAs, CIFs and camera modules with resolution of 0.04 mega pixels, 1 mega pixels, 1.3 mega pixels, 2 mega pixels and 3 mega pixels.
3. We sold approximately 360 units and 2,100 units of camera modules with resolution of 13 mega pixels to our customers for the year ended 31 December 2012 and the six months ended 30 June 2013, respectively, as product prototype, and we categorised the corresponding raw material and component costs of RMB29,900 and RMB148,200 for the same periods, respectively, into our research and development expenses as they were costs of product prototypes initially incurred during our research stage. Although these product prototypes were subsequently sold to our customers and generated minimal revenue, no reclassification of such costs to our costs of sales was made subsequently.
4. We sold a majority and a small portion of our camera modules with resolution of 13 mega pixels in the second half of 2013 and first half of 2014, respectively, to one of our overseas customers who provided us with the sensors associated with the manufacture of such camera modules.
5. We sold approximately 200 units of camera modules with resolution of 16 mega pixels to our customers for the six months ended 30 June 2014 as product prototype, and we categorised the corresponding raw material and component costs of RMB20,700 for the same period into our research and development expenses as they were costs of product prototypes initially incurred during our research stage. Although these product prototypes were subsequently sold to our customers and generated minimal revenue, no reclassification of such costs to our costs of sales was made subsequently.
6. Others include sales of other product prototypes to customers.

For illustration purpose only, we set out below a sensitivity analysis of our profit for the year/period with reference to the fluctuation on the total cost of our raw materials and components during the Track Record Period. The following table demonstrates the impact of the hypothetical increase or decrease in the total cost of our raw materials and components on our profit for the year/period, while all other factors remain unchanged:

	Hypothetical increase/decrease of 5.0%	Hypothetical increase/decrease of 10.0%	Hypothetical increase/decrease of 15.0%
	(RMB'000)	(RMB'000)	(RMB'000)
Decrease/Increase in our profit for the year/period:			
Year ended 31 December 2011	10,182.7	20,364.5	30,547.2
Year ended 31 December 2012	23,377.9	46,755.0	70,132.9
Year ended 31 December 2013	48,084.3	96,169.6	144,253.9
Six months ended 30 June 2014	30,304.3	60,609.5	90,913.9

Note:

The general decrease in the prices of our principal raw materials and components for similar specification is normally offset by the higher selling prices of the new or enhanced types of raw materials and components with better quality and/or more advanced technologically. As such, our Directors are of the view that it is prudent to use 5.0%, 10.0% and 15.0% in the above sensitivity analysis.

As cost of sensors was the largest component of our total cost of raw materials and components during the Track Record Period, also for illustration purpose only, the following table demonstrates the impact of the hypothetical increase or decrease in the total cost of sensors driven by market prices on our profit for the year/period, while all other factors remain unchanged:

	Hypothetical increase/decrease of 10.0%	Hypothetical increase/decrease of 15.0%	Hypothetical increase/decrease of 20.0%
	(RMB'000)	(RMB'000)	(RMB'000)
Decrease/Increase in our profit for the year/period:			
Year ended 31 December 2011	6,368.9	9,552.5	12,737.0
Year ended 31 December 2012	22,523.9	33,785.4	45,046.9
Year ended 31 December 2013	46,792.2	70,187.9	93,583.5
Six months ended 30 June 2014	29,639.7	44,460.4	59,280.3

Note:

The fluctuation in the average unit purchase price of sensor on a year-on-year basis during the Track Record Period was mainly within the range of 10.0% to 20.0%. As such, our Directors are of the view that it is prudent to use 10.0%, 15.0% and 20.0% in the above sensitivity analysis.

Gross profit and gross profit margin

The following table sets out our gross profit and gross profit margin by product category for the periods indicated:

Our camera modules with resolution of[1]	Year ended 31 December						Six months ended 30 June			
	2011		2012		2013		2013		2014	
	Gross profit RMB ('000)	Gross profit margin %	Gross profit RMB ('000)	Gross profit margin %	Gross profit RMB ('000)	Gross profit margin %	Gross profit RMB ('000)	Gross profit margin %	Gross profit RMB ('000)	Gross profit margin %
							(unaudited)			
3 mega pixels and lower[2]	32,165	11.8	38,019	13.0	16,531	10.3	10,936	9.2	7,977	12.8
5 mega pixels	1,751	16.8	43,128	13.5	159,565	16.7	45,795	13.6	98,598	16.9
8 mega pixels	—	—	5,909	25.5	52,062	18.5	15,144	18.5	49,700	19.0
13 mega pixels	—	—	42[3]	N/A[3]	5,802	41.7[4]	193[3]	N/A[3]	11,944	20.9[4]
16 mega pixels	—	—	—	—	—	—	—	—	27[5]	N/A[5]
Others[6]	(39)	(2.9)	(237)	(12.3)	86	6.8	13	2.2	—	—
Total:	**33,877**	**12.0**	**86,861**	**13.6**	**234,046**	**16.6**	**72,081**	**13.4**	**168,246**	**17.4**

Notes:

1. We only sold camera modules with resolution ranging from 3 mega pixels and lower to 16 mega pixels during the Track Record Period.
2. Our camera modules with resolution of 3 mega pixels and lower primarily include VGAs, CIFs and camera modules with resolution of 0.04 mega pixels, 1 mega pixels, 1.3 mega pixels, 2 mega pixels and 3 mega pixels.
3. We sold approximately 360 units and 2,100 units of camera modules with resolution of 13 mega pixels to our customers for the year ended 31 December 2012 and the six months ended 30 June 2013, respectively, as product prototype, and we categorised the corresponding raw material and component costs of RMB29,900 and RMB148,200 for the same periods, respectively, into our research and development expenses as they were costs of product prototypes initially incurred during our research stage. Although these product prototypes were subsequently sold to our customers and generated minimal revenue as presented above, no reclassification of such costs to our costs of sales was made subsequently. Hence, the gross profit margins of such camera modules for the year ended 31 December 2012 and the six months ended 30 June 2013 were considered not meaningful and thus presented as "N/A" in the above table.
4. We sold a majority and a small portion of our camera modules with resolution of 13 mega pixels in the second half of 2013 and the first half of 2014, respectively, to one of our overseas customers who provided us with the sensors associated with the manufacture of such camera modules. As such, the selling price and hence, the gross profit margin of our camera modules with resolution of 13 mega pixels sold to this customer was generally lower than our camera modules with resolution of 13 mega pixels sold to other customers.
5. We sold approximately 200 units of camera modules with resolution of 16 mega pixels to our customers for the six months ended 30 June 2014 as product prototype, and we categorised the corresponding raw material and component costs of RMB20,700 for the same period into our research and development expenses as they were costs of product prototypes initially incurred during our research stage. Although these product prototypes were subsequently sold to our customers and generated minimal revenue as presented above, no reclassification of such costs to our costs of sales was made subsequently. Hence, the gross profit margin of such camera modules for the six months ended 30 June 2014 was considered not meaningful and thus presented as "N/A" in the above table.
6. Others include sales of other product prototypes to customers.

Our gross profit increased from approximately RMB33.9 million for the year ended 31 December 2011 to RMB86.9 million for the year ended 31 December 2012, and further to RMB234.0 million for the year ended 31 December 2013, representing a CAGR of 162.8% during the period. For the six months ended 30 June 2014, our gross profit was approximately RMB168.2 million. Our gross profit margin also increased during the Track Record Period, which was approximately 12.0%, 13.6%, 16.6% and 17.4% for the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, respectively. We have been able to maintain a steady growth in gross profit and gross profit margin during the Track Record Period primarily as a result of the general decrease in the prices of our principal raw materials and components of our camera modules, our increased bargaining position to obtain better pricing from our suppliers, and increased production automation and improved production efficiency and accuracy following our investment in advanced production and testing machinery and equipment. The increases can also be attributable to the change of our product mix in response to the market trends and customers' demand. During the Track Record Period, we continued to develop new products and gradually increased the sales of our camera modules with higher resolution and/or better specifications, which generally had higher average selling prices and higher profit margins.

Other revenue

Our other revenue primarily consists of government grants, interest income from bank deposits and investment income. The following table sets out a breakdown of our other revenue for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000** *(unaudited)*	**RMB'000**
Other revenue					
Government grants	4,157	4,130	3,473	1,502	308
Interest income	1,155	2,561	1,381	982	505
Investment income (reclassified from equity on disposal)	699	2,508	5,749	2,555	5,606
Others	—	100	880	25	776
Total:	**6,011**	**9,299**	**11,483**	**5,064**	**7,195**

Government grants mainly represent supportive incentives granted by the Committee of Kunshan High and New Technology Zone for the three years ended 31 December 2011, 2012 and 2013 to subsidise the costs incurred in our new design, research and development projects for the new products with durations ranging from one to three years. For the six months ended 30 June 2014, we also received government grants in form of cash subsidies of RMB308,000 from the local government of Kunshan to compensate our research and development expenses incurred. These government grants were one-off payments and there were no unfulfilled conditions or other contingencies attached to the grants. Investment income represents income received upon the expiration of a number of our available-for-sale wealth management products issued by or sold through publicly listed banks. Please refer to the section headed "Financial Information — Certain items on consolidated statements of financial position — Other financial assets" in this prospectus for more details.

Other net income/(loss)

Our other net income or loss primarily consists of net gain on the disposal of equity interest in an associate, net foreign exchange gain or loss and loss or gain on disposal of property, plant and equipment.

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

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000** *(unaudited)*	**RMB'000**
Other net income/(loss)					
Net gain on the disposal of interest in an associate	16,595	—	5,807	—	—
Net foreign exchange gain/(loss)	753	1,650	9,610	1,665	(6,011)
(Loss)/gain on disposal of property, plant and equipment	(2)	—	(76)	—	123
Total:	**17,346**	**1,650**	**15,341**	**1,665**	**(5,888)**

Net gain on the disposal of interest in an associate represents net gain on disposing certain equity interests in Huatian Kunshan. Huatian Kunshan was established in June 2008 by CK Great China as its wholly-owned subsidiary. At the beginning of the Track Record Period, Huatian Kunshan was held as to 25.0% by CK Great China, after a number of equity transfers that occurred since its establishment. In May 2011, several equity holders of Huatian Kunshan injected further capital into Huatian Kunshan and diluted our interest from 25.0% to 16.1473% and we recorded a net gain of RMB16.6 million as a result of such dilution. In December 2013, CK Great China disposed of its remaining equity interest in Huatian Kunshan to an Independent Third Party for a consideration of US$13,268,600 and we recorded a net gain of RMB5.8 million as result of such disposal.

We had net foreign exchange gain for the three years ended 31 December 2011, 2012 and 2013 as a result of the appreciation of Renminbi against U.S. dollars, as most of our supplies from overseas were settled in U.S. dollars while almost all of our sales were settled by Renminbi. We had net foreign exchange loss for the six months ended 30 June 2014 as a result of the deprecation of Renminbi against U.S. dollars in the first half of 2014 for the same reason. We closely monitor the trends of and our exposure to foreign exchange rates. During the Track Record Period, we had entered into certain forward contracts with relevant banks in order to minimise our currency risks. We also plan to increase our domestic procurement and/or encourage our customers to settle our payment in U.S. dollars. In future, we will continue to monitor our foreign exchange exposure and take appropriate actions should the need arise.

Selling and distribution expenses

Selling and distribution expenses primarily consist of salaries and benefits for our sales personnel, transportation expenses, travelling expenses for delivery of our products, exportation costs for our Hong Kong Sales and Delivery and overseas sales, marketing, office and utility expenses, depreciation costs and agency fees. The following table sets out a breakdown of our selling and distribution expenses for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2011		2012		2013		2013		2014	
	RMB ('000)	% of total selling and distribution expenses	RMB ('000)	% of total selling and distribution expenses	RMB ('000)	% of total selling and distribution expenses	RMB ('000)	% of total selling and distribution expenses	RMB ('000)	% of total selling and distribution expenses
							(unaudited)			
Staff salaries and benefits	462	35.8	914	41.7	1,442	44.2	799	45.7	1,175	49.0
Transportation costs	99	7.7	322	14.7	521	16.0	245	14.1	303	12.6
Travelling expenses	27	2.1	200	9.1	402	12.3	178	10.2	298	12.5
Exportation costs	224	17.3	103	4.7	258	7.9	68	3.9	197	8.2
Marketing, office and utility expenses	13	1.0	11	0.5	162	5.0	27	1.5	197	8.2
Depreciation costs	9	0.7	8	0.4	10	0.3	5	0.3	8	0.3
Agency fee	450	34.9	595	27.1	368	11.3	368	21.1	—	—
Others[1]	7	0.5	39	1.8	96	3.0	57	3.2	222	9.2
Total selling and distribution expenses:	**1,291**	**100.0**	**2,192**	**100.0**	**3,259**	**100.0**	**1,747**	**100.0**	**2,400**	**100.0**

Note:

1. Others primarily include meal expenses and communication expenses.

Salaries and staff benefits, including equity settled share-based payment to certain of our sales team members, were the largest component of our selling and distribution expenses, accounting for 35.8%, 41.7%, 44.2% and 49.0% of our total selling and distribution expenses for the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, respectively. As we continued to expand, we have recruited additional sales personnel and increased our effort on customer services.

Transportation costs were the second largest component of our selling and distribution expenses, accounting for 7.7%, 14.7%, 16.0% and 12.6% of our total selling and distribution expenses for the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, respectively. The increase in our transportation expenses during the Track Record Period was primarily due to our increased sales and delivery as a result of increased demand for our products.

Travelling expenses were the third largest component of our selling and distribution expenses, accounting for 2.1%, 9.1%, 12.3% and 12.5% of our total selling and distribution expenses, for the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, respectively. The increase during the Track Record Period was primarily due to increase in travelling by our sales team members as our business, including our overseas sales, continued to grow.

Our agency fee represents fee paid to Focus and Hong Kong Xitai in relation to our Hong Kong Sales and Delivery and overseas sales. Since March 2013, we have ceased all the agency sales arrangement with Focus and Hong Kong Xitai after the incorporation of our Kunshan QT Hong Kong. Please refer to the section headed "Business — Sales — Sales agency arrangement" in this prospectus for more detailed discussion of our sales agency arrangement.

For the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, our selling and distribution expenses were approximately RMB1.3 million, RMB2.2 million, RMB3.3 million and RMB2.4 million, respectively, representing approximately 0.5%, 0.3%, 0.2% and 0.2%, respectively, of our turnover for the same periods. Our selling and distribution expenses as a percentage to our total turnover decreased during the Track Record Period, primarily as a result of our effort in maintaining our control over our selling and distribution expenses and that the growth rate of our turnover was higher than the rate of increase in our selling and distribution expenses.

Administrative and other operating expenses

Our administrative and other operating expenses primarily consist of salaries and benefits for management, administrative and financial personnel, including equity settled share-based payment to certain management, administrative and financial personnel, bank charges, depreciation expenses relating to property, plant and equipment used for administrative purposes and amortisation expenses for our information systems, office and utility expenses, service fees to third-party employment agent, other taxes and levies, entertainment expenses, insurance expenses and listing expenses. For the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, our administrative and other operating expenses were RMB2.6 million, RMB7.4 million, RMB14.6 million and RMB18.1 million, respectively. The following table sets out a breakdown of our administrative and other expenses for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2011		2012		2013		2013		2014	
	RMB ('000)	% of total administrative and other operation expenses	RMB ('000)	% of total administrative and other operation expenses	RMB ('000)	% of total administrative and other operation expenses	RMB ('000)	% of total administrative and other operation expenses	RMB ('000)	% of total administrative and other operation expenses
							(Unaudited)			
Staff salaries and benefits	731	28.2	2,848	38.7	4,012	27.6	1,847	31.3	3,593	19.8
Bank charges	54	2.1	254	3.4	1,563	10.7	467	7.9	1,351	7.5
Depreciation and amortisation	532	20.5	617	8.4	1,813	12.4	916	15.5	1,078	5.9
Office expenses and utilities	597	23.0	955	13.0	1,728	11.9	670	11.4	1,037	5.7
Service fees to employment agent	16	0.6	368	5.0	836	5.7	227	3.8	646	3.6
Other taxes and levies	374	14.4	1,259	17.1	1,313	9.0	641	10.8	631	3.5
Entertainment expenses	2	0.0	232	3.2	674	4.6	392	6.6	502	2.8
Insurance expenses	54	2.1	297	4.0	416	2.9	253	4.3	231	1.3
Listing expenses	—	—	—	—	597	4.1	—	—	8,778	48.4
Others[1]	237	9.1	522	7.1	1,620	11.1	494	8.4	282	1.5
Total administrative and other expenses	**2,597**	**100.0**	**7,352**	**100.0**	**14,572**	**100.0**	**5,907**	**100.0**	**18,129**	**100.0**

Note:

1. Others primarily include auditing expenses paid to the local auditor during the Track Record Period, travelling expenses, recruiting expenses and maintenance fees.

Despite our rapid business growth, we managed to maintain our administrative and other operating expenses at a relatively stable level during the Track Record Period if we took no account of the effect of our listing expenses incurred. For the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, our administrative and other operating expenses represented 0.9%, 1.2%, 1.0% and 1.9%, respectively, of our turnover for the same periods.

Research and development expenses

Our research and development expenses were RMB8.9 million, RMB25.0 million, RMB51.1 million and RMB33.2 million, accounting for approximately 3.1%, 3.9%, 3.6% and 3.4%, of our turnover for the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, respectively. Our research and development expenses primarily include raw materials and components used in our design, research and development of RMB4.5 million, RMB12.8million, RMB27.7 million and RMB21.9 million for the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, staff salaries and benefits for our design, research and development team of RMB3.1 million, RMB5.0 million, RMB10.0 million and RMB8.6 million for the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, including equity settled share-based payment to certain design, research and development team members, depreciation costs relating to the production and testing machinery and equipment used for our design, research and development and fees paid to two of our connected persons, Chengdu CK and Sheng Tai Hui and a technology enterprise for the design and development of various software and devices. Please also refer to the section headed “Business — Design, research and development” in this prospectus for more details of our design, research and development arrangement with our connected persons and the technology enterprise.

Our research and development costs were generally recognised as expenses in the period in which they were incurred as the criteria for the recognition of such costs as assets were generally not met until late in the development stage of the relevant project when the remaining development expenses were immaterial.

Finance costs

Our finance costs represent interest expenses on bank borrowings. Our finance costs were approximately RMB0.6 million, RMB5.3 million, RMB9.0 million and RMB10.2 million for the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, respectively.

Income tax

Income tax consists of current tax and deferred tax by our Group. Current tax primarily comprises PRC corporate income tax payable by our PRC subsidiary, Kunshan QT China, and Hong Kong profit tax payable by our Hong Kong subsidiary, Kunshan QT Hong Kong.

Under the relevant rules and regulations of the Cayman Islands and the BVI, we are not subject to any income tax in the Cayman Islands and the BVI.

Under the Hong Kong law, Kunshan QT Hong Kong is subject to Hong Kong income tax at the statutory Hong Kong profits tax of 16.5%. As we only incorporated Kunshan QT Hong Kong in 2013, we were not subject to any tax in Hong Kong in 2011 and 2012.

Under the EIT Law, our subsidiaries in the PRC are subject to PRC income tax at the statutory PRC corporate income tax rate of 25.0%. However, our Kunshan QT China was recognised as a High and New Technology Enterprise by local government authority and was entitled to enjoy a preferential tax rate of 15.0% from 1 January 2012 to 31 December 2014. We expect to renew our High and New Technology Enterprise qualification for another three-year period commencing from 1 January 2015. We believe that we will be able to renew this status due to our strong in-house design, research and development capabilities, as evidenced by our 20 registered patents obtained in the PRC. As confirmed by our PRC legal advisers, King & Wood Mallesons, to the extent of their best knowledge, there is no material legal impediment to our Kunshan QT China to renew its high and New Technology Enterprise status. As we only established our Chengdu QT Subsidiary on 6 June 2014, our Chengdu QT Subsidiary was not subject to any PRC corporate income tax during the Track Record Period.

Please also refer to notes 5 and 14 to our financial statements included in the accountants' report in Appendix I to this prospectus for a more detailed discussion on our income tax.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six months ended 30 June 2014 compared with six months ended 30 June 2013

Turnover

Our turnover increased by 79.5% from RMB537.5 million for the six months ended 30 June 2013 to RMB965.1 million for the six months ended 30 June 2014, primarily as a result of the increase in demand and sales of our camera modules with resolution of 5 and 8 mega pixels.

Turnover of our camera modules with resolution of 5 mega pixels increased by 74.0% from RMB335.7 million for the six months ended 30 June 2013 to RMB584.2 million for the six months ended 30 June 2014. Such increase in turnover was primarily due to the increase in sales volume from 10.8 million units for the six months ended 30 June 2013 to 23.2 million units for the six months ended 30 June 2014, which was partially offset by the decrease in its average selling price from RMB31.0 per unit for the six months ended 30 June 2013 to RMB25.2 per unit for the six months ended 30 June 2014, as a result of the increasing demand from end customers for and increasing popularity of camera modules with resolution of 8 mega pixels and higher. Turnover of our camera modules with resolution of 8 mega pixels increased by 219.3% from RMB81.9 million for the six months ended 30 June 2013 to RMB261.6 million for the six months ended 30 June 2014. Such increase in turnover was primarily due to the increase in sales volume from 1.3 million units for the six months ended 30 June 2013 to 5.6 million units for the six months ended 30 June 2014, which was partially offset by the decrease in its average selling price from RMB62.1 per unit for the six months ended 30 June 2013 to RMB46.4 per unit for the six months ended 30 June 2014.

Cost of sales

Our cost of sales increased by 71.2% from RMB465.4 million for the six months ended 30 June 2013 to RMB796.8 million for the six months ended 30 June 2014, with a growth rate slightly lower than our growth rate of turnover for the period. The increase in our cost of sales was primarily attributable to the increase in our cost of raw materials and components by 72.4% from RMB417.2 million for the six months ended 30 June 2013 to RMB719.5 million for the six months ended 30 June 2014, primarily as a result of an increase in our production volume driven by increased demand and sales. In particular, the increase in our production volume was driven by the increased demand and sales of our camera modules with resolution of 5 and 8 mega pixels, from RMB335.7 million and RMB81.9 million for the six months ended 30 June 2013, respectively, to RMB584.2 million and RMB261.6 million for the six months ended 30 June 2014, respectively. The increase in our cost of raw materials and components can also be attributable to the increased purchases of new or enhanced types of raw materials and components for our camera modules which typically have higher selling prices when they first come into the market. Such increases were partially offset by the decrease in the cost of sales for our camera modules with resolution of 3 mega pixels and lower, in line with the decrease in sales of such products in the first half of 2014, the general decrease in the prices of our principal raw materials and components for camera modules with similar resolution and specifications, and our increased bargaining position to obtain better pricing from our suppliers.

Gross profit and gross profit margin

Our overall gross profit increased by 133.4% from RMB72.1 million for the six months ended 30 June 2013 to RMB168.2 million for the six months ended 30 June 2014, while our overall gross profit margin also increased from 13.4% to 17.4% for the same period. Such increases were primarily the result of the increase in sales of our camera modules with resolution of 5 and 8 mega pixels, and to a lesser extent, our camera modules with resolution of 13 mega pixels, as they had higher average selling prices and higher profit margins than our camera modules with resolution of 3 mega pixels and lower.

Gross profit for our camera modules with resolution of 5 mega pixels increased by 115.3% from RMB45.8 million for the six months ended 30 June 2013 to RMB98.6 million for the six months ended 30 June 2014, primarily as a result of increased demand and sales of such products. Gross profit for our camera modules with resolution of 8 mega pixels also increased by 228.2% from RMB15.1 million for the six months ended 30 June 2013 to RMB49.7 million for the six months ended 30 June 2014, primarily as a result of increased demand and sales of such products due to their increasing popularity in the market. Notwithstanding the decreases in the average selling prices of our camera modules with resolution of 5 and 8 mega pixels from RMB31.0 per unit and RMB62.1 per unit for the six months ended 30 June 2013, respectively, to RMB25.2 per unit and RMB46.4 per unit for the six months ended 30 June 2014, respectively, we were able to increase our gross profit margins for our camera modules with resolution of 5 and 8 mega pixels from 13.6% and 18.5% for the six months ended 30 June 2013, respectively, to 16.9% and 19.0% for the six months ended 30 June 2014, respectively, primarily due to (i) our increased production automation and improved production technique and efficiency in terms of increased product success rate and decreased materials consumed following our investment in advanced production and testing machinery and equipment; (ii) a general decrease in depreciation and amortisation expenses in association with the manufacture of such camera modules as a result of our increased production volume for such camera modules; (iii) the general decrease in the prices of our principal raw materials and components; and (iv) our enhanced inventory control to promptly respond to the changes in market prices of raw materials and components and increased bargaining position to obtain better pricing from our suppliers.

The increase in our overall gross profit and gross profit margin was also attributable to the introduction of our camera modules with resolution of 13 mega pixels in the second half of 2013 at a higher average selling price and gross profit margin than our other camera modules with lower resolution.

The increase in our overall gross profit was partially offset by the decrease in the gross profit for our camera modules with resolution of 3 mega pixels and lower from RMB10.9 million for the six months ended 30 June 2013 to RMB8.0 million for the six months ended 30 June 2014, in line with the decrease in sales of such products in the first half of 2014. Notwithstanding such decrease, the gross profit margin for such camera modules increased from 9.2% for the six months ended 30 June

2013 to 12.8% for the six months ended 30 June 2014. Such increase was primarily the result of the sales of our camera modules with resolution of 3 mega pixels and lower custom-made for some of our customers upon special requests at a higher selling price and gross profit margin than we would normally charge our other customers.

Other revenue

Our other revenue increased by 42.1% from RMB5.1 million for the six months ended 30 June 2013 to RMB7.2 million for the six months ended 30 June 2014, primarily due to an increase in investment income from our wealth management products from RMB2.6 million for the six months ended 30 June 2013 to RMB5.6 million for the six months ended 30 June 2014. As of 30 June 2014, we had twelve wealth management products issued by or sold through publicly listed banks and pledged them as security for our bank borrowings. Please also refer to the section headed "Financial Information — Certain items on consolidated statements of financial position — Other financial assets" in this prospectus for more detailed discussion of our wealth management products. Such increase in our other revenue was partially offset by a decrease of RMB1.2 million in our government grants and a decrease of RMB0.5 million in our interest income for the six months ended 30 June 2014, respectively, compared with the same period in 2013.

Other net income/(loss)

We had other net income of RMB1.7 million for the six months ended 30 June 2013, while we had other net loss of RMB5.9 million for the six months ended 30 June 2014, primarily as a result of our net foreign exchange loss of RMB6.0 million for the six months ended 30 June 2014 as a result of the depreciation of Renminbi against U.S. dollars in the first half of 2014.

Selling and distribution expenses

Our selling and distribution expenses increased by 37.4% from RMB1.7 million for the six months ended 30 June 2013 to RMB2.4 million for the six months ended 30 June 2014, primarily as a result of an increase in staff salaries and benefits for our sales team from RMB0.8 million for the six months ended 30 June 2013 to RMB1.2 million for the six months ended 30 June 2014, as we increased the number of our sales team members as our sales continued to grow, and share options granted by CK Great China to certain of our sales team members, which were exchanged into our pre-IPO share options on 13 November 2014. The increase in our selling and distribution expenses was also attributable to the increases in our marketing, office and utility expenses and travelling expenses for our sales team from approximately RMB27,000 and RMB0.2 million, respectively, for the six months ended 30 June 2013 to RMB0.2 million and RMB0.3 million, respectively, for the six months ended 30 June 2014 as our business, including our overseas sales, continued to grow. Our selling and distribution expenses as a percentage of our turnover remained stable for the six months ended 30 June 2014 compared with the same period in 2013 due to our effort to continuously monitor our selling and distribution expenses.

Administrative and other operating expenses

Administrative and other operating expenses increased by 206.9% from RMB5.9 million for the six months ended 30 June 2013 to RMB18.1 million for the six months ended 30 June 2014, primarily due to our listing expenses of RMB8.8 million incurred for the six months ended 30 June 2014. The increase in our administrative and other operating expenses was also attributable to the increase in staff salaries and benefits from RMB1.8 million for the six months ended 30 June 2013 to RMB3.6 million for the six months ended 30 June 2014 as a result of the increase in the general level of salaries and benefits for, and share options granted by CK Great China to our management, administrative and financial personnel, which were exchanged into our pre-IPO share options on 13 November 2014, an increase in bank charges from RMB0.5 million for the six months ended 30 June 2013 to RMB1.4 million for the six months ended 30 June 2014 as a result of the increase in our bank borrowings. As a result, our administrative and other operating expenses as a percentage of our turnover increased from 1.1% for the six months ended 30 June 2013 to 1.9% for the six months ended 30 June 2014.

Research and development expenses

Our research and development expenses increased by 100.8% from RMB16.5 million for the six months ended 30 June 2013 to RMB33.2 million for the six months ended 30 June 2014, which were incurred primarily for the research and development of camera modules with resolution of 16 and 20 mega pixels and camera modules with enhanced functionality and application.

Finance costs

Our finance costs increased by 236.2% from RMB3.0 million for the six months ended 30 June 2013 to RMB10.2 million for the six months ended 30 June 2014, primarily due to the increase in interest expenses as a result of our increased bank borrowings. During the Track Record Period, we had received various advances from and entered into funding arrangement with our related parties mainly for our working capital purposes. For the six months ended 30 June 2014, we had obtained a number of new banking facilities for the purpose of settling our non-trade related party balances before Listing and supporting our general working capital as our business continued to grow, rather than relying on funding arrangement with related parties that were mainly interest-free.

Income tax

Our income tax increased by 132.7% from RMB7.2 million for the six months ended 30 June 2013 to RMB16.6 million for the six months ended 30 June 2014, primarily due to the increase in our turnover and profit before taxation for the six months ended 30 June 2014.

Our effective tax rate increased from 13.2% for the six months ended 30 June 2013 to 15.8% for the six months ended 30 June 2014, primarily due to our listing expenses incurred in the first half of 2014 which were not deductible from our taxable profit.

Share of profits of an associate

For the six months ended 30 June 2013, we shared a profit of Huatian Kunshan of RMB2.8 million. In December 2013, we disposed all of our equity interest in Huatian Kunshan to an Independent Third Party for a consideration of US$13,268,600.

Profit for the period

As a result of the foregoing, our profit for the period increased by 88.4% from RMB47.2 million for the six months ended 30 June 2013 to RMB89.0 million for the six months ended 30 June 2014.

Year ended 31 December 2013 compared with year ended 31 December 2012

Turnover

Our turnover increased by 121.2% from RMB637.8 million for the year ended 31 December 2012 to RMB1,410.6 million for the year ended 31 December 2013, primarily as a result of the increase in demand and sales of our camera modules with resolution of 5 and 8 mega pixels.

Turnover of our camera modules with resolution of 5 mega pixels increased by 198.0% from RMB319.9 million for the year ended 31 December 2012 to RMB953.2 million for the year ended 31 December 2013. Such increase in turnover was primarily due to the increase in sales volume from 7.9 million units for the year ended 31 December 2012 to 32.6 million units for the year ended 31 December 2013, which was partially offset by the decrease in its average selling price from RMB40.7 per unit in 2012 to RMB29.3 per unit in 2013, as a result of the increasing demand from end customers for and increasing popularity of camera modules with resolution of 8 mega pixels and higher. Turnover of our camera modules with resolution of 8 mega pixels increased by 1,118.2% from RMB23.1 million for the year ended 31 December 2012 to RMB281.8 million for the year ended 31 December 2013. Such increase in turnover was primarily due to the increase in sales volume from 0.4 million units for the year ended 31 December 2012 to 4.9 million units for the year ended 31 December 2013, which was partially offset by the decrease in its average selling price from RMB62.0 per unit in 2012 to RMB57.8 per unit in 2013.

Cost of sales

Our cost of sales increased by 113.6% from RMB550.9 million for the year ended 31 December 2012 to RMB1,176.6 million for the year ended 31 December 2013, with a growth rate slightly lower than our growth rate of turnover for the year. The increase in our cost of sales was primarily attributable to the increase in our cost of raw materials and components by 114.9% from RMB496.0 million for the year ended 31 December 2012 to RMB1,065.8 million for the year ended 31 December 2013, primarily as a result of an increase in our production volume driven by increased demand and sales. In particular, the increase in our production volume was driven by the increased demand and sales of our camera modules with resolution of 5 and 8 mega pixels, from RMB319.9 million and RMB23.1 million for the year ended 31 December 2012, respectively, to RMB953.2 million and RMB281.8 million for the year ended 31 December 2013, respectively. The increase in our cost of raw materials and components can also be attributable to the increased purchases of new or enhanced types of raw materials and components for our camera modules which typically have higher selling prices when they first come into the market. Such increases were partially offset by the decrease in the cost of sales for our camera modules with resolution of 3 mega pixels and lower, in line with the decrease in sales of such products in 2013, the general decrease in the prices of our principal raw materials and components for camera modules with similar resolution and specifications, and our increased bargaining position to obtain better pricing from our suppliers.

Gross profit and gross profit margin

Our overall gross profit increased by 169.4% from RMB86.9 million for the year ended 31 December 2012 to RMB234.0 million for the year ended 31 December 2013, while our overall gross profit margin also increased from 13.6% to 16.6% for the same period. Such increases were primarily the result of the increase in sales from our camera modules with resolution of 5 mega pixels, and to a lesser extent, our camera modules with resolution of 8 mega pixels, as they had higher average selling prices and higher profit margins than our camera modules with resolution of 3 mega pixels and lower.

Gross profit for our camera modules with resolution of 5 mega pixels increased by 270.0% from RMB43.1 million for the year ended 31 December 2012 to RMB159.6 million for the year ended 31 December 2013, primarily as a result of increased demand and sales of such products. Notwithstanding the decrease in the average selling price of our camera modules with resolution of 5 mega pixels from RMB40.7 per unit for the year ended 31 December 2012 to RMB29.3 per unit for the year ended 31 December 2013, we were able to increase our gross profit margin for our camera modules with resolution of 5 mega pixels from 13.5% for the year ended 31 December 2012 to 16.7% for the year ended 31 December 2013, primarily the result of (i) our increased production automation and improved production technique and efficiency in terms of increased product success rate and decreased materials consumed following our investment in advanced production and testing machinery and equipment; (ii) a general decrease in depreciation and amortisation expenses in association with the manufacture of such camera modules as a result of our increased production volume for such camera modules; (iii) the general decrease in the prices of our principal raw materials and components, in particular, PCBs/FPCs for such camera modules; and (iv) our enhanced inventory control to promptly respond to the changes in market prices of raw materials and components and increased bargaining position to obtain better pricing from our suppliers;

Gross profit for our camera modules with resolution of 8 mega pixels increased by 783.1% from RMB5.9 million for the year ended 31 December 2012 to RMB52.1 million for the year ended 31 December 2013, primarily as a result of increased sales arising from the increasing demand from end customers and their increasing popularity in the market. Gross profit margin for our camera modules with resolution of 8 mega pixels decreased from 25.5% for the year ended 31 December 2012 to 18.5% for the year ended 31 December 2013, primarily as a result of the decline in the average selling price of such camera modules was faster than the general decrease in their associated raw materials and components.

The increase in our overall gross profit and gross profit margin were partially offset by the decrease in the gross profit and gross profit margin of our camera modules with resolution of 3 mega pixels and lower from RMB38.0 million for the year ended 31 December 2012 to RMB16.5 million for the year ended 31 December 2013, and from 13.0% for the year ended 31 December 2012 to 10.3% for the year ended 31 December 2013, as these camera modules became less popular and replaced by camera modules with higher resolution and better specifications.

Other revenue

Our other revenue increased by 23.5% from RMB9.3 million for the year ended 31 December 2012 to RMB11.5 million for the year ended 31 December 2013, primarily due to an increase in investment income from RMB2.5 million for the year ended 31 December 2012 to RMB5.7 million for the year ended 31 December 2013. During 2013, we had increased our purchases of wealth management products issued by or sold through publicly listed banks and pledged them as security for our bank borrowings and bills payables. Please also refer to the section headed "Financial Information — Certain items on consolidated statements of financial position — Other financial assets" in this prospectus for more detailed discussion of our wealth management products.

Other net income

Our other net income increased by 829.8% from RMB1.7 million for the year ended 31 December 2012 to RMB15.3 million for the year ended 31 December 2013, primarily as a result of an increase of approximately RMB8.0 million in net foreign exchange gain resulting from the appreciation of Renminbi against U.S. dollars and the net gain of RMB5.8 million recorded arising from CK Great China's disposal of the remaining equity interest of 16.1473% in Huatian Kunshan in December 2013.

Selling and distribution expenses

Our selling and distribution expenses increased by 48.7% from RMB2.2 million for the year ended 31 December 2012 to RMB3.3 million for the year ended 31 December 2013, primarily as a result of an increase in staff salaries and benefits from RMB0.9 million for the year ended 31 December 2012 to RMB1.4 million for the year ended 31 December 2013, as we increased the number of our sales team and recruited two experienced sales personnel at the management level in 2013 as our sales continued to grow. The increase of our selling and distribution expenses was also attributable to the increases in our transportation expenses for delivery of our products and our travelling expenses for our sales team from RMB0.3 million and RMB0.2 million, respectively, for the year ended 31 December 2012 to RMB0.5 million and RMB0.4 million, respectively, for the year ended 31 December 2013, which were in line with the increase in our sales. Our selling and distribution expenses as a percentage of our turnover slightly decreased from 0.3% for the year ended 31 December 2012 to 0.2% for the year ended 31 December 2013 due to our effort to continuously monitor our selling and distribution expenses.

Administrative and other operating expenses

Administrative and other operating expenses increased by 98.2% from RMB7.4 million for the year ended 31 December 2012 to RMB14.6 million for the year ended 31 December 2013, primarily due to the increase in bank charges of RMB1.3 million as a result of the increased use of letter of credit, an increase in depreciation related to property, plant and equipment used for administrative purpose and amortisation expenses for our information systems of RMB1.2 million and an increase of staff salaries and benefits of RMB1.2 million as a result of the increase in the general level of salaries and benefits for and the number of our management, administrative and financial personnel. However, we were still able to control our administrative and other operating expenses. Our administrative and other operating expenses as a percentage of our turnover slightly decreased from 1.2% for the year ended 31 December 2012 to 1.0% for the year ended 31 December 2013.

Research and development expenses

Our research and development expenses increased by 104.4% from RMB25.0 million for the year ended 31 December 2012 to RMB51.1 million for the year ended 31 December 2013, which were incurred primarily for the research and development of camera modules with resolution of 8 mega pixels with larger aperture (大光圈), FF camera modules with resolution of 5 mega pixels and AF camera modules with resolution of 13 mega pixels in 2013.

Finance costs

Our finance costs increased by 69.8% from RMB5.3 million for the year ended 31 December 2012 to RMB9.0 million for the year ended 31 December 2013, primarily due to the increase in interest expenses for our increased bank borrowings.

Income tax

Our income tax increased by 549.3% from RMB3.9 million for the year ended 31 December 2012 to RMB25.0 million for the year ended 31 December 2013 , primarily due to the increase in our turnover and profit before taxation for the year ended 31 December 2013.

Our effective tax rate increased from 7.1% for the year ended 31 December 2012 to 13.3% for the year ended 31 December 2013, primarily due to our PRC withholding tax arising from the disposal of CK Great China's 16.1473% equity interest in Huatian Kunshan in December 2013, and the profits tax paid by our Kunshan QT Hong Kong, which has a higher statutory Hong Kong tax rate, being 16.5%, than the tax rate of our Kunshan QT China, which enjoys a preferential tax rate of 15.0% due to its High and New Technology Enterprise status from 1 January 2012 to 31 December 2014.

Share of profits of an associate

For the year ended 31 December 2013, we shared a profit of Huatian Kunshan of RMB5.2 million, compared to the share of a loss of RMB3.7 million for the year ended 31 December 2012.

Profit for the year

As a result of the foregoing, our profit for the year increased by 223.3% from RMB50.5 million for the year ended 31 December 2012 to RMB163.2 million for the year ended 31 December 2013.

Year ended 31 December 2012 compared with year ended 31 December 2011

Turnover

Our turnover increased by 125.0% from RMB283.4 million for the year ended 31 December 2011 to RMB637.8 million for the year ended 31 December 2012, primarily as a result of increased demand and sales, in particular the increase in demand and sales of our camera modules with resolution of 5 mega pixels.

Turnover of our camera modules with resolution of 5 mega pixels increased by 2,973.2% from RMB10.4 million for the year ended 31 December 2011 to RMB319.9 million for the year ended 31 December 2012. Such increase in turnover was primarily due to the increase in sales volume from 0.2 million units for the year ended 31 December 2011 to 7.9 million units for the year ended 31 December 2012, which was partially offset by the decrease in its average selling price from RMB48.0 per unit in 2011 to RMB40.7 per unit in 2012.

The increase in turnover was also attributable to the introduction of our camera modules with resolution of 8 mega pixels in 2012 at a higher average selling price than our other camera modules with lower resolution, in response to market trends and increased demand of end customers for better picture resolution.

Cost of sales

Our cost of sales increased by 120.8% from RMB249.6 million for the year ended 31 December 2011 to RMB550.9 million for the year ended 31 December 2012, with a growth rate slightly lower than our growth rate of turnover for the year. The increase in our cost of sales was primarily attributable to the increase in our cost of raw materials and components by 121.2% from RMB224.2 million for the year ended 31 December 2011 to RMB496.0 million for the year ended 31 December 2012, primarily as a result of an increase in our production volume driven by increased demand and sales. In particular, the increase in our production volume was driven by the increased demand and sales of our camera modules with resolution of 5 mega pixels, from RMB10.4 million for the year ended 31 December 2011 to RMB319.9 million for the year ended 31 December 2012. The increase in our cost of raw materials and components can also be attributable to the increased purchases of new or enhanced types of raw materials and components for our camera modules which typically have higher selling prices when they first come into the market. Such increase was partially offset by the general decrease in the prices of our principal raw materials and components for camera modules with similar resolution and specifications, and our increased bargaining position to obtain better pricing from our suppliers.

Gross profit and gross profit margin

Our overall gross profit increased by 156.4% from RMB33.9 million for the year ended 31 December 2011 to RMB86.9 million for the year ended 31 December 2012. while our overall gross profit margin also increased from 12.0% to 13.6% for the same period. The increase in our overall gross profit was primarily the result of the increase in sales of our camera modules with resolution of 5 mega pixels, which generally had a higher average selling price than our camera modules with resolution of 3 mega pixels and lower. The increase in our overall gross profit margin was primarily the result of the general decrease in the prices of our principal raw materials and components of our camera modules and our increased bargaining position to obtain better pricing from our suppliers.

Gross profit for our camera modules with resolution of 5 mega pixels increased by 2,363.0% from RMB1.8 million for the year ended 31 December 2011 to RMB43.1 million for the year ended 31 December 2012, primarily the result of increased demand and sales. However, our gross profit margin for our camera modules with resolution of 5 mega pixels decreased from 16.8% for the year ended 31 December 2011 to 13.5% for the year ended 31 December 2012, primarily as a result of the decline in the average selling prices of such camera modules was faster than the general decrease in the associated raw materials and components of such camera modules.

Gross profit for our camera modules with resolution of 3 mega pixels and lower increased by 18.2% from RMB32.2 million for the year ended 31 December 2011 to RMB38.0 million for the year ended 31 December 2012, while the gross profit margin for our camera modules with resolution of 3 mega pixels and lower increased from 11.8% for the year ended 31 December 2011 to 13.0% for the year ended 31 December 2012. Such increases were primarily the result of the increase in sales of our camera modules with resolution of 3 and lower custom-made for some of our customers. Due to the rapid change of advanced technologies and market trends and developments of the camera module industry, we gradually reduced our production for such camera modules and instead put our efforts and focus on camera modules with higher resolution as they typically have higher average selling prices and gross profit margins. As a result, we tended to only custom-make camera modules with resolution of 3 mega pixels and lower upon the special requests of our customers, with higher selling prices and gross profit margins than we would normally charge our customers. The increase in the gross profit margin was also attributable to the general decrease in the prices of our principal raw materials and components for such camera modules and our increased production automation and improved product efficiency.

The increases in our gross profit and gross profit margin were also attributable to the introduction in 2012 of our camera modules with resolution of 8 mega pixels at a higher average selling price and gross profit margin than our other camera modules with lower resolution. Our gross profit and gross profit margin for our camera modules with resolution of 8 mega pixels were RMB5.9 million and 25.5%, respectively, for the year ended 31 December 2012.

Other revenue

Our other revenue increased by 54.7% from RMB6.0 million for the year ended 31 December 2011 to RMB9.3 million for the year ended 31 December 2012, primarily due to an increase in investment income from RMB0.7 million for the year ended 31 December 2011 to RMB2.5 million for the year ended 31 December 2012. During 2012, we had increased our purchase of wealth management products issued by or sold through publicly listed banks and pledged them as security for our bank borrowings and bills payables. Please also refer to the section headed "Financial Information — Certain items on consolidated statements of financial position — Other financial assets" in this prospectus for more detailed discussion of our wealth management products. The increase in our other revenue can also be attributable to the increase in our interest income from RMB1.2 million for the year ended 31 December 2011 to RMB2.6 million for the year ended 31 December 2012.

Other net income

Our other net income decreased by 90.5% from RMB17.3 million for the year ended 31 December 2011 to RMB1.7 million for the year ended 31 December 2012. Such decrease was primarily the result of our Group realising a net gain of RMB16.6 million in May 2011 from CK Great China's deemed disposal of its equity interest in Huatian Kunshan following the capital injection into Huatian Kunshan by several of its equity holders.

Selling and distribution expenses

Our selling and distribution expenses increased by 69.8% from RMB1.3 million for the year ended 31 December 2011 to RMB2.2 million for the year ended 31 December 2012, primarily as a result of an increase in staff salaries and benefits from RMB0.5 million for the year ended 31 December 2011 to RMB0.9 million for the year ended 31 December 2012, as we increased the number of our sales team members as our sales continued to grow, and share options granted by CK Great China to certain of our sales team members, which were exchanged into our pre-IPO share options on 13 November 2014. The increase of our selling and distribution expenses was also attributable to the increases in our transportation expenses for delivery of our products and our travelling expenses for our sales team from RMB99,000 and RMB27,000, respectively, for the year ended 31 December 2011 to RMB0.3 million and RMB0.2 million, respectively, for the year ended 31 December 2012, which were in line with the increase in our sales. Our selling and distribution expenses as a percentage of our turnover decreased from 0.5% for the year ended 31 December 2011 to 0.3% for the year ended 31 December 2012 due to our effort to continuously monitor our selling and distribution expenses.

Administrative and other operating expenses

Administrative and other operating expenses increased by 183.1% from RMB2.6 million for the year ended 31 December 2011 to RMB7.4 million for the year ended 31 December 2012, primarily due to an increase in staff salaries and benefits of RMB2.1 million as a result of the increase in the general level of salaries and benefits for, and share options granted by CK Great China to our management, administrative and financial personnel, which were exchanged into our pre-IPO share options on 13 November 2014, and an increase in other taxes and levies of RMB0.9 million and office expenses and utilities of RMB0.4 million as our business continued to grow. As a result, our administrative and other operating expenses as a percentage of our turnover increased from 0.9% for the year ended 31 December 2011 to 1.2% for the year ended 31 December 2012.

Research and development expenses

Our research and development expenses increased by 180.8% from RMB8.9 million for the year ended 31 December 2011 to RMB25.0 million for the year ended 31 December 2012, which were incurred primarily for the research and development of AF camera modules with resolution of 5 mega pixels and camera modules with resolution of 8 mega pixels and above in 2012.

Finance costs

Our finance costs increased by 798.0% from RMB0.6 million for the year ended 31 December 2011 to RMB5.3 million for the year ended 31 December 2012, primarily due to the increase in interest expenses for our increased bank borrowings.

Income tax

Our income tax decreased by 19.8% from RMB4.8 million for the year ended 31 December 2011 to RMB3.9 million for the year ended 31 December 2012. Our effective tax rate also decreased from 11.4% for the year ended 31 December 2011 to 7.1% for the year ended 31 December 2012. Such decreases were primarily due to the increase in the tax deduction allowance of our research and development expenses and also as a result of our PRC withholding tax arising from the deemed disposal of CK Great China's equity interest in Huatian Kunshan in May 2011 following the capital injection into Huatian Kunshan by several of its equity holders.

Share of losses of an associate

For the year ended 31 December 2012, we shared a loss of Huatian Kunshan of RMB3.7 million, compared to the share of a loss of RMB1.6 million for the year ended 31 December 2011.

Profit for the year

As a result of the foregoing, our profit for the year increased by 34.8% from RMB37.4 million for the year ended 31 December 2011 to RMB50.5 million for the year ended 31 December 2012.

LIQUIDITY AND CAPITAL RESOURCES

We require a substantial amount of capital to fund our working capital requirements, purchases of property, plant and equipment and business expansion. Our operations and growth have primarily been financed by cash generated from our operations, bank borrowings, and advances and loans from our related parties.

Cash flow

As of 31 December 2011, 2012 and 2013 and 30 June 2014, we had cash and cash equivalents of RMB1.7 million, RMB26.9 million, RMB42.1 million and RMB121.3 million, respectively. The following table sets out our cash flows for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
				(unaudited)	
Net cash (used in)/generated from operating activities	(133,225)	(329,216)	(302,345)	(257,250)	11,104
Net cash used in investing activities	(78,259)	(178,482)	(434,502)	(80,717)	(48,206)
Net cash generated from financing activities	212,941	532,925	752,798	327,654	115,859
Net increase/(decrease) in cash and cash equivalents	1,457	25,227	15,951	(10,313)	78,757
Cash and cash equivalents at 1 January	289	1,723	26,926	26,926	42,145
Effect of foreign rate changes	(23)	(24)	(732)	(785)	440
Cash and cash equivalents at 31 December/30 June	**1,723**	**26,926**	**42,145**	**15,828**	**121,342**

Cash flows used in operating activities

We derive our cash inflow from operating activities principally from the receipt of payments for the sales of our camera modules. Our cash outflow from operating activities is principally for our purchases of raw materials and components used for the manufacture of our camera modules.

For the three years ended 31 December 2011, 2012 and 2013, we had net operating cash outflows of approximately RMB133.2 million, RMB329.2 million and RMB302.3 million, respectively. Our net operating cash outflows were primarily due to our repayment of advances from Heyuan CK (which resulted in cash inflows from our financing activities) through endorsement of bills receivables. Such repayment, which were non-cash transactions, would not result in cash inflows from our operating activities that we would otherwise receive upon maturity of our bills receivables or discounting such bills receivables to the banks.

From February 2011 to October 2013, we entered into several borrowing agreements with Heyuan CK to obtain non-trade related advances from Heyuan CK. Such borrowing agreements specified that (i) the purpose of these borrowings were to support our needs for working capital; (ii) the term of each borrowing shall be no more than 180 days; (iii) we were allowed to repay the borrowings in lump sum or by instalments; and (iv) we were allowed to repay the borrowings by depositing funds directly into a designated bank account or endorsement of bank acceptance bills. During the Track Record Period, we had endorsed bank acceptances bills received from our customers based on the real trade terms with such customers to repay the advances received from Heyuan CK pursuant to the above borrowing agreements. Upon receiving these bank acceptance bills endorsed by us, Heyuan CK could choose to (i) receive cash settlement when these bank acceptance bills mature within a few months; (ii) discount such bank acceptance bills at the banks and immediately receive cash settlement; (iii) pledge these bank acceptance bills as security; or (iv) endorse to its suppliers for settlement against its trade payables. During the Track Record Period, we did not issue any bank acceptance bills within our stipulated credit limits to obtain funds to repay such advances from Heyuan CK. For the three years ended 31 December 2011, 2012 and 2013, our repayment of such advances by endorsement of bills receivables amounted to approximately RMB113.2 million, RMB361.4 million and RMB329.7 million, respectively. We have ceased such arrangement with and repaid all advances from Heyuan CK by the end of 2013. Our PRC legal advisers, King & Wood Mallesons, have confirmed that since the borrowing agreements entered into between us and Heyuan CK were true and valid and constituted true relationship of transaction and between the creditor and the debtor within the meaning of Article 10 of the PRC Negotiable Instruments Laws ("中華人民共和國票據法") (the "**PRC Instruments Laws**"), the transfer of such bank acceptance bills received from our customers by endorsement to repay advances from Heyuan CK did not contravene the PRC Instruments Laws. The Sole Sponsor's PRC legal advisers, Grandall Law Firm (Shenzhen), has concurred with our PRC legal advisers, King & Wood Mallesons' views on the legality of such endorsement arrangement. Further, according to the confirmation issued by PBOC Heyuan City Branch (中國人民銀行河源市中心支行) dated 20 October 2014, it also confirmed that (i) the endorsement arrangement between us and Heyuan CK on the basis of our repayment of advances to Heyuan CK complied with the PRC Instruments Laws; and (ii) Heyuan CK was entitled to the rights as the holder of these bank acceptance bills after such endorsement. Our PRC legal advisers, King & Wood Mallesons, have confirmed that PBOC is the department of administration of negotiable instruments according to Article 3 of Measures for the Implementation of Administration of Instruments ("票據管理實施辦法") and PBOC Heyuan City Branch (中國人民銀行河源市中心支行), as a regional branch of PBOC, is the competent and appropriate authority to regulate and supervise the operations of bank acceptance bills in its jurisdiction.

Our net operating cash flows during the Track Record Period were also partially affected by the fact that our average turnover days of trade and bills receivables were slightly longer than our average turnover days of trade and bills payables as during the Track Record Period, certain of our customers settled their payment by bank acceptance bills on or before the expiry of their credit periods, which in turn resulted in actual cash payment in relation to these customers being received beyond the respective credit periods from our operating cash flows perspective. Please also refer to the section headed "Financial Information — Certain items of consolidated statements of financial position — Trade and bills receivables" in this prospectus for more details.

For the six months ended 30 June 2014, we had net cash generated from operating activities of approximately RMB11.1 million, which was primarily contributed by our profit before taxation of RMB105.6 million and an increase in trade and other payables of RMB188.2 million. These cash inflows were partially offset by an increase in trade and other receivables of RMB238.0 million and increases in inventories of RMB56.1 million. The increase in our trade and other payables was primarily due to our increased purchases of raw materials and components as a result of an increase in our production volume arising from the increased demand and sales of our camera modules. The increase in our trade and other receivables was primarily due to our sales growth. The increase in inventories was primarily due to the increased production volume of our camera modules in anticipation of our higher sales in the second half of the year.

For the year ended 31 December 2013, we had net cash used in operating activities of RMB302.3 million, which was primarily contributed by an increase in trade and other receivables of RMB561.7 million and increases in inventories of RMB51.5 million. These cash outflows were partially offset by our profit before taxation of RMB188.2 million and an increase in trade and other payables of RMB131.3 million. The increase in our trade and other receivables was primarily due to our sales growth and the increased use of bank acceptance bills by some of our key customers. The increase in inventories was primarily due to the increased demand and sales and production volume of our camera modules. The increase in our trade and other payables was primarily due to our increased purchases of raw materials and components as a result of an increase in our production volume arising from the increased demand and sales of our camera modules.

For the year ended 31 December 2012, we had net cash used in operating activities of RMB329.2 million, which was primarily contributed by an increase in trade and other receivables of RMB584.4 million and an increase in inventories of RMB33.4 million. These cash outflows were partially offset by an increase in trade and other payables of RMB171.2 million, a decrease in pledged bank deposits of RMB57.1 million, and our profit before taxation of RMB54.3 million. The increase in our trade and other receivables was primarily due to our sales growth and the increased use of bank acceptance bills by some of our key customers. The increase in inventories was primarily due to the increased demand and sales and production volume of our camera modules. The increase in our trade and other payables was primarily due to our increased purchases of raw materials and components as a result of an increase in our production volume arising from the increased demand and sales of our camera modules. The decrease in pledged bank deposits was primarily due to our increased use of wealth management products to secure our bank borrowings and bills payables for our purchases of raw materials and components.

For the year ended 31 December 2011, we had net cash used in operating activities of RMB133.2 million, which was primarily contributed by an increase in trade and other receivables of RMB182.7 million and an increase in pledged deposits with banks of RMB37.5 million. These cash outflows were partially offset by an increase in trade and other payables of RMB68.1 million and our profit before taxation of RMB42.3 million. The increase in our trade and other receivables was primarily due to our sales growth. The increase in pledged bank deposits was primarily for the purpose of securing our bills payables for our purchases of raw materials and components. The increase in trade and other payables was primarily due to our increased purchases of raw materials and components as a result of an increase in our production volume arising from the increased demand and sales of our camera modules.

Please also refer to the section headed "Risk Factors — We had net current liabilities as of 31 December 2011 and 2012, respectively, and net operating cash outflows for the three years ended 31 December 2011, 2012 and 2013, and we may have net current liabilities and/or net operating cash outflows in the future" in this prospectus for the associated risk that we may face for having net operating cash outflows.

Cash flows used in investing activities

Our cash outflow for investing activities primarily consisted of payment for the purchase of other financial assets and payment for the purchase of property, plant and equipment. Our cash inflow for investing activities primarily consisted of proceeds received upon the expiration of other financial assets and from the disposal of equity interest in Huatian Kunshan.

For the six months ended 30 June 2014, our net cash used in investing activities amounted to RMB48.2 million, which was primarily due to purchases of other financial assets of RMB749.2 million, representing various daily/short-term available-for-sale wealth management products, and purchases of property, plant and equipment of RMB103.8 million, including new production machinery and equipment purchased in the first half of 2014 to increase our production capacities, such as 27 wire bonding machines (金線鍵合機), one holder mount machine (自動鏡片托架焊機), one PCB laser cutting machine (激光切割機) and 26 automatic lens lock machines (鏡頭自動鎖附機). These cash outflows were partially offset by proceeds received upon the expiration of our certain daily/short-term available-for-sale wealth management products of RMB723.8 million and from the disposal of all our equity interest in Huatian Kunshan of RMB81.4 million.

For the year ended 31 December 2013, our net cash used in investing activities amounted to RMB434.5 million, which was primarily due to purchases of other financial assets of RMB1,382.9 million, representing various daily/short-term available-for-sale wealth management products, and purchases of property, plant and equipment of RMB148.5 million, including new production machinery and equipment purchased in the second half of 2013 for upgrading our Kunshan Production Base, such as 13 die bonding and attaching machines (自動固晶機), 37 wire bonding machines (金線鍵合機) and 41 holder mount machines (自動鏡片托架焊機). These cash outflows were partially offset by proceeds received upon the expiration of our certain daily/short-term available-for-sale wealth management products of RMB1,093.3 million.

For the year ended 31 December 2012, our net cash used in investing activities amounted to RMB178.5 million, which was primarily due to purchases of other financial assets of RMB548.2 million, representing various daily/short-term available-for-sale wealth management products, and purchases of property, plant and equipment of RMB85.6 million, including new production machinery and equipment purchased for our Kunshan Production Base, such as two die bonding and attaching machines (自動固晶機), 22 wire bonding machines (金線鍵合機) and seven holder mount machines (自動鏡片托架焊機). These cash outflows were partially offset by proceeds received upon the expiration of our certain daily/short-term available-for-sale wealth management products of RMB453.3 million.

For the year ended 31 December 2011, our net cash used in investing activities amounted to RMB78.3 million, which was primarily due to purchases of other financial assets of RMB394.4 million, representing various daily/short-term available-for-sale wealth management products, purchases of property, plant and equipment of RMB35.5 million, including new production machinery and equipment purchased for our Former Kunshan Production Base, such as eight wire bonding machines (金線鍵合機) and one holder mount machine (自動鏡片托架焊機), and an additional investment in interest in an associate of RMB26.3 million for our previous cash injection to Huatian Kunshan. These cash outflows were partially offset by proceeds received upon the expiration of certain daily/short-term available-for-sale wealth management products of RMB377.9 million.

Cash flows generated from financing activities

Our cash inflow for financing activities primarily consisted of proceeds from new advances and loans from related parties, repayment of advances to related parties and proceeds from bank borrowings. Our cash outflow for financing activities primarily consisted of repayment of advances from related parties, advances to related parties and repayment of bank borrowings.

For the six months ended 30 June 2014, our net cash generated from financing activities amounted to RMB115.9 million, primarily due to new banking borrowings of RMB445.1 million mainly for our working capital as our business continued to grow, new advances from Focus of RMB330.6 million also for our working capital purposes, and repayment of advances to related parties of RMB242.2 million. These cash inflows were partially offset by repayment of previous advances from related parties of RMB575.2 million, including repayment of RMB502.8 million to Focus, repayment of bank borrowings of RMB146.4 million and the increase in pledged bank deposits of RMB132.3 million for our increased bank borrowings.

For the year ended 31 December 2013, our net cash generated from financing activities amounted to RMB752.8 million, primarily due to new advances from related parties of RMB924.7 million as part of our funding arrangements with related parties, including advances and interest-free loans from Focus of RMB530.7 million, and advances of RMB355.7 million from Heyuan CK, for our working capital purposes, and new banking borrowings of RMB475.8 million mainly for the issue of our letter of credit as our business continued to grow. These cash inflows were partially offset by repayment of advances from related parties of RMB547.7 million as part of our funding arrangements with related parties, including repayment of RMB314.6 million to Focus, RMB123.6 million to Guangzhou CK and RMB104.3 million to Heyuan CK for our working capital purposes, and the repayment of bank borrowings of RMB132.7 million made during the year.

For the year ended 31 December 2012, our net cash generated from financing activities amounted to RMB532.9 million, primarily due to new advances from related parties of RMB842.5 million as part of our funding arrangements with related parties, including RMB439.6 million from Heyuan CK and RMB300.4 million from Focus for our working capital purposes, and new bank borrowings of RMB97.2 million mainly for the issue of our letter of credit as our business continued to grow. These cash inflows were partially offset by (i) advances to related parties of RMB267.2 million as part of our funding arrangements with related parties, including RMB263.1 million to Guangzhou CK for its working capital purposes and also due to our overseas procurement service arrangement with Guangzhou CK. Please also refer to the section headed "Business — Procurement — Overseas procurement service arrangement" in this prospectus for more details of our overseas procurement service arrangement with Guangzhou CK; and (ii) the repayment of advances from related parties of RMB74.8 million also as part of our funding arrangements with related parties, including repayment of RMB43.1 million to Focus for its previous advances to us for our working capital purposes.

For the year ended 31 December 2011, our net cash generated from financing activities amounted to RMB212.9 million, primarily due to new advances from related parties of RMB439.9 million as part of our funding arrangements with related parties, including RMB304.6 million from Focus for the registered capital of Kunshan QT China and for our working capital purposes, and RMB116.7 million from Heyuan CK for our working capital purposes, and repayment of advances to related parties of RMB194.3 million as part of our funding arrangements with related parties, including RMB125.1 million from Hong Kong Xitai for our previous advances to Hong Kong Xitai for its working capital purposes. These cash inflows were partially offset by the repayment of advances from related parties of RMB308.6 million as part of our funding arrangements with related parties, including RMB216.4 million to Focus for its previous advances to us for our working capital purposes, and a new advance of RMB111.6 million to Hong Kong Xitai for its working capital purposes.

Current assets and liabilities

The following table sets out details of our current assets and liabilities as of the dates indicated:

	As of 31 December			As of 30 June	As of 30 September
	2011	2012	2013	2014	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (*unaudited*)
Current assets					
- Inventories	46,501	79,650	129,305	185,011	121,815
- Trade and other receivables	197,426	608,088	871,803	826,851	906,636
- Other financial assets	17,150	117,046	416,074	457,180	305,888
- Pledged bank deposits	58,866	53,434	8,939	135,500	273,923
- Cash and cash equivalents	1,723	26,926	42,145	121,342	272,060
	321,666	885,144	1,468,266	1,725,884	1,880,322
Current liabilities					
- Bank borrowings	—	84,527	427,581	830,745	1,119,258
- Trade and other payables	423,259	927,848	904,350	692,725	464,736
- Current tax payable	2,397	3,828	15,368	18,175	17,936
	425,656	1,016,203	1,347,299	1,541,645	1,601,930
Net current (liabilities)/assets	**(103,990)**	**(131,059)**	**120,967**	**184,239**	**278,392**

As of 31 December 2011 and 2012, our net current liabilities were RMB104.0 million and RMB131.1 million, respectively. Our liquidity improved significantly and as of 31 December 2013, we had net current assets of RMB121.0 million.

Our net current liabilities of RMB104.0 million as of 31 December 2011 were primarily due to our trade and other payables of RMB423.3 million, primarily the result of the amounts due to our related parties mainly resulting from our funding arrangements with them, and our increased purchases of raw materials and components as a result of our increased production volume arising from the increased demand and sales of our camera modules.

Our net current liabilities increased slightly from RMB104.0 million as of 31 December 2011 to RMB131.1 million as of 31 December 2012, primarily due to (i) an increase of RMB504.6 million in trade and other payables, which was primarily due to the amounts due to our related parties mainly resulting from our funding arrangements with them, and our increased purchases of raw materials and components as a result of our increased production volume arising from the increased demand and sales of our camera modules and new production and testing machinery and equipment for our Kunshan Production Base; and (ii) an increase of RMB84.5 million in our bank borrowings for our increased demand for general working capital as our business continued to grow. Such increases were partially offset by the increases in our trade and other receivables of RMB410.7 million primarily as a result of the increased demand and sales of our camera modules and the increase of RMB99.9 million in our available-for-sale wealth management products to secure our bank borrowings and bills payables for our purchases of raw materials and components.

We had net current assets of RMB121.0 million as of 31 December 2013. This improvement was primarily due to (i) an increase of RMB263.7 million in trade and other receivables, primarily as a result of the growth of our business and increased demand and sales of our camera modules, (ii) an increase in other financial assets of RMB299.0 million as a result of our increased purchases of daily/short-term available-for-sale wealth management products as security for our bank borrowings and bills payables, and (iii) the decrease in the amounts due to related parties as a result of our repayment of advances and loans from related parties. Such improvement was partially offset by an increase in bank borrowings of RMB343.1 million for our increased demand for general working capital as our business continued to grow.

Our liquidity position further improved as of 30 June 2014 and we had net current assets of RMB184.2 million as of 30 June 2014. This improvement was primarily due to (i) an increase in pledged bank deposits of RMB126.6 million for our bank borrowings, and (ii) an increase in inventories of RMB55.7 million as a result of increased production volume to meet the anticipation of our higher sales in the second half of the year. Such improvement was partially offset by an increase in our bank borrowings of RMB403.2 million for our increased demand for general working capital as our business continued to grow and for settling our non-trade related party balances before Listing, and a decrease in trade and other payables of RMB211.6 million following our repayment of advances from related parties.

As of 31 August 2014, our net current asset was approximately RMB286.4 million, and our net operating cash inflow was approximately RMB11.2 million for the eight months ended 31 August 2014. Such financial information is derived from our unaudited interim consolidated financial statements for the eight months ended 31 August 2014, which have been reviewed by our reporting accountants in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". As of 30 September 2014, being the latest practicable date for ascertaining certain financial information of our Group, we had net current assets of RMB278.4 million, primarily due to (i) an increase of RMB150.7 million in cash and cash equivalents; and (ii) an increase of RMB138.4 million in pledged bank deposits.

Please also refer to the section headed "Risk Factors — We had net current liabilities as of 31 December 2011 and 2012, respectively, and net operating cash outflows for the three years ended 31 December 2011, 2012 and 2013, and we may have net current liabilities and/or net operating cash outflows in the future" in this prospectus for the associated risk that we may face for having net current liabilities in the future.

Working capital

As of 30 September 2014, being the latest practicable date for the purpose of indebtedness statement in this prospectus, our bank borrowing amounted to approximately RMB1,119.3 million, which were primarily used to settle our non-trade related party balances before Listing and support our general working capital as our business continued to grow, rather than relying on funding arrangement with related parties that were mainly interest-free. The majority of our bank borrowings were secured by our available-for-sale wealth management products, pledged bank deposits and bills receivables. As of 30 September 2014, we also had unutilised banking facilities of approximately RMB210.9 million with no restriction on their drawdown and cash at banks pledged for our bank borrowings amounting to approximately RMB273.6 million. In addition, our Controlling Shareholder, Mr. He Ningning, has injected further capital of approximately US$20.0 million via QT Investment to our Company in August 2014 to improve our liquidity position in view of our net current liabilities and net operating cash outflows during the Track Record Period. Our Directors believe that after taking into consideration the financial resources available to us, including cash flows from our operations, banking facilities, the recent capital injection from Mr. He and estimated net proceeds from the Global Offering, we will be able to service our indebtedness and will have sufficient working capital for at least 12 months commencing from the date of this prospectus and the Sole Sponsor concurs with our Directors.

Further, we have also implemented several measures to ensure the ongoing sufficiency of our working capital and liquidity during our course of business:

- *Monitoring of cash flow and cash balance* — We will perform monthly and annual budgeting and review to ensure adequate liquidity to meet our payment obligations. We consider factors such as market developments and demand of our products, our sales forecasts, our cash position and bank deposit, available banking facilities, interest rates and exchange rates to determine our working capital requirements. These factors will be monitored on a continuous basis to ascertain whether actual results are in line with our budget. Where variances occur, our management will analyse such variances and modify our plans or implement new measures accordingly.

- *Enhancing inventory control and increasing bargaining power with suppliers* — We will make continuous efforts on enhancing our inventory control so that we can promptly respond to the changes on market prices of raw materials and components. As our business continues to grow, we expect to be able to increase our bargaining power and obtain better pricing for our raw materials and components and better credit terms from our suppliers.

- *Collectability of trade and bills receivables* — We will closely monitor the collectability of our trade and bills receivables so as to reduce the turnover days of our trade and bills receivables to ensure the adequacy of cash flows in our ordinary course of business.

- *Increasing overseas sales and expediting payments* — We target to increase our overseas sales and keep communicating with our key customers in PRC to settle more of our sales payment by bank transfers rather than bills receivables so as to reduce the balance of our trade and bills receivables.

- *Discounting bank acceptance bills* — We may choose to discount some of our bills receivables to the banks to support our operating cash flows.

CERTAIN ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Inventories

Our inventories primarily consist of raw materials and components, work in progress and finished products. The following table sets out the breakdown of our inventories as of the dates indicated:

	As of 31 December			As of 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	18,681	25,235	41,526	70,509
Work in progress	10,094	17,804	35,690	65,770
Finished goods	17,726	36,611	52,089	48,732
	46,501	**79,650**	**129,305**	**185,011**

Our inventories increased by 71.3% from RMB46.5 million as of 31 December 2011 to RMB79.7 million as of 31 December 2012 and increased further by 62.3% to RMB129.3 million as of 31 December 2013. As of 30 June 2014, our inventories amounted to RMB185.0 million. The increase in our inventories during the Track Record Period was primarily due to increased purchases of raw materials and components and increased production volume to meet the increased demand and sales of our camera modules. In particular, the increase in 2012 was primarily driven by the increased demand and sales of our camera modules with resolution of 5 mega pixels, while the increases in 2013 and in the first half of 2014 were primarily driven by the continuing popularity and increased demand and sales of our camera modules with resolution of 5 mega pixels, as well as the increased popularity and demand and sales of our camera modules with 8 mega pixels following their introduction in 2012. The increase in our inventories in the first half of 2014 can also be attributable to the increase in raw material and work in progress in anticipation of our higher sales in the second half of the year.

As of 30 September 2014, approximately RMB168.0 million, or 90.8%, of our inventories as of 30 June 2014 had been sold or utilised.

We closely monitor our inventory and maintain them on a first-in-first-out basis. We will continue to actively monitor our inventory levels and seek to maintain a low level of inventory. We have employed an centrally-administered ERP system to track the in-coming and out-going inventories. This system enables us to monitor levels of inventories on a timely basis so as to maintain an optimum level of raw materials and components and finished products. Our management reviews the inventory ageing listing on a periodic basis for those aged inventories. For the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, we had written down inventories of RMB0.1 million, RMB0.3 million, RMB1.8 million and RMB0.4 million, respectively, which primarily related to the obsolete inventories. These write-downs were recognised as expenses in the income statement for the respective periods.

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

	Year ended 31 December			Six months ended 30 June
	2011	2012	2013	2014
Average inventory turnover days[(1)]	55.6	41.8	32.4	35.5

Note:

(1) Average inventory turnover days equal to the average of the opening and closing balances of inventories of the relevant year/period divided by cost of sales of the relevant year/period and multiplied by 365 days/180 days in the case of six months ended 30 June 2014.

Our average inventory turnover days decreased from 55.6 days for the year ended 31 December 2011 to 41.8 days for the year ended 31 December 2012, and decreased further to 32.4 days for the year ended 31 December 2013, primarily as a result of our improved production planning, internal management on inventory control and improved efficiency. Our average turnover days slightly increased to 35.5 days for the six months ended 30 June 2014 primarily due to our increased inventory to meet production needs in anticipation of our higher sales in the second half of the year.

Trade and other receivables

Trade and bills receivables

Our trade and bills receivables primarily relate to receivables for our camera modules sold to our customers. We generally grant credit period to our customers ranging from 30 to 90 days from the billing date based on factors such as their background and operational scale, financial conditions, business relationship with us and historical payment record. For some of our key customers with larger operational scale, we generally allow them to use bank acceptance bills, with maturities of no more than 180 days, to settle our payments.

The following table sets out a summary of our trade and bills receivables as of the dates indicated:

	As of 31 December			As of 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables				
- third parties	85,371	221,619	335,034	603,828
- related parties	8,909	11,482	9,331	16,684
Subtotal	94,280	233,101	344,365	620,512
Bills receivables				
- third parties	34,956	119,154	229,464	192,436
Trade and bills receivables	129,236	352,255	573,829	812,948
Less: allowance for doubtful debts	(11)	(11)	(371)	(83)
Total trade and bills receivables	129,225	352,244	573,458	812,865

Our trade receivables increased from RMB94.3 million as of 31 December 2011 to RMB233.1 million as of 31 December 2012, and further to RMB344.4 million as of 31 December 2013 and RMB620.5 million as of 30 June 2014, primarily as a result of the increased demand and sales of our camera modules. Our trade receivables from related parties during the Track Record Period primarily related to receivables for our camera modules sold to Heyuan CK, our connected person, who is primarily engaged in providing OEM/ODM services to branded smart phone manufacturers. For more details of our sales to Heyuan CK after Listing, please refer to the section headed "Connected Transactions" in this prospectus.

Our bills receivables also increased from RMB35.0 million as of 31 December 2011 to RMB119.2 million as of 31 December 2012, and further to RMB229.5 million as of 31 December 2013, primarily as a result of the increased demand and sales of our camera modules and the increased use of bank acceptance bills by some of our key customers. Our bills receivables decreased to RMB192.4 million as of 30 June 2014, primarily due to a decrease in the percentage of customers who settle payments by bank acceptance bills and an increase in the percentage of customers who settle payments by bank transfers.

Our management closely monitors the recoverability of our trade and bills receivables on a monthly basis, and when appropriate, provides for impairment for these trade and bills receivables. Provision will be made if any of the following objectives and observable evidence comes to our attention: (i) significant financial difficulty of the subject customer; (ii) a breach of contract, such as a default or delinquency in interest or principal payments; (iii) high possibility that the subject customer will enter bankruptcy or other financial reorganisation; and (iv) significant changes in the technological, market, economic or legal environment that have an adverse effect on the subject customer. We typically review the recovery status of our trade and bills receivables from the individual customer on a case-by-case basis. For those trade and bills receivables whose recovery is considered doubtful but not remote, impairment losses are recorded using an allowance account and will be written off against trade and bills receivables directly. Please refer to note 1(n) to the financial information included in the accountants' report in Appendix I to this prospectus for more details. As of 31 December 2011, 2012 and 2013 and 30 June 2014, allowance for doubtful debts amounted to RMB11,000, RMB11,000, RMB371,000 and RMB83,000, respectively, which primarily related to receivables from customers that already terminated business relationship with us. Our Directors believe that our policy for the provision for impairment of our trade and bills receivables is adequate.

The following table sets out the ageing analysis of our trade and bills receivables as of the dates indicated:

	As of 31 December			As of 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Neither past due nor impaired	85,167	258,536	401,469	604,344
Less than 3 month past due[(1)]	42,718	89,903	171,689	208,036
Over 3 less than 6 months past due	766	3,195	300	2
Over 6 less than 12 months past due	574	500	—	309
Over 12 less than 24 months past due	—	110	360	—
More than 24 months	11	11	11	257
	129,236	352,255	573,829	812,948

Note:

1. We generally grant credit period ranging from 30 to 90 days from the billing date to our customers. However, certain customers settled their payment by bank acceptance bills on or before the expiry of their credit periods. As a result, we would only receive cash settlement when these bank acceptance bills matured within three to six months if we chose not to incur finance costs by discounting these bank acceptance bills. As part of our credit risk management, until we receive cash settlement from the banks for these bank acceptance bills, we do not consider such trade receivables as settled. Such settlement arrangement would therefore result in actual cash payment in relation to these customers being received beyond the respective credit periods from our operating cash flows perspective, which in turn led to a higher balance of our trade and bills receivables that were less than 3 months past due. As of the Latest Practicable Date, our trade and bills receivables that were less than 3 months past due as of 31 December 2013 had all been subsequently settled.

As of 30 September 2014, approximately RMB594.4 million, or 95.8% of our trade receivables as of 30 June 2014 had been settled either by cash or bank acceptance bills received from our customers before or upon the expiry of their credit periods. Further, approximately RMB77.7 million of these bank acceptances bills were matured and subsequently settled with the bank as of 30 September 2014. As of 30 September 2014, approximately RMB149.4million, or 77.7% of our bills receivables as of 30 June 2014 had also been settled.

The following table sets out the average turnover days of our trade and bills receivables for the periods indicated:

	Year ended 31 December			Six months ended 30 June
	2011	**2012**	**2013**	**2014**
Average turnover days of our trade and bills receivables[(1)]	121.0	137.8	119.8	129.3

Note:

(1) Average turnover days of our trade and bills receivables equal to the average of the opening and closing balances of trade and bills receivables for the relevant year/period divided by turnover of the relevant year/period and multiplied by 365 days/180 days in the case of six months ended 30 June 2014.

The average turnover days of our trade and bills receivables increased from 121.0 days for the year ended 31 December 2011 to 137.8 days for the year ended 31 December 2012, primarily the result of the increased use of bank acceptance bills, which had maturities of no more than 180 days, by certain of our key customers. The average turnover days of our trade and bills receivables decreased to 119.8 days for the year ended 31 December 2013, primarily due to a decrease in the percentage of customers who settle payments by bank acceptance bills and an increase in the percentage of customers who settle payments by bank transfers. The average turnover days of our trade and bills receivables increased to 129.3 days for the six months ended 30 June 2014, primarily the result of the use of bank acceptance bills with longer maturities by certain of our key customers.

Other receivables

Other receivables mainly comprised amounts due from related parties and Controlling Shareholder and other deposits, prepayments and receivables. The following table sets out a summary of our other receivables as of the dates indicated:

	As of 31 December			As of 30 June
	2011	**2012**	**2013**	**2014**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Amounts due from related parties	64,667	251,431	202,879	7
Amounts due from Controlling Shareholder .	63	63	—	—
Other deposits, prepayments and receivables	3,471	4,350	95,466	13,979
Total other receivables:	**68,201**	**255,844**	**298,345**	**13,986**

Other receivables from amounts due from related parties and a Controlling Shareholder

Amounts due from related parties represented the current portion of the non-trade related advances to and funding arrangements with entities controlled by our Controlling Shareholder, Mr. He Ningning, and entities controlled by key management of our Group, mainly for their working capital purposes. Amounts due from related parties were approximately RMB146.4 million as of 1 January 2011 and decreased to RMB64.7 million as of 31 December 2011, primarily due to repayment of our advances by and funding arrangement with Hong Kong Xitai for its working capital purposes. Amounts due from related parties increased to RMB251.4 million as of 31 December 2012, primarily due to an increase in the balance of receivables from Guangzhou CK of RMB189.5 million, primarily as a result of an advance of RMB263.1 million made to Guangzhou CK in 2012 for its working capital purposes and also due to our overseas procurement arrangement with Guangzhou CK. Please also refer to the section headed "Business — Procurement — Overseas procurement service arrangement" in this prospectus for more details of our overseas procurement service arrangement with Guangzhou CK. Amounts due from related parties decreased to RMB202.9 million as of 31 December 2013, primarily due to a decrease in the balance of receivables from Guangzhou CK of RMB50.8 million as a result of the set-off arrangement agreed among us, Guangzhou CK and Focus. Our amounts due from related parties decreased further to RMB7,000 as of 30 June 2014 as a result of repayment of advances to related parties of RMB242.2 million during the six months ended 30 June 2014.

Amounts due from our Controlling Shareholder represented an advance made to our Controlling Shareholder, Mr. He Ningning, which was subsequently settled in 2013.

As of 31 December 2011, 2012, 2013 and 30 June 2014, the amounts due from related parties and a Controlling Shareholder were unsecured, interest free and had no fixed repayment terms.

Our Directors confirm that the above non-trade transactions with related parties will not continue after the Listing and that all the outstanding balances due from related parties have been settled.

Other receivables from deposits, prepayments and receivables

Other deposits, prepayments and receivables primarily represent deposit paid for construction of our Kunshan Production Base, value-added tax refund and prepaid interest for our letter of credit. As of 31 December 2011, 2012 and 2013 and 30 June 2014, our other deposits, prepayments and receivables were RMB3.5 million, RMB4.4 million, RMB95.5 million and RMB14.0 million, respectively. The general increase during the Track Record Period was primarily due to our increased value-added tax refund and our increased prepaid interest for our letter of credit as our business continued to grow. The increase in 2013 was primarily due to the disposal of CK Great China's 16.1473% equity interest in Huatian Kunshan in December 2013 with a consideration of US$13,268,600 which was yet to be received by 31 December 2013.

Other financial assets

During the Track Record Period, we purchased various wealth management products mainly for securing our bank borrowings and bills payables to better utilise our working capital to eventually settle our payment with suppliers. These wealth management products are generally quoted as low risks in the product description guides published by the issuers and have higher yields than fixed bank deposits that we would otherwise place with banks as security to issue letter of credit for our bills payables. If we did not invest in these wealth management products, the funds available would either be deposited directly with banks as security for them to issue letters of credit for our bills payables or be used directly to settle the payment with our suppliers.

Our daily/short-term wealth management products are mainly structured investment products or unlisted funds issued by or sold through the publicly listed banks with an expiry date ranging from one to 366 days. As we have considered our fund safety, liquidity and profitability when we purchased wealth management products and such purchase is part of our overall business operation, our PRC legal advisers, King & Wood Mallesons, confirm that, we are permitted to invest such wealth management products under relevant PRC laws and regulations and do not need to obtain approval from or make filing amendment with the relevant department of Administration for Industry and Commerce in relation to our scope of business. Our Directors also confirm that the purchases of wealth management products do not affect the interest rates of our bank borrowings nor our ability to obtain new banking facilities. A number of our daily/short-term wealth management products were also principal-protected. The following table sets out the material terms of our outstanding wealth management products as of the Latest Practicable Date based on their respective product description guides published by the relevant issuers:

Item	Issuer/ selling bank	Principal amount (RMB in million)	Expected return	Term	Expiry date	Risk classification	Underlying investment	Early redemption	Principal-protected or fully covered by insurance	Maximum exposure (RMB in million)
1.	Bank of China Limited (“**Bank of China**”) (Guangdong branch)	50.0	5.5%	364 days	28 November 2014	Low-to-mid risk (the possibility of losing the principal amount is low but there is uncertainty on the expected return)	64.0% on bank deposits and bonds with high liquidity and 36.0% on trust project of Dongguan Dongcai Investment Holding Ltd.* (東莞市東財投資控股有限公司), a PRC listed company	We are not entitled to early redemption, but the issuer has the right to early termination if (i) such termination is required by PRC laws and regulations; (ii) the issuer has reasonable cause to believe that such wealth management product cannot assist the investors to realise their returns	Fully covered by insurance	Nil
2.	Bank of China	50.0	5.7%	365 days	24 March 2015	Low-to-mid risk (the possibility of losing the principal amount is low but there is uncertainty on the expected return)	Commercial papers with high credit rating, securities investment funds and sovereign bonds	We are not entitled to early redemption, but the issuer has the right to early termination if (i) such termination is required by PRC laws and regulations; (ii) the issuer has reasonable cause to believe that such wealth management product cannot assist the investors to realise their returns	Fully covered by insurance	Nil

Item	Issuer/ selling bank	Principal amount (RMB in million)	Expected return	Term	Expiry date	Risk classification	Underlying investment	Early redemption	Principal-protected or fully covered by insurance	Maximum exposure (RMB in million)
3.	Minmetals International Trust Co., Ltd. (五礦國際信托有限公司) (“Minmetals International Trust”) (a subsidiary of China Minmetals Corporation (中國五礦集團公司)) /China Minsheng Banking Corp., Ltd. (“Minsheng Bank”) (Suzhou Kunshan sub-branch)	40.0	4.3%	184 days	12 February 2015	Low risk	Assets with high liquidity and low risks, including bank deposits and bonds with rating above AA++, and financing projects recommended by Minsheng Bank, excluding direct investment in secondary stock market, Qualified Domestic Institutional Investors (“**QDII**”) products and high risk derivatives	No	Principal-protected	Nil

Item	Issuer/ selling bank	Principal amount (RMB in million)	Expected return	Term	Expiry date	Risk classification	Underlying investment	Early redemption	Principal-protected or fully covered by insurance	Maximum exposure (RMB in million)
4.	Minmetals International Trust/Minsheng Bank (Suzhou Kunshan sub-branch)	32.0	4.3%	184 days	13 February 2015	Low risk	Assets with high liquidity and low risks, including bank deposits and bonds with rating above AA++, and financing projects recommended by Minsheng Bank, excluding direct investment in secondary stock market, QDII products and high risk derivatives	No	Principal-protected	Nil

These wealth management products were classified as other financial assets and were carried at fair value, with any net gain or loss arising from the difference between their total fair value and total principal amount recognised in the fair value reserve. As of 31 December 2011, 2012 and 2013 and 30 June 2014, the carrying values of such wealth management products amounted to RMB17.2 million, RMB117.0 million, RMB416.1 million and RMB457.2 million, respectively, while net gain of nil, RMB2.1 million, RMB3.1 million and RMB8.6 million was recognised in the fair value reserve for the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, respectively. As of 31 December 2011, 2012 and 2013 and 30 June 2014, such wealth management products with carrying values of nil, RMB35.3 million, RMB314.4 million and RMB448.2 million were pledged as security for our bank borrowings, respectively, and nil, RMB50.7 million, RMB51.5 million and nil, were pledged as security for our bills payables, respectively.

As of 31 December 2011, 2012 and 2013 and 30 June 2014, our wealth management products with an aggregate amount of nil, RMB30.0 million, RMB50.0 million and nil, respectively, contained certain embedded derivatives which represented a possible variation in the yield of such wealth management products dependent on the fluctuation of the exchange rate between HK dollars and U.S. dollars on or before the expiry dates of these wealth management products. However, as the exchange rate between HK dollars and U.S. dollars was pegged within a certain range during 2012 to 2013, we considered that the likelihood of these embedded derivatives varying the yield of such wealth management products was remote. As such, the fair value of these embedded derivatives at the respective reporting period ends was considered to be nil. Subsequent to the years ended 31 December 2012 and 2013, these wealth management products all expired with actual yield same as the expected return. Except for these expired wealth management products mentioned above, all of our other wealth management products purchased during the Track Record Period were not derivative financial instruments. In addition, all of our wealth management products purchased during the Track Record Period did not contain an element of gearing or leverage.

During the Track Record Period, one of the issuing banks of our wealth management products offered insurance coverage through its related insurance company when we purchased the wealth management products from this bank as security to issue letter of credit for our bills payables. Pursuant to the insurance agreements entered into between us and this related insurance company, in the event that the balance of our wealth management products pledged to such issuing bank for the issue of our letter of credit falls below the amount to be paid by us to this issuing bank upon the expiration of our letter of credit, the insurance company will be responsible for paying the difference in balance to this issuing bank for us.

During the Track Record Period, the return of our wealth management products that were either principal protected or fully covered by insurance ranged from approximately 1.5% to 5.8% and the return of our wealth management products that were neither principal protected nor fully covered by insurance ranged from approximately 2.2% to 6.7%. As of the Latest Practicable Date, we had four outstanding wealth management products issued by or sold through two publicly listed banks with maturity date between November 2014 and March 2015 and with the expected return ranging from approximately 4.3% to 5.7% per annum according to the issuing documents of these wealth management products. Among which, two of these wealth management products with an aggregate principal amount of RMB100.0 million were issued by the above mentioned issuing bank and are fully covered by insurance and two of these wealth management products with an aggregate principal amount of RMB72.0 million are principal protected.

The following table sets forth the movement of our wealth management products during the Track Record Period on a quarterly basis:

	Carrying amount
	RMB'000
As of 1 January 2011	**—**
Purchase for the quarter ended 31 March 2011	—
Redemption for the quarter ended 31 March 2011	—
As of 31 March 2011	**—**
Purchase for the quarter ended 30 June 2011	280,760
Redemption for the quarter ended 30 June 2011	(280,760)
As of 30 June 2011	**—**
Purchase for the quarter ended 30 September 2011	64,970
Redemption for the quarter ended 30 September 2011	(54,970)
As of 30 September 2011	10,000
Purchase for the quarter ended 31 December 2011	48,650
Redemption for the quarter ended 31 December 2011	(41,500)
Investment income and fair value adjustment for the year ended 31 December 2011	—
As of 31 December 2011	17,150
Purchase for the quarter ended 31 March 2012	265,155
Redemption for the quarter ended 31 March 2012	(175,030)
As of 31 March 2012	107,275
Purchase for the quarter ended 30 June 2012	102,730
Redemption for the quarter ended 30 June 2012	(84,360)
As of 30 June 2012	125,645
Purchase for the quarter ended 30 September 2012	116,300
Redemption for the quarter ended 30 September 2012	(156,045)
As of 30 September 2012	85,900
Purchase for the quarter ended 31 December 2012	64,060
Redemption for the quarter ended 31 December 2012	(35,360)
Investment income and fair value adjustment for the year ended 31 December 2012	2,446
As of 31 December 2012	117,046
Purchase for the quarter ended 31 March 2013	61,730
Redemption for the quarter ended 31 March 2013	(91,730)
As of 31 March 2013	87,046
Purchase for the quarter ended 30 June 2013	298,080
Redemption for the quarter ended 30 June 2013	(203,680)
As of 30 June 2013	181,446
Purchase for the quarter ended 30 September 2013	391,200

	Carrying amount
	RMB'000
Redemption for the quarter ended 30 September 2013	(315,700)
As of 30 September 2013	256,946
Purchase for the quarter ended 31 December 2013	631,900
Redemption for the quarter ended 31 December 2013	(476,400)
Investment income and fair value adjustment for the year ended 31 December 2013	3,628
As of 31 December 2013	416,074
Purchase for the quarter ended 31 March 2014	476,310
Redemption for the quarter ended 31 March 2014	(326,310)
As of 31 March 2014	566,074
Purchase for the quarter ended 30 June 2014	272,930
Redemption for the quarter ended 30 June 2014	(391,930)
Investment income and fair value adjustment for the period ended 30 June 2014	10,106
As of 30 June 2014	457,180

During the Track Record Period and up to the Latest Practicable Date, we had not encountered any loss from the default of our wealth management products. Instead, for the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, we had investment income arising from these wealth management products of RMB0.7 million, RMB2.5 million, RMB5.7 million and RMB5.6 million, respectively. We have not purchased any wealth management products that are neither principal-protected nor fully covered by insurance since April 2014.

We are subject to default risk associated with these wealth management products. We have implemented internal investment policies since February 2011 and further tightened it in June 2014 to monitor and control our exposure and potential risks in connection with our wealth management products. From June 2014, we are only allowed to invest in principal-protected wealth management products or wealth management products that are fully covered by insurance issued by or sold through the top 10 commercial banks in terms of total assets, and wealth management products that (i) are quoted as low risk in the product description guides published by the issuers; (ii) expire within one year; and/or (iii) can be pledged as security for our bank borrowings and bills payables. Further, after the establishment of our risk management committee on 13 November 2014, any purchase of wealth management product with the transaction amount exceeding RMB10.0 million needs to be reviewed and approved by our risk management committee. As part of the approval process of our wealth management products, our risk management committee will, inter alia, review and assess the expected return of the wealth management products with similar principal amount, and the track record of relevant issuers and similar wealth management products previous sold in the market. Moreover, no purchase of wealth management product with the transaction amount exceeding RMB50.0 million is allowed, and the outstanding balance of our wealth management products is not allowed to exceed RMB300.0 million at any given time from October 2014 onwards, taking into account a few of our existing wealth management products that are expiring in July to September 2014.

We regularly evaluate the risks and returns of our wealth management products. All our investments in wealth management products are required to be reviewed and approved by our chief legal director, Mr. Fan Fuqiang, and then by our executive Director and chief financial officer, Mr. Wang Jianqiang. Prior to any of our purchase of wealth management products, our financial assistant is required to complete the submission forms with information such as current status of our surplus cash and banking facilities, future payment obligations, source of funds, plan of use, background of product and expected returns compared with other similar products in the market when they submit the request to purchase a particular wealth management product. Our chief legal director, Mr. Fan Fuqiang, will then further evaluate the return and risks associated with this particular wealth management product and in particular, will conduct necessary analysis on the financial impact on our working capital and cash flow in case we encounter default or significant loss from this particular wealth management product. We generally take into account our level of working capital, including our current balance of cash surplus, unutilised banking facilities, our sales forecast and trade and bills receivables to ensure that there will be no material impact on our business operation and financial conditions in the event that we encounter certain default or loss from these wealth management products. Our financial assistant also prepares monthly consolidated report on our wealth management products with information including their expiry dates, expected returns, costs, terms and change of risks according to the regular communications with the relevant banks. Our executive Director and chief financial officer, Mr. Wang Jianqiang is responsible for providing comments on the monthly consolidated report. Our executive Director and chief financial officer. Mr. Wang Jianqiang, and our executive Director, Mr. Yang Peikun and our chief legal director, Mr. Fan Fuqiang are responsible for setting further policies and requirements in respect of the operation and risk control of our wealth management products. Our risk management committee will also obtain reports from our executive Director and chief financial officer, Mr. Wang Jianqiang, on a regular basis to ensure that such policies and requirements are appropriate.

We have strictly adhered to our investment policies and will continue to monitor our risks and returns associated with our wealth management products. Our chief legal director, Mr. Fan Fuqiang, has been and will continue to be responsible for monitoring our overall financial investments to ensure that we comply with our internal investment policies and all relevant PRC laws and regulations, with the support of our finance department staff. Mr. Fan has over 18 years of experience in providing services relating to personal, corporate and investment banking, including relevant experience on selling wealth management products to and subsequently, managing and monitoring such wealth management products. Prior to joining us, Mr. Fan also served as branch general manager and vice general manager of the corporate department of Heyuan Gao Xin Qu branch of Bank of China. Our finance manager at our finance department obtained a master degree in operational research and cybernetic and had also previously worked at an investment consulting company and a venture capital company for several years where he was responsible for assessing and advising on various investment projects. We also established our risk management committee, comprising two of our independent non-executive Directors and our chief legal director, Mr. Fan Fuqiang, on 13 November 2014. Our independent non-executive Directors, Ms. Chen Jun and Mr. Ng Sui Yin, have both got solid track record in the fields of accounting, finance and corporate management. We believe that both of these two independent non-executive Directors possess extensive experience in finance and risk management, and will be able to assist us to review and assess, on quarterly basis, our wealth management product investment in terms of whether such investment complies with our treasury and investment policies, and the fund safety of and risks associated with such investment. For more details of our investment policies, risk management committee and committee members, please refer to the sections headed "Business — Risk management" and "Directors and Senior Management" in this prospectus. Going forward, we will only invest in wealth management products that are principal-protected or fully covered by insurance and quoted as low risk but generally provide higher investment returns than fixed rate returns from bank deposits at commercial banks.

Taking into account our current status of surplus cash, unutilised banking facilities, our sales forecast and trade and bills receivables, our Directors believe that our working capital and business operation will not be materially affected if we encounter any losses from the default of our wealth management products. In addition, our Controlling Shareholder, Mr. He Ningning, has also undertaken to indemnify us for any losses and liabilities arising from the default of these wealth management products that are neither principal-protected nor fully covered by insurance.

Trade and other payables

Trade and bills payables

Trade and bills payables primarily relate to purchases of raw materials and components and machinery and equipment from our suppliers. Our suppliers generally grant us credit terms of 30 to 90 days from date of billing invoices. We normally settle such payables by bank transfer, bank acceptance bills with maturities of no more 180 days or letter of credit.

The following table sets out a summary of our trade and bills payables as of the dates indicated:

	As of 31 December			As of 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables				
- third parties	58,547	151,566	296,982	387,385
- related parties	2,823	20,392	3,813	1,291
Subtotal	61,370	171,958	300,795	388,676
Bills payables				
- third parties	—	6,900	31,598	22,607
- related parties	58,066	103,508	79,937	—
Subtotal	58,066	110,408	111,535	22,607
Total trade and bills payables	119,436	282,366	412,330	411,283

Our trade payables increased from RMB61.4 million as of 31 December 2011 to RMB172.0 million as of 31 December 2012, and further to RMB300.8 million as of 31 December 2013 and RMB388.7 million as of 30 June 2014, primarily due to our increased purchases of raw materials and components as a result of an increase in demand and sales of our camera modules, and our increased purchases of new production and testing machinery and equipment for our Kunshan Production Base. Our trade payables to related parties during the Track Record Period primarily related to our purchases of certain raw materials and components, such as connectors and FPCs, from our connected persons, Van Telecom PRC and C-Flex Electronics, and our purchases of semi-VGA products from Huatian Kunshan. For more details of our purchases from Van Telecom PRC and C-Flex Electronics after Listing, please refer to the section headed "Connected Transactions" in this prospectus.

Our bills payables increased from RMB58.1 million as of 31 December 2011 to RMB110.4 million as of 31 December 2012 and further to RMB111.5 million as of 31 December 2013, but decreased to RMB22.6 million as of 30 June 2014. Our bills payables to third parties increased from nil as of 31 December 2011 to RMB6.9 million as of 31 December 2012 and further to RMB31.6 million as of 31 December 2013, primarily because we were able to obtain longer credit periods from some of our key suppliers due to the increase in our purchase amount as our sales grew and as a result of our more established relationship with them. Our bills payables to third parties was RMB22.6 million as of 30 June 2014. Our bills payables to related parties during the Track Record Period arose from our overseas procurement service arrangement with Guangzhou CK. Please also refer to "Business — Procurement — Overseas procurement service arrangement" in this prospectus for more details. Our bills payables to related parties increased from RMB58.1 million as of 31 December 2011 to RMB103.5 million as of 30 December 2012, and decreased to RMB79.9 million as of 31 December 2013 and further to nil as of 30 June 2014, primarily due to the termination of our overseas procurement service arrangement with Guangzhou CK in November 2012.

As of 31 December 2011, our bills payables with carrying values of RMB58.1 million were secured by our pledged bank deposits. As of 31 December 2012, our bills payables with carrying values of RMB56.0 million, RMB49.5 million and RMB5.0 million were secured by our bills receivables, our available-for-sale wealth management products and our pledged bank deposits, respectively. As of 31 December 2013, our bills payables with carrying values of RMB55.3 million, RMB49.8 million and RMB6.5 million were secured by our bills receivables, our available-for-sale wealth management products and our pledged bank deposits, respectively. As of 30 June 2014, our bills payables with carrying values of RMB7.6 million were secured by our bills receivables.

The following table sets out the ageing analysis of our trade and bills payables as of the dates indicated:

	As of 31 December			As of 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	65,752	205,852	308,038	298,803
More than 3 months but within 6 months	40,315	31,111	15,260	70,557
More than 6 months but within 1 year	—	25,431	65,000	4,085
More than 1 year	—	77	134	66
	106,067	**262,471**	**388,432**	**373,511**

Note: As of 31 December 2011, 2012 and 2013 and 30 June 2014, our total trade and bills payables were approximately RMB119.4 million, RMB282.4 million, RMB412.3 million and RMB411.3 million, respectively. The difference between the balance of our total trade and bills payables and the total balance of our trade and bills payables in the above table of ageing analysis represents our accrued trade payables where invoices were not received as of 31 December 2011, 2012 and 2013 and 30 June 2014.

As of 30 September 2014, approximately RMB389.0 million, or 94.6%, of our trade and bills payables (including accrued trade payables) as of 30 June 2014 had been settled.

The following table sets out the average turnover days of our trade and bills payables for the periods indicated:

	Year ended 31 December			Six months ended 30 June
	2011	2012	2013	2014
Average turnover days of our trade and bills payables(1)	128.5	133.1	107.8	93.0

Note:

(1) Average turnover days of our trade and bills payables equal to the average of the opening and closing balances of trade and bills payables of the relevant year/period divided by cost of sales of the relevant year/period and multiplied by 365 days/180 days in the case of six months ended 30 June 2014.

The average turnover days of our trade and bills payables increased from 128.5 days for the year ended 31 December 2011 to 133.1 days for the year ended 31 December 2012, primarily as a result of an increase in our issue of letter of credit, which had maturities up to one year, to Guangzhou CK under our overseas procurement service arrangement with Guangzhou CK. The average turnover days of our trade and bills payables decreased to 107.8 days for the year ended 31 December 2013, primarily due to the termination of our overseas procurement service arrangement with Guangzhou CK in November 2012. For more details of our overseas procurement service arrangement with Guangzhou CK, please refer to the section headed "Business — Procurement — Overseas procurement service arrangement" in this prospectus. Our average turnover days of our trade and bills payables further decreased to 93.0 days for the six months ended 30 June 2014, primarily due to (i) the nil balance of our bills payables to related parties as of 30 June 2014 following the cessation of our overseas procurement service arrangement with Guangzhou CK in November 2012; and (ii) majority of our trade and bills payables as of 30 June 2014 were due within 90 days as specified by our credit periods granted by our suppliers.

Other payables

Other payables mainly comprise amounts due to related parties and Controlling Shareholder, accrued payroll and other payables and accruals. The following table sets out a breakdown of our other payables as of the dates indicated:

	As of 31 December			As of 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Accrued payroll	3,216	7,546	10,431	12,372
Amounts due to related parties(1)	297,835	631,483	458,232	241,106
Amounts due to Controlling Shareholder	—	—	18,256	—
Other payables and accruals	2,772	6,453	5,101	27,964
Total other payables:	**303,823**	**645,482**	**492,020**	**281,442**

Note:

1. Amounts due to related parties only included the current portion of the non-trade related advances and loans from and funding arrangement with the relevant related parties. As such, amounts due to related parties as of 31 December 2013 did not include the interest-free loan of RMB134.1 million from Focus and loan of RMB12.0 million from Guangzhou CK, and amounts due to related parties as of 30 June 2014 did not include the interest-free loan of RMB135.4 million from Focus. We have settled all of our non-trade balances with our related parties.

Amounts due to related parties and Controlling Shareholder

Amounts due to related parties represent the current portion of the non-traded advances and loans from and funding arrangements with entities controlled by our Controlling Shareholder, Mr. He Ningning, and entities controlled by key management of our Group, mainly for our working capital purpose. Amounts due to related parties were approximately RMB279.0 million as of 1 January 2011 and increased to RMB297.8 million as of 31 December 2011, primarily due to advances from and funding arrangement with Focus for our working capital purposes. Amounts due to related parties increased to RMB631.5 million as of 31 December 2012, primarily due to an increase in the balance of payables to Focus of RMB257.5 million following an advance of RMB300.4 million from Focus in 2012 for our working capital purposes, and an increase in the balance of payables to Heyuan CK of RMB78.2 million which represented advances from Heyuan CK also for our working capital purposes. Amounts due to related parties decreased to RMB458.2 million as of 31 December 2013, primarily due to a decrease in the balance of payables to Heyuan CK of RMB78.2 million and a decrease in the balance of payables to Guangzhou CK of RMB64.8 million following our repayment. Our amounts due to related parties further decreased to RMB241.1 million as of 30 June 2014 as a result of our repayment of advances from related parties of RMB575.2 million during the six months ended 30 June 2014.

Amounts due to Controlling Shareholder represent an advance of RMB18.3 million from our Controlling Shareholder, Mr. He Ningning, for the year ended 31 December 2013 for our working capital purposes.

As of 31 December 2011, 2012 and 2013 and 30 June 2014, amounts due to related parties were unsecured, interest-free and had no fixed repayment terms, except for the loans from Guangzhou CK amounting to RMB62.0 million and RMB12.0 million as of 31 December 2012 and 2013, respectively, with fixed annual interest rate of 5.0% and 5.0%, respectively.

Our Directors confirm that the above non-trade transactions with related parties will not continue after Listing and we have mainly used our unutilised banking facilities and internal resources to settle all of our outstanding balances due to the related parties before Listing.

Accrued payroll and other payable and accruals

As of 31 December 2011, 2012 and 2013 and 30 June 2014, our accrued payroll amounted to RMB3.2 million, RMB7.5 million, RMB10.4 million and RMB12.4 million, respectively, and primarily consisted of salaries and benefit accrued as of 31 December 2011, 2012 and 2013 and 30 June 2014. Such increases in accrued payroll were primarily attributable to the increase in the number of our employees and general level of salaries and employee benefits.

As of 31 December 2011, 2012 and 2013, our other payable and accruals amounted to RMB2.8 million, RMB6.5 million and RMB5.1 million, respectively, and primarily consisted of other tax payables and down-payment received from our customers for the procurement of associated raw materials and components for our camera modules. Our other payable and accruals increased to RMB28.0 million as of 30 June 2014, primarily as a result of our listing expenses incurred during the six months ended 30 June 2014 in preparation for our Listing.

INDEBTEDNESS

Bank borrowings and related parties' loans

Our bank borrowings primarily consist of short-term working capital loans. Our bank borrowings as of 31 December 2011, 2012 and 2013 and 30 June 2014 were repayable within one year or on demand. Our bank borrowings and related parties' loans as of 31 December 2011, 2012 and 2013 and 30 June and September 2014, for the purpose of calculating our indebtedness, were as follows:

	As of 31 December			As of 30 June	As of 30 September
	2011	2012	2013	2014	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank borrowings					
— secured	—	84,527	427,581	752,584	1,119,258
— unsecured	—	—	—	78,161	—
	—	84,527	427,581	830,745	1,119,258
Related parties' loan	—	62,000	146,132	135,362	23,107

During the Track Record Period, we primarily used our bank borrowings for our increased demand for general working capital as our business continued to grow. Our bank borrowings as of 31 December 2012 were secured by our available-for-sale wealth management products and pledged bank deposits. Our bank borrowings as of 31 December 2013 and 30 June 2014 were secured by our available-for-sale wealth management products, pledged bank deposits and bills receivables. As of 31 December 2013 and 30 June 2014, our bank borrowings amounted to RMB33.6 million and RMB92.2 million, respectively, were guaranteed by our related party, Heyuan CK, and our two executive Directors, Mr. He Ningning and Mr. Wang Jianqiang. Our Directors confirm that all of these guarantees will be released before Listing. As of 31 December 2011, 2012 and 2013 and 30 June 2014, the carrying amounts of these pledged assets were as follows:

	As at 31 December			As of 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Available-for-sale financial assets	—	35,281	314,419	448,164
Pledged bank deposits	—	51,634	2,439	134,700
Bills receivable	—	—	84,323	127,679
	—	86,915	401,181	710,543

The majority of our bank borrowings during the Track Record Period were obtained in Hong Kong and were denominated in either Renminbi or U.S. dollars. The fixed annual interest rate of our bank borrowings was 2.28%, 2.53%, 3.05% and 3.11% as of 31 December 2011, 2012 and 2013 and 30 June 2014, respectively. We do not obtain any bank borrowings at variable interest rates. Going forward, we expect to continue to obtain bank borrowings in Hong Kong. In the event that we need to obtain bank borrowings in the PRC, the interest rates of such bank borrowings may be higher than the interest rates of bank borrowings in Hong Kong.

As of 30 September 2014, being the latest practicable date for purpose of indebtedness statement in this prospectus, our bank borrowings and related parties' loans amounted to RMB1,142.4 million. The bank borrowings were primarily used to settle our non-trade related party balances before Listing and support our general working capital as our business continued to grow, rather than relying on funding arrangement with related parties that were mainly interest-free. Our Directors confirm that the above related parties' loans have already been settled. We plan to service our indebtedness primarily using our cash at banks pledged for our bank borrowings as of 30 September 2014 amounting to approximately RMB273.6 million, unutilised banking facilities as of 30 September 2014 amounting to approximately RMB210.9 million with no restriction on their drawdown, expected cash generated from operation for the two years ending 31 December 2014 and 2015 and estimated net proceeds from the Global Offering. As of 30 September 2014, majority of our bank borrowings were secured by our available-for-sale wealth management products, pledged bank deposits and bills receivables. Our Directors confirm that we have not had any material default with regard to any bank borrowings, and have not breached any financial covenants in our bank borrowings during the Track Record Period and up to the Latest Practicable Date. We also did not experience any difficulty in obtaining credit facilities, withdrawal of facilities, default in payment of bank borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

Except as disclosed above, we did not have any outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loan, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees outstanding as of 30 September 2014. There are no material covenants relating to our outstanding debt that would prevent us from raising additional bank or other external financing. Our Directors also confirm that except as disclosed above on the current use of our banking facilities, we do not have any plan to raise additional material external debt financing as of the date of this prospectus. Our Directors further confirm that there has not been any material change in our indebtedness since 30 September 2014 and that we do not foresee or expect any difficulties in meeting our future financial obligations.

CAPITAL EXPENDITURES

Historical capital expenditures

The following table sets out our historical capital expenditures during the periods indicated:

	Year ended 31 December			Six months ended 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Property, plant and equipment	35,085	83,592	152,458	40,971

The capital expenditures incurred for the year ended 31 December 2011 and 2012 were primarily related to the construction of and purchases of new production and testing machinery and equipment for our Kunshan Production Base. The capital expenditures incurred for the year ended 31 December 2013 were primarily related to the upgrade of our Kunshan Production Base by expanding our Class 10 and Class 1,000 Cleanrooms in the second half of 2013 and purchases of additional production and testing machinery and equipment. The capital expenditures incurred for the six months ended 30 June 2014 were primarily related to purchases of new production machinery and equipment to increase our production capacities as a result of our increased demand and sales.

Planned capital expenditures

As part of our future growth strategy, we currently expect to incur an additional HK$284.6 million in capital expenditures through the year ending 31 December 2015 primarily to be used in purchases of advanced machinery and equipment for our production process, testing procedures and design, research and development and enlarging and upgrading our Class 10 and Class 1,000 Cleanrooms for our Kunshan Production Base, construction or purchase of a building for our design, research and development centre, construction of two dormitory buildings and auxiliary facilities for our employees, and purchases of office building and warehouse in Hong Kong. The following table sets out a summary of our planned capital expenditures for the periods indicated:

	Year ending 31 December	
	2014	2015
	HK$ in million	HK$ in million
Purchases of advanced machinery and equipment for our production process and testing procedure	58.1	187.4
Purchases of advanced machinery and equipment for our design, research and development	12.6	12.6
Construction or purchase of a building for our design, research and development centre	—	18.9
Enlargement and upgrade of our Class 10 and Class 1,000 Cleanrooms	48.0	27.8
Construction of two dormitory buildings and auxiliary facilities	25.2	12.9
Purchases of office building and warehouse in Hong Kong	—	25.0
Total	143.9	284.6

We anticipate that our planned capital expenditures will be financed by the net proceeds from the Global Offering. The estimated amounts of expenditures set out above may vary from the actual amounts of expenditures for a variety of reasons, including changes in market conditions, competition and other factors.

Our current plan with respect to future capital expenditures is subject to change based on the evaluation of our business plan, including potential acquisitions, the progress of our capital projects, market conditions and our outlook of future business conditions. As we continue to expand, we may incur additional capital expenditures. Our ability to obtain additional funding in the future is subject to a variety of uncertainties including our future results of operations, economic, political and other conditions in the PRC, PRC government policies relating to our industry and relevant rules and regulations in the PRC and Hong Kong regarding debt and equity financing. Other than as required by law, we do not undertake any obligation to publish updates of our capital expenditure plans. Please refer to the section headed "Forward-looking Statements" in this prospectus.

CONTRACTUAL COMMITMENTS

Capital commitments

Our capital commitments as of 31 December 2011 and 2012 were primarily related to the construction of and purchases of new production and testing machinery and equipment for our Kunshan Production Base. Our capital commitments as of 31 December 2013 and 30 June 2014 were primarily related to the upgrade of our Kunshan Production Base and the increase of our production capacities. The following table sets out a summary of our capital commitments as of the dates indicated:

	As of 31 December			As of 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted for	24,910	2,711	5,558	27,607
Authorised but not contracted for	22,103	13,145	9,695	—
Total	**47,013**	**15,856**	**15,253**	**27,607**

Operating lease commitments

We had outstanding commitments of RMB0.3 million as of 31 December 2011 arising from the non-cancellable operating lease agreements with respect to our Former Production Base which we ceased leasing in August 2012. We also had outstanding commitments of RMB0.4 million as of 30 June 2014 primarily as a result of our sub-lease agreement with Chengdu CK for our Chengdu QT Subsidiary. Please refer to the section headed "Connected Transactions" in this prospectus for more details of this sub-leased agreement. The table below sets out the outstanding commitments under our these lease agreements as of the dates indicated:

	As of 31 December			As of 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	294	—	—	189
After 1 year but within 3 years	—	—	—	196
Total	294	—	—	385

RELATED PARTY TRANSACTIONS

During the Track Record Period, we entered into several transactions and had certain funding arrangements with our related parties. The majority of these funding arrangements were with related parties that were incorporated outside the PRC. For the funding arrangements with related parties that were incorporated in the PRC, our PRC legal advisers, King & Wood Mallesons, have confirmed that as our advances to and from related parties during the Track Record Period were (i) part of our funding arrangements with the relevant related parties and for the purposes of short-term operating needs, and (ii) interest-free, these advances do not fall into the definition of "loans" under the Lending General Provisions (貸款通則). Further, having considered that our Group and the relevant related parties were not financial institutions nor engaged in the lending and interest-earning business, our PRC legal advisers, King & Wood Mallesons, further confirm that we are not "lenders" as defined under the

Lending General Provisions (貸款通則), and our advances to and from related parties and our subsequent settlement with them did not contravene the Lending General Provisions (貸款通則). In addition, the Sole Sponsor's PRC legal advisers, Grandall Law Firm (Shenzhen), also concur with our PRC legal advisers, King & Wood Mallesons' views on the legality of the funding arrangements with our related parties and the subsequent settlement arrangement.

It is the view of our Directors that each of the related party transactions set out in note 30 to the accountants' report in Appendix I to this prospectus was conducted in the ordinary and usual course of our business and on normal commercial terms between the relevant parties. Except as disclosed in the section headed "Connected Transactions" in this prospectus, these related party transactions will not continue after the Listing. For more details of our related party transactions and their outstanding balances as of 31 December 2011, 2012 and 2013 and 30 June 2014, please also refer to the section headed "Financial Information — Trade and other receivables — Other receivables — Other receivables from amounts due from related parties and a Controlling Shareholder" and "— Trade and other payables — Amounts due to related parties and Controlling Shareholder" in this prospectus and note 30 to the accountants' report in Appendix I to this prospectus. Our Directors confirm that all of our non-trade balances with related parties have been settled, mainly through our unutilised banking facilities and internal resources.

In future, we will continue to enhance our internal control on related party transactions by strictly monitoring and managing our related party transactions and only enter into transactions with related parties that are carried out in the ordinary course of our business and on normal commercial terms and are in the interests of our Shareholders as a whole, and will comply with all applicable Listing Rules.

CONTINGENT LIABILITIES

As of 31 December 2011, 2012 and 2013 and 30 June 2014, we had no material contingent liabilities. We are not involved in any current material legal proceedings, nor are we aware of any pending or potential material legal proceedings that involved our Group. If we were involved in such material legal proceedings, we would record any loss contingencies when, based on information then available, it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. Our Directors confirm that there has not been any material change in the contingent liabilities of our Group since 30 June 2014.

FINANCIAL RATIOS

	Year ended 31 December			Six months ended 30 June
	2011	**2012**	**2013**	**2014**
Net profit margin(1)	13.2%	7.9%	11.6%	9.2%
Return on equity(2)	81.7%	49.8%	60.7%	24.2%
Return on assets(3)	7.8%	4.5%	9.3%	4.3%
Interest coverage(4)	72.5	11.2	21.9	11.3

	As of 31 December			As of 30 June
	2011	2012	2013	2014
Current ratio[5]	0.8	0.9	1.1	1.1
Quick ratio[6]	0.6	0.8	1.0	1.0
Gearing ratio[7]	—	144.6%	213.6%	262.9%
Net debt to equity ratio[8]	Net cash	118.0%	197.9%	229.9%

Notes:

(1) Net profit margin represents profit for the year/period divided by turnover for the same year/period.

(2) Return on equity represents profit for the year/period divided by total equity as of the end of the year/period.

(3) Return on assets represents profit for the year/period divided by total assets as of the end of the year/period.

(4) Interest coverage represents profit before taxation and finance costs divided by finance costs for the year/period.

(5) Current ratio represents total current assets divided by total current liabilities as of the end of the year/period.

(6) Quick ratio represents total current assets less inventories divided by total current liabilities as of the end of the year/period.

(7) Gearing ratio represents bank borrowings and related parties' loans divided by total equity as of the end of the year/period.

(8) Net debt to equity ratio represents bank borrowings and related parties' loans less cash and cash equivalents divided by total equity as of the end of the year/period.

Net profit margin

Our net profit margin decreased from 13.2% for the year ended 31 December 2011 to 7.9% for the year ended 31 December 2012, primarily as a result of our Group recording a net gain of RMB16.6 million in 2011 arising from CK Great China's deemed disposal of its equity interest in Huatian Kunshan following the capital injection into Huatian Kunshan by several of its equity holders. Our net profit margin increased to 11.6% for the year ended 31 December 2013, primarily as a result of the increase in our gross profit margin from 13.6% for the year ended 31 December 2012 to 16.6% for the year ended 31 December 2013, an increase of RMB8.0 million in net foreign exchange gain in 2013 and our Group recording a net gain of RMB5.8 million arising from CK Great China's disposal of the remaining equity interest of 16.1473% in Huatian Kunshan in 2013. Our net profit margin decreased to 9.2% for the six months ended 30 June 2014, primarily as a result of our net foreign exchange loss of RMB6.0 million for the six months ended 30 June 2014, and that we normally have higher sales in the second half of the year.

Return on equity

Our return on equity decreased from 81.7% for the year ended 31 December 2011 to 49.8% for the year ended 31 December 2012, primarily due to the comparatively higher percentage increase in our total equity as compared with the percentage increase in our profit for the year. Our return on equity increased to 60.7% for the year ended 31 December 2013, primarily due to the increase in our profit for the year as a result of our increased demand and sales. Our return on equity decreased to 24.2% for the six months ended 30 June 2014, primarily due to our increase in our total equity for the six months ended 30 June 2014 compared to the same for the year ended 31 December 2013, and that we normally have higher sales in the second half of the year.

Return on assets

Our return on assets decreased from 7.8% for the year ended 31 December 2011 to 4.5% for the year ended 31 December 2012, primarily due to the increase in our total assets as a result of our increased expenditures on the construction of and purchases of new production and testing machinery and equipment for our Kunshan Production Base, and increased trade and other receivables as a result of the increased demand and sales of our camera modules. Our return on assets increased to 9.3% for the year ended 31 December 2013, primarily due to the comparatively higher percentage increase in our profit for the year as compared with the percentage increase in our total assets. Our return on asset decreased to 4.3% for the six months ended 30 June 2014, primarily due to the increase in our total assets as a result of our increased purchases of production machinery and equipment to increase our production capacities and increased inventory as a result of the increased production volume of our camera modules in anticipation of our higher sales in the second half of the year.

Interest coverage

Our interest coverage decreased from 72.5 for the year ended 31 December 2011 to 11.2 for the year ended 31 December 2012, primarily as a result of our increased bank borrowings. Our interest coverage increased to 21.9 for the year ended 31 December 2013, primarily due to the comparatively higher percentage increase in our profit before taxation as compared with the percentage increase in our finance costs. Our interest coverage decreased to 11.3 for the six months ended 30 June 2014, primarily as a result of our increased bank borrowings mainly for our working capital as our business continued to grow.

Current ratio and quick ratio

Our current ratio and quick ratio increased from 0.8 and 0.6 as of 31 December 2011, respectively, to 0.9 and 0.8 as of 31 December 2012, respectively, and further to 1.1 and 1.0 as of 31 December 2013 and 1.1 and 1.0 as of 30 June 2014, respectively. Such increases were mainly due to the increased trade and other receivables as a result of the increased demand and sales of our camera modules during the Track Record Period, which were partially offset by the increase in short term bank borrowings over the same period.

Gearing ratio

As of 31 December 2011, we did not have any outstanding bank borrowings and related parties' loans. Our gearing ratio was at 144.6% as of 31 December 2012 and increased to 213.6% as of 31 December 2013, primarily as a result of the increase in bank borrowings and related parties' loans to fund our increased demand for general working capital as our business continued to grow. Our gearing ratio further increased to 262.9% as of 30 June 2014, primarily as a result of our increased bank borrowings to settle our non-trade related party balances before Listing and support our working capital as our business continued to grow, rather than relying on funding arrangement with related parties that were mainly interest-free.

Net debt to equity ratio

As of 31 December 2011, we did not have any outstanding bank borrowings. Accordingly, we did not have a net debt position as a of 31 December 2011. Our net debt to equity ratio was at 118.0% as of 31 December 2012 and increased to 197.9% as of 31 December 2013 and further to 229.9% as of 30 June 2014, primarily as a result of the increase in bank borrowings to fund our general working capital as our business continued to grow.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to various types of market risks in the ordinary course of our business, including credit risk, liquidity risk, interest rate and currency risk. Our exposure to these market risks are described below.

Credit risk

Our credit risk is primarily attributable to our trade and other receivables, deposits with banks and other financial assets. We have a credit policy in place and monitor our exposures to these credit risks on an ongoing basis.

Our exposure to credit risk is influenced mainly by the individual characteristics of each customer and therefore significant concentrations of credit risk primarily arise when we have significant exposure to individual customers. As of 31 December 2011, 2012 and 2013 and 30 June 2014, 39.0%, 28.1%, 7.2% and 21.3%, respectively, of the total trade and bills receivables were due from our largest customer, and 69.0%, 61.4%, 52.5% and 64.2%, respectively, of the total trade and bills receivables were due from our top five customers. We perform credit evaluations on all customers requiring credit terms in respect of our sales to third-party customers. These evaluations focus on our customer's history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

During the Track Record Period, certain of our sales were related to our related parties. We consider that related parties are under influence of our Controlling Shareholder and hence, no material credit risk exists on these sales to our related parties. During the Track Record Period, we also invested in certain financial assets. Our Directors consider that the counterparties are with high credit rating and the default risk is remote.

We also had bank acceptance bills not yet matured of a total of RMB52.4 million, RMB145.3 million, RMB101.9 million and RMB19.9 million as of 31 December 2011, 2012 and 2013 and 30 June 2014, respectively, by endorsement, which were derecognised as financial assets. The transferees had recourse to us in case of default payment by the issuing banks. In such cases, we would have to repurchase these bank acceptance bills at face value. As these bank acceptance bills matured within one year from their respective dates of issuing, our maximum loss in case of default payment was RMB52.4 million, RMB145.3 million, RMB101.9 million and RMB19.9 million as of 31 December 2011, 2012 and 2013 and 30 June 2014 respectively, before these bills reached maturity. We only accept bank acceptance bills issued by major banks or banks with credit rating in the PRC and consider that the credit risk associated with such bank acceptance bills to be insignificant. We had not suffered losses in this respect during the Track Record Period.

Our maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statements of financial position after deducting any impairment allowance. We do not provide financial guarantee which would expose us to this credit risk. We also try to mitigate our exposure to credit risk by placing deposits with financial institutions with established credit rating.

Liquidity risk

Individual operating entities within our Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by our Board when the borrowings exceed certain predetermined levels of authority.

Our policy is to regularly monitor our liquidity requirements and our compliance with lending covenants, to ensure that we maintain sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet our liquidity requirements in the short and longer term.

Interest rate risk

Our interest rate risk arises primarily from bank borrowings and loans from Guangzhou CK. We do not obtain any bank borrowings and loans at variable interest rates. Borrowings issued at fixed rates expose us to fair value interest rate risk. Details of the interest rates and terms of bank borrowings and advances from Guangzhou CK are further discussed in the section headed "Financial Information — Indebtedness — Bank borrowings" and "— Certain items of consolidated statements of financial position — Trade and other payables — Amounts due to related parties and Controlling Shareholder" in this prospectus and notes 21 and 22(c) to the accountants' report in Appendix I to this prospectus.

Currency risk

We are exposed to currency risk primarily through bank borrowings, and sales and purchases which give rise to receivables, payables, cash balances and loan balances that are denominated in a foreign currency other than RMB. The currency giving rise to our currency risk is primarily USD.

For more details on our exposure to the currency risk and the sensitivity analysis, please refer to note 28(d) to the accountants' report in Appendix I to this prospectus.

For further discussion of quantitative and qualitative information about our risks, please refer to note 28 to the accountants' report in Appendix I to this prospectus.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 5 May 2014 and, save for the Reorganisation, has not carried out any business since its date of incorporation. Accordingly, there was no reserve available for distribution to shareholders as of 30 June 2014.

DIVIDEND POLICY

The payment and the amount of any dividends, if paid, will depend on our results of operations, cash flows, financial condition, statutory and regulatory restrictions on the payment of dividends by us, future prospects and other factors that we may consider relevant. Holders of the Shares will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the Shares. The declaration, payment and amount of dividends will be subject to our discretion.

Dividends may be paid only out of our distributable profits as permitted under the relevant laws. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

During the Track Record Period and up to the Latest Practicable Date, we had not distributed any dividends to the then equity holders of our Group.

LISTING EXPENSES

For the year ended 31 December 2013, we incurred listing expenses of approximately HK$0.8 million for the Global Offering, which was charged to our consolidated income statements for the same period. For the six months ended 30 June 2014, we incurred listing expenses of approximately HK$14.5 million, of which HK$11.0 million was charged to our consolidated income statements and the remaining amount of HK$3.5 million was recorded as prepayment which is to be net off with share premium after Listing. We expect to further incur listing expenses (including underwriting commissions) of approximately HK$48.5 million (based on mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised and without taking into account any discretionary incentive fees, if applicable) by the completion of the Global Offering, of which an estimated amount of approximately HK$19.3 million will be charged to our consolidated income statements for the year ending 31 December 2014 and an estimated amount of approximately HK$29.2 million will be capitalised. We do not expect these listing expenses to have a material impact on our business and results of operations for the year ending 31 December 2014.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there had 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 in Appendix I to this prospectus.

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, there are no circumstances which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative and pro forma statement of our adjusted net tangible assets, which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on 30 June 2014. This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of our financial position had the Global Offering been completed as of 30 June 2014 or any future dates.

	Consolidated net tangible assets attributable to the equity shareholders of the Company as of 30 June 2014[1]	Estimated net proceeds from the Global Offering[2]	Unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of our Company	Unaudited pro forma adjusted consolidated net tangible assets per Share attributable to the equity shareholders of the Company	
	RMB'000	RMB'000	RMB'000	RMB[3]	HK$[4]
Based on an Offer Price of HK$2.79 per Share	367,507	515,273	882,780	0.88	1.11
Based on an Offer Price of HK$3.60 per Share	367,507	667,944	1,035,451	1.04	1.31

Notes:

(1) The adjusted consolidated net tangible assets attributable to our equity shareholders as of 30 June 2014 is extracted from the accountants' report set out in Appendix I to this prospectus, which is based on our audited consolidated net assets attributable to our equity shareholders as of 30 June 2014 of RMB367,510,000 with an adjustment for the intangible assets as of 30 June 2014 of RMB3,000.

(2) The estimated net proceeds from the Global Offering are based on an indicative Offer Price of HK$2.79 and HK$3.60 per Share respectively, after deducting the underwriting fees and other related expenses payable by us (excluding listing expenses of RMB9,375,000 which has already been charged to the statement of profit or loss up to the six months period ended 30 June 2014), and takes no account of any Shares which may be issued pursuant to the Over-allotment Option. For the purpose of the estimated net proceeds from the Global Offering, the translation of RMB into HK dollars was made at the rate of RMB0.79221 to HK$1.00, the exchange rate prevailing on the Latest Practicable Date set by PBOC for foreign exchange transactions.

(3) The unaudited pro forma net tangible assets per Share is arrived at by dividing the unaudited pro forma adjusted net tangible assets by 1,000,000,000 Shares, being the number of shares in issue assuming that the Global Offering has been completed on 30 June 2014 but takes no account of any Shares which may be issued upon the exercise of the options that may be granted under the Pre-IPO Share Option Scheme and the Over-allotment Option.

(4) The unaudited pro forma adjusted net tangible assets per Share amounts in RMB are converted to HK$ with the exchange rate at RMB0.79221 to HK$1.00.

FUTURE PLANS

Please refer to the section headed "Business — Strategies" in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that the aggregate net proceeds of the Global Offering (after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering, and assuming an Offer Price of HK$3.195 per Offer Share, being the mid-point of the indicative Offer Price range of HK$2.79 to HK$3.60 per Offer Share) will be approximately HK$734.9 million, assuming that the Over-allotment Option is not exercised. We currently intend to apply such net proceeds in the following manner:

- approximately HK$286.6 million, representing approximately 39.0% of the net proceeds from the Global Offering, is expected to be used primarily for purchasing additional advanced production and testing machinery and equipment, such as die bonding and attaching machines (自動固晶機), ultrasonic cleaning machines (超聲波清洗機), multiarms (機械手), and active alignment bonding machines (主動對準鍵合機), to increase our production capacities and enhance our automation, testing and functionalities of our production process. Please also refer to the sections headed "Business — Production process — Our expansion plan" and "Financial Information — Capital expenditures — Planned capital expenditures" in this prospectus for more details;

- approximately HK$183.7 million, representing approximately 25.0% of the net proceeds from the Global Offering, is expected to be used primarily for further enhancing our design, research and development capabilities, including design, research and development on products' specifications and functionalities in relation to optical image stabilisation (光學防抖), larger aperture (大光圈) and iris recognition (虹膜識別), software and other products' applications (including purchasing raw materials and components with better quality and more technological advancement to develop new types of camera modules), acquiring advanced technological machinery and equipment both for our current and future use on design, research and development, and constructing a new building for our design, research and development centre at our Kunshan Production Base or purchasing a new building for our Chengdu design, research and development centre. We plan to commence the construction or purchase the new building either for our Kunshan design, research and development centre or Chengdu design, research and development centre in the second half of 2015. Please also refer to the sections headed "Business — Production process — Our expansion plan" and "Financial Information — Capital expenditures — Planned capital expenditures" in this prospectus for more details. We also plan to recruit more professional talents for our design, research and development team;

- approximately HK$113.9 million, representing approximately 15.5% of the net proceeds from the Global Offering, is expected to be used primarily for expanding and modernising our Kunshan Production Base by further enlarging and upgrading our Class 10 and Class 1,000 Cleanrooms for our production process from approximately 8,533.0 sq.m. to approximately 18,000.0 sq.m. and constructing two dormitory buildings and auxiliary facilities mainly for our production employees. We plan to commence the expansion of our

Kunshan Production Base in the second half of 2014 and expect it to be fully completed by the end of 2015. Please also refer to the sections headed "Business — Production process — Our expansion plan" and "Financial Information — Capital expenditures — Planned capital expenditures" in this prospectus for more details;

- approximately HK$52.2 million, representing approximately 7.1% of the net proceeds from the Global Offering, is expected to be used to repay part of the principal amount and the accrued interest of our bank borrowings of RMB49.8 million at China Construction Bank, which were primarily used for our general working capital as our business continued to grow, and repayable within one year and with fixed interest rate of 1.85%.

- approximately HK$25.0 million, representing approximately 3.4% of the net proceeds from the Global Offering, is expected to be used primarily for our operational and administrative needs for our Overseas Sales and Procurement and future expansion to the overseas markets, including purchasing an office building and warehouse in Hong Kong to facilitate our needs for logistic and storage services. Please also refer to the section headed "Financial Information — Capital expenditures — Planned capital expenditures" in this prospectus for more details; and

- the remaining approximately HK$73.5 million, representing approximately 10.0% of the net proceeds from the Global Offering, is expected to be used to fund our working capital and for general corporate purposes.

If the Offer Price is set at the high end of the indicative Offer Price range, being HK$3.60 per Offer Share, the net proceeds of the Global Offering (assuming that the Over-allotment Option is not exercised) will increase by approximately HK$96.4 million. If the Offer Price is set at the low end of the indicative Offer Price range, being HK$2.79 per Share, the net proceeds of the Global Offering (assuming that the Over-allotment Option is not exercised) will decrease by approximately HK$96.4 million. We will adjust the allocation of the net proceeds for the above purposes on a pro-rata basis.

If the Over-allotment Option is exercised in full, the net proceeds of the Global Offering will increase to approximately HK$850.6 million, assuming the Offer Price is set at the mid-point of the indicative Offer Price range. If the Offer Price is set at the high end of the indicative Offer Price range, the net proceeds of the Global Offering (including the proceeds from the exercise of the Over-allotment Option) will increase by approximately HK$111.0 million. If the Offer Price is set at the low end of the indicative Offer Price range, the net proceeds of the Global Offering (including the proceeds from the exercise of the Over-allotment Option) will decrease by approximately HK$111.0 million. We intend to apply the additional net proceeds from the exercise of the Over-allotment Option to the above purposes on a pro-rata basis.

Should our Directors decide to reallocate the intended use of proceeds to other business plans and/or new projects of our Group to a material extent and/or there is to be any material modification to the use of proceeds as described above, we will make appropriate announcement(s) in due course.

To the extent that the net proceeds of the Global Offering are not immediately required for the above purposes or if we are unable to effect any part of our future development plans as intended, we may hold such funds in short-term deposits with licensed banks and authorised financial institutions in Hong Kong for so long as it is in our best interests. We will also disclose the same in the relevant annual report.

As advised by our PRC legal advisers, King & Wood Mallesons, subject to the relevant PRC governmental approval, registrations and/or filings, the net proceeds of the Global Offering can be applied in the PRC according to the above intended use of the net proceeds under the relevant existing laws and regulations in the PRC by: (i) increasing the registered capital of our Company's subsidiary in the PRC; (ii) establishing a new subsidiary in the PRC; (iii) acquiring equity interests in other companies in the PRC; and/or (iv) providing shareholder's loans to our Company's subsidiary in the PRC in an amount not exceeding the difference between the investment amount and the registered capital of such subsidiary. Our Directors are of the view that there will be no material impact on our Group's liquidity requirements if the net proceeds of the Global Offering cannot be applied in the PRC.

HONG KONG UNDERWRITERS

CITIC Securities Corporate Finance (HK) Limited
DBS Asia Capital Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

We are initially offering 25,000,000 Shares for subscription by the public in Hong Kong on the terms and subject to the conditions set out in this prospectus and the Application Forms. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is fully underwritten. The Hong Kong Underwriting Agreement is conditional upon, among other things:

(a) the Listing Committee granting listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option), and any Shares which may be issued upon the exercise of any options to be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme;

(b) the International Underwriting Agreement having been executed and delivered and obligations of the International Underwriters thereunder having become unconditional, and the International Underwriting Agreement not having been terminated in accordance with its terms (save as regards any condition relating to the Hong Kong Underwriting Agreement having become unconditional); and

(c) certain other conditions set out in the Hong Kong Underwriting Agreement (including the Offer Price being agreed between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters)).

Grounds for termination

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination at any time prior to 8:00 a.m. on the Listing Date. The Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) shall be entitled by notice (orally or in writing) to terminate the Hong Kong Underwriting Agreement with immediate effect if, at any time prior to 8:00 a.m. on the Listing Date:

(a) there shall develop, occur, exist or come into effect:

(i) any local, national, regional or international event or circumstance in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of infectious disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting Hong Kong, the PRC, the Cayman Islands, the United States, the United Kingdom, any member of the European Union, Japan, Singapore, Thailand or any other jurisdiction relevant to any member of our Group (collectively, the "**Relevant Jurisdictions**"); or

(ii) any change, or any development involving a prospective change (whether or not permanent), or any event or circumstance likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, investment markets, the interbank markets and credit markets) in or affecting any of the Relevant Jurisdictions or elsewhere; or

(iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) 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

(iv) 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 any securities of our Company or of any other member of our Group listed or quoted on a stock exchange or an over-the-counter market; or

(v) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), New York (imposed at Federal or New York State level or other competent authority), London, the PRC, the European Union (or any member thereof), Japan, Singapore, Thailand or any other Relevant Jurisdiction or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any of those places or jurisdictions; or

(vi) any new law, or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in (or in the interpretation or application by any court or other competent authority of) existing laws, in each case, in or affecting any of the Relevant Jurisdictions; or

(vii) the imposition of economic sanctions, or the withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions; or

(viii) a change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions; or

(ix) any action, suits, proceedings and claims (whether or not such claims involve or result in action, suits or proceedings) of any third party being threatened or instigated against any member of our Group; or

(x) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

(xi) the chairman or chief executive officer of our Company vacating his or her office; or

(xii) an authority or a political body or organisation in any of the Relevant Jurisdictions commencing any investigation or other action, or announcing an intention to investigate or take other action, against any executive Director; or

(xiii) a contravention by any member of our Group of the Listing Rules or applicable laws; or

(xiv) a prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of our Shares (including the Offer Shares to be issued under the Over-allotment Option) pursuant to the terms of the Global Offering; or

(xv) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws; or

(xvi) the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer and sale of the Shares) pursuant to the Companies Ordinance, the Companies (Winding up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

(xvii) 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; or

(xviii) any change or development or event involving a prospective change, or a materialisation of, any of the risks set out in the section headed “Risk Factors” in this prospectus; or

(xix) an order or petition for the winding up 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 entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group,

which, individually or in the aggregate, in the sole opinion of the Sole Global Coordinator and the Sole Sponsor (1) has or will have or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders’ equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Group as a whole; or (2) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering or dealings in the Shares in the secondary market; or (3) makes or will make or may make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or (4) has or will have or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or materially delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there has come to the notice of the Sole Global Coordinator and the Sole Sponsor:

(i) that any statement contained in any of this prospectus and the Application Forms and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue or incorrect in any material respect or misleading in any respect, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of the this prospectus and the Application Forms and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions; or

(ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a misstatement in or a material omission from any of this prospectus, the Application Forms and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or

(iii) any material breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Hong Kong Underwriters or the International Underwriters); or

(iv) any event, act or omission which gives or is likely to give rise to any material liability of any of the Indemnifying Parties (as defined in the Hong Kong Underwriting Agreement) under the Hong Kong Underwriting Agreement; or

(v) any Material Adverse Change (as defined in the Hong Kong Underwriting Agreement); or

(vi) any breach of, or any event or circumstance rendering untrue or incorrect or misleading in any respect, any of the warranties in the Hong Kong Underwriting Agreement; or

(vii) approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-Allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(viii) our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or

(ix) any person (other than the Sole Sponsor) has withdrawn or is subject to withdraw its consent to being named in any of this prospectus or the Application Forms or to the issue of any of this prospectus or the Application Forms.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertaking by us

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except pursuant to the Global Offering, the Share Option Scheme and in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertaking by our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange that except pursuant to the Global Offering, he/she/it will not and shall procure that the relevant registered holder(s) will not, without the prior written consent of the Stock Exchange and unless in compliance with the requirements of the Listing Rules:

(a) in the period commencing on the date by reference to which disclosure of his/her/its shareholding is made in this 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 our Company in respect of which he/she/it is shown by this prospectus to be the beneficial owner; and

(b) in the period of six months commencing on the date on which the First Six-month Period expires, 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 paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would then cease to be our Company's controlling shareholder for the purposes of the Listing Rules.

Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has further undertaken to the Stock Exchange and our Company that within the period commencing on the date by reference to which disclosure of his/her/its shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/she/it shall:

(a) when he/she/it pledges or charges any securities of our Company or interests therein beneficially owned by him/her/it in favour of any authorised institution pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of securities so pledged or charged; and

(b) when he/she/it receives indications, either verbal or written, from the pledgee or chargee that any of the securities of our Company pledged or charged will be disposed of, immediately inform our Company of such indications.

We will also inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of our Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed by any of our Controlling Shareholders.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertaking by us

Except for the Capitalisation Issue, offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-Allotment Option), the grant of options under the Share Option Scheme and the issue of Shares upon exercise of options granted under the Pre-IPO Share Option Scheme and to be granted under the Share Option Scheme, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the "**First Six-Month Period**"), our Company hereby undertakes to each of the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Sole Sponsor not to, and to procure each other member of our Group not to, without the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and the Sole Sponsor and unless in compliance with the requirements of the Listing Rules:

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or 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 allot, issue or sell, or otherwise transfer or dispose of or create any mortgage, charge, pledge, lien or other security interest or any option, restriction, right of first refusal, right of pre-emption or other third party claim, right, interest or preference or any other encumbrance of any kind ("**Encumbrance**") over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, 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 other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing) or deposit any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, with a depositary in connection with the issue of depositary receipts; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our

Company or any shares or other securities of such other member of our Group, as applicable, 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 other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing); or

(c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above; or

(d) offer to or agree to or announce any intention to effect any transactions specified in (a), (b) or (c) above,

in each case, whether any of the transactions in (a), (b) or (c) above is to be settled by delivery of Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed with the First Six-Month Period).

During the period of six months commencing on the date on which the First Six-month Period expires (the "**Second Six-Month Period**"), our Company shall not enter into any of the transactions specified in (a), (b) or (c) above or offer to or agree to or announce any intention to effect any such transaction such that any Controlling Shareholder, directly or indirectly, would cease to be a controlling shareholder (within the meaning defined in the Listing Rules) of our Company. In the event that our Company enters into any of the transactions specified in (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

Undertaking by our Controlling Shareholders

Each of our Controlling Shareholders hereby undertakes, jointly and severally, to each of our Company, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Sole Sponsor that, save as pursuant to the Stock Borrowing Agreement, without the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Underwriters) and the Sole Sponsor and unless in compliance with the requirements of the Listing Rules:

(a) it will not, at any time during the First Six-Month Period, (i) 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 an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (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 such other securities, as applicable or any interest in any of the foregoing), or deposit any Shares or other securities of our Company with a depositary in connection with the issue of depositary receipts, 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 any Shares or other securities of our Company or any interest therein (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 such other securities, as applicable or any interest in any of the foregoing), 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) or (iii) above is to be settled by delivery of Shares or other securities of our Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period);

(b) it will not, during the Second Six-Month Period, enter into any of the transactions specified in (i), (ii) or (iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or Encumbrance pursuant to such transaction, it will cease to be a "controlling shareholder" (as the term is defined in the Listing Rules) of our Company; and

(c) until the expiry of the Second Six-Month Period, in the event that it enters into any of the transactions specified in (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

Notwithstanding anything in the above undertaking, any of our Controlling Shareholders may use such Shares held by them respectively as security (including a charge or a pledge) in favour of an authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan, provided that such Controlling Shareholder shall immediately inform the Company, the Sole Sponsor and the Sole Global Coordinator in writing (i) when it/he pledges or charges such Shares and the number of the Shares so pledged or charged; and (ii) when it/he receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares will be disposed of. We also undertake that upon receiving such information in writing from any Controlling Shareholder, we shall, as soon as practicable, notify the Stock Exchange, the Sole Sponsor, the Sole Global Coordinator and make a public disclosure in relation to such information by way of an announcement in accordance with the Listing Rules.

Indemnity

We and each of our Controlling Shareholders, among others, have agreed to indemnify the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters against certain losses which they may suffer, including, among other things, losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the provisions of the Hong Kong Underwriting Agreement.

Commissions and expenses

CITIC Securities Corporate Finance (HK) Limited and DBS Asia Capital Limited, being the Hong Kong Underwriters, will receive a gross commission of 3.0% and 2.5%, respectively, of the aggregate Offer Price of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering as allocated between them. The commissions payable to the Sole Global Coordinator and the

Hong Kong Underwriters will be borne by us. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering and any International Offer Shares reallocated from the International Offering to the Hong Kong Public Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the International Underwriters and not the Hong Kong Underwriters. In addition, our Company may pay an incentive fee to the Sole Sponsor or its affiliates.

The aggregate commissions (exclusive of any discretionary incentive fees), together with listing fees, the SFC transaction levy and the Stock Exchange trading fee in respect of the Offer Shares, legal and other professional fees and printing and other expenses relating to the Global Offering are estimated to amount to approximately HK$63.5 million (assuming an Offer Price of HK$3.195, which is the mid-point of the indicative Offer Price range and that the Over-allotment Option is not exercised) in total and are payable by us.

Activities by Syndicate Members

We describe below a variety of activities that the Hong Kong Underwriters and International Underwriters (together referred to as "**Syndicate Members**") may each individually undertake, and which do not form part of the underwriting or the stabilising process. When engaging in any of these activities, it should be noted that the Syndicate Members are subject to restrictions, including the following:

(a) under the agreement among the Syndicate Members, all of them (except for the affiliates of the Sole Global Coordinator) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) all of them must comply with all applicable laws, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to our Shares, those activities could include acting as agent for buyers and sellers of our Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in our Shares and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have our Shares as their or part of their underlying assets. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling our Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in our Shares, in baskets of securities or indices including our Shares, in units of funds that may purchase our Shares, or in derivatives related to any of the foregoing.

In relation to any issue by Syndicate Members or their affiliates of any listed securities having Shares as their or part of their underlying assets, whether on the Stock Exchange or on any other stock exchange, the rules of the relevant exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in our Shares in most cases.

All of these activities may occur both during and after the end of the stabilising period described in the section headed "Structure and Conditions of the Global Offering — Stabilisation" in this prospectus. These activities may affect the market price or value of our Shares, the liquidity or trading volume in our Shares and the volatility of their share price, and the extent to which this occurs from day to day cannot be estimated.

Hong Kong Underwriters' interests in us

Save for their obligations under the Hong Kong Underwriting Agreement, the Hong Kong Underwriters do not have any shareholding interests in us or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in us.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of our Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

International Offering

In connection with the Global Offering, we expect our Company and the Controlling Shareholders to enter into the International Underwriting Agreement with, among others, the International Underwriters. Pursuant to the International Underwriting Agreement, the International Underwriters, subject to certain conditions, are expected to agree severally to subscribe and/or purchase or procure subscribers or buyers for the subscription or purchase of the International Offer Shares being offered pursuant to the International Offering.

Under the International Underwriting Agreement, our Company expects to grant to the Sole Global Coordinator and International Underwriters the Over-allotment Option, exercisable by the Sole Global Coordinator for itself and on behalf of the International Underwriters at any time from the Listing Date up to (and including) the day which is the 30th day after the last date for the lodging of Application Forms under the Hong Kong Public Offering, to require us to allot and issue up to an aggregate of 37,500,000 Shares at the Offer Price to cover over-allocations in the International Offering.

Sole Sponsor's independence

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering consists of (subject to the Over-allotment Option):

(a) the Hong Kong Public Offering of 25,000,000 Shares (subject to adjustment as mentioned below) in Hong Kong as described below under the paragraph headed "Hong Kong Public Offering"; and

(b) the International Offering of 225,000,000 Shares (subject to adjustment and the Over-allotment Option as mentioned below) outside the United States in reliance on Regulation S. Investors may apply for the Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the International Offer Shares under the International Offering, but may not do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve selective marketing of the International Offer Shares to institutional and professional investors and other investors in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S.

The Sole Global Coordinator and the International Underwriters are soliciting from prospective investors indications of interest in acquiring the International Offer Shares in the International Offering. Prospective investors will be required to specify the number of International Offer Shares under the International Offering 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 the Price Determination Date.

The number of Hong Kong Offer Shares to be offered under the Hong Kong Public Offering and the number of International Offer Shares to be offered under the International Offering respectively may be subject to reallocation as described under the paragraph headed "Pricing and Allocation" below.

PRICING AND ALLOCATION

The Offer Price is expected to be fixed by agreement between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and us on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around 26 November 2014 and in any event, no later than 30 November 2014. The Offer Price will be not more than HK$3.60 per Offer Share and is expected to be not less than HK$2.79 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, as 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.

If, based on the level of interest expressed by prospective institutional and professional investors and other investors during the book-building process, the Sole Sponsor and the Joint Bookrunners (for themselves and on behalf of the Underwriters and with the consent of our Company) consider the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range inappropriate, the Sole Sponsor and the Joint Bookrunners (for themselves and on behalf of the

Underwriters) may reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering on 25 November 2014, cause to be published in The Standard (in English) and the Hong Kong Economic Times (in Chinese) notice of the reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range. Such notice will also be available at the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.qtechglobal.com**. Such notice will also include confirmation or revision, as appropriate, of the offering statistics as currently set out in the section headed "Summary" in this prospectus and any other financial information which may change as a result of such reduction. The Offer Price if agreed upon, will be fixed within such revised Offer Price range. Before submitting applications for Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. In the absence of any notice being published of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range stated in this prospectus on or before the last day for lodging applications under the Hong Kong Public Offering, the Offer Price, if agreed upon, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

Our Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator and the Sole Sponsor. Allocation of the International Offer Shares pursuant to the International Offering will be determined by the Sole Global Coordinator and the Sole Sponsor 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 of the Offer Shares on the Stock Exchange. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of our Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our Shareholders as a whole.

Allocation of Shares to investors under the Hong Kong Public Offering will be based on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants, although the allocation of Hong Kong 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 Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The applicable Offer Price, level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering, and the basis of allocations of the Hong Kong Offer Shares and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering are expected to be made available in a variety of channels in the manner described in the section headed "How to Apply for Hong Kong Offer Shares — Publication of results" in this prospectus from 1 December 2014.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for the Hong Kong Offer Shares pursuant to the Hong Kong Public Offering will be conditional upon:

(a) the Listing Committee granting listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) and any Shares which may be issued upon the exercise of any options to be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme;

(b) our Company having submitted to the HKSCC all requisite documents to enable our Shares to be admitted to trade on the Stock Exchange;

(c) the Offer Price having been duly determined and the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

(d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement having become unconditional and not having been terminated in accordance with the terms of the agreement,

in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement or the International Underwriting Agreement (unless and to the extent that such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offering to be published in The Standard (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving banker(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. on the Listing Date provided that (i) the Global Offering have become unconditional in all respects and (ii) the right of termination as described in the section headed "Underwriting — Underwriting arrangements and expenses — Hong Kong Public Offering — Grounds for termination" in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of share certificates or prior to the share certificates bearing valid certificates of title do so entirely at their own risk.

HONG KONG PUBLIC OFFERING

Number of Shares initially offered and their allocation

We are initially offering 25,000,000 Shares at the Offer Price, representing 10% of the 250,000,000 Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of Shares offered under the Hong Kong Public Offering will represent 2.5% of our total issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised. In Hong Kong, individual retail investors are expected to apply for Offer Shares through the Hong Kong Public Offering and individual retail investors, including individual investors in Hong Kong applying through banks and other institutions, seeking Offer Shares in the International Offering will not be allocated Offer Shares in the Hong Kong Public Offering.

For allocation purposes only, the total number of Hong Kong Offer Shares initially available for subscription by the public under the Hong Kong Public Offering, on a **White** or **Yellow** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider via the **White Form eIPO** service (subject to any adjustment of our Shares between the International Offering and the Hong Kong Public Offering) will be divided equally (to the nearest board lot) into two pools for allocation purposes: Pool A and Pool B. The Hong Kong Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with a total subscription amount of HK$5 million or below (excluding brokerage, the SFC transaction levy and the Stock Exchange trading fee payable). The Hong Kong Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with a total subscription amount of more than HK$5 million (excluding brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) and up to the total initial value of Pool B.

Applicants should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. The applicant can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B but not from both pools. We will reject multiple applications between the two pools and reject multiple applications within Pool A or Pool B.

In the case of over-subscription, allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offering, both in relation to Pool A and Pool B, will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation in each pool may vary, depending on the number of Hong Kong Offer Shares validly applied for by each applicant. The allocation of Hong Kong 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 Hong Kong Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares. Multiple or suspected multiple applications and any application for more than 50% of the Hong Kong Offer Shares initially being offered for subscription by the public (that is, to apply for more than 12,500,000 Shares) are liable to be rejected.

The allocation of Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. If the number of Shares validly applied for in the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, or (iii) 100 times or more, of the number of Offer Shares initially available under the Hong Kong Public Offering, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 75,000,000, 100,000,000 and 125,000,000 Shares, respectively, representing 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option), and such reallocation being referred to in this prospectus as "**Mandatory Reallocation**". In such cases, the number of Offer Shares allocated in the International Offering will be correspondingly reduced, in such manner as the Sole Global Coordinator and the Sole Sponsor deem appropriate, and such additional Offer Shares will be reallocated to Pool A and Pool B in the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed, the Sole Global Coordinator and the Sole Sponsor have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Sole Global Coordinator and the Sole Sponsor deem appropriate. In addition to any Mandatory Reallocation which may be required, the Sole Global Coordinator and the Sole Sponsor may, at their sole discretion, reallocate Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications in Pool A and Pool B under the Hong Kong Public Offering, regardless of whether the Mandatory Reallocation is triggered.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him/her that he/she and any person for whose benefit he/she is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking or confirmation is breached or untrue (as the case may be) or it has been or will be placed or allocated International Offer Shares under the International Offering.

Our Company, our Directors, the Sole Global Coordinator and the Sole Sponsor will take reasonable steps to identify and reject applications under the Hong Kong Public Offering from investors who have received Shares in the International Offering and to identify and reject indications of interest in the International Offering from investors who have received Shares in the Hong Kong Public Offering.

The Offer Price will be not more than HK$3.60 and is expected to be not less than HK$2.79. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK$3.60 per Offer Share plus 1.0% brokerage fee, 0.0027% SFC transaction levy, and 0.005% Stock Exchange trading fee. If the Offer Price, as finally determined on the Price Determination Date, is lower than HK$3.60, being the maximum Offer Price, we will refund the respective difference (including the brokerage fee, the SFC transaction levy, and the Stock Exchange trading fee attributable to the surplus application monies) to successful applicants, without interest. Further details are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

INTERNATIONAL OFFERING

Number of Offer Shares offered and their allocation

The number of Shares to be initially offered for subscription and purchase under the International Offering will be 225,000,000 Shares (subject to adjustment and the Over-allotment Option), representing 90% of the Offer Shares under the Global Offering.

The International Offering is subject to the Hong Kong Public Offering being unconditional. Subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, before taking into account any exercise of the Over-allotment Option, the International Offer Shares will represent approximately 22.5% of our total issued share capital immediately after completion of the Global Offering.

Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in "Pricing and Allocation" in this section and 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 Shares, and/or hold or sell its Shares, after the listing of our Shares on the Stock Exchange. Such allocation is intended to result in a distribution of our Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) and the Sole Sponsor may require any investor who has been offered Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Global Coordinator and the Sole Sponsor in order to allow them to identify the relevant applications under the Hong Kong Public Offering and to consider whether it should be excluded from any application for Shares under the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

We expect to grant the Over-allotment Option to the Sole Global Coordinator and the International Underwriters exercisable at any time from the Listing Date up to (and including) the date which is the 30th day after the last date for the lodging of Application Forms under the Hong Kong Public Offering, being 25 December 2014. Pursuant to the Over-allotment Option, the Sole Global Coordinator (for itself and on behalf of the International Underwriters) will have the right to require us to allot and issue up to an aggregate of 37,500,000 additional new Shares, representing in aggregate 15.0% of the Offer Shares initially available under the Global Offering. These Shares will be issued at the Offer Price. We will make an announcement if the Over-allotment Option is exercised.

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocation in connection with the Global Offering, the Stabilising Manager may choose to borrow, whether on its own or through its affiliates and agents, up to 37,500,000 Shares (being the maximum number of Shares which may be issued upon exercise of the Over-allotment Option) from QT Investment pursuant to a stock borrowing arrangement, or acquire Shares from other sources, including the exercise of the Over-allotment Option.

If such stock borrowing arrangement with QT Investment is entered into, it will only be effected by the Stabilising Manager or its agent for settlement of over-allocation in the International Offering and such arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set out in Rule 10.07(3) of the Listing Rules are complied with.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the new securities in the secondary market during a specified period of time to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong, activity aimed at reducing the market price is prohibited and the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilising Manager and/or its affiliates and agents, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view to stabilising or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period from the Listing Date and ending on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering, being 25 December 2014. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager or its agent to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of the Stabilising Manager and may be discontinued at any time. Any such stabilising activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering, being 25 December 2014. The number of Shares that may be over-allocated will not exceed the number of Shares that may be sold under the Over-allotment Option, namely 37,500,000 Shares, which is 15.0% of the Offer Shares initially available under the Global Offering.

In Hong Kong, stabilising activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules, Chapter 571W of the Laws of Hong Kong. Stabilising action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules includes: (i) over-allocation for the purpose of preventing or minimising any reduction in the market price of our Shares; (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of our Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, our Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of our Shares for the sole purpose of preventing or minimising any reduction in the market price of our Shares; and (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for and investors in our Shares should note that:

(a) the Stabilising Manager, or any person acting for it, may, in connection with the stabilising action, maintain a long position in our Shares;

(b) there is no certainty regarding the extent to which and the time period for which the Stabilising Manager, or any person acting for it, will maintain such a long position;

(c) liquidation of any such long position by the Stabilising Manager may have an adverse impact on the market price of our Shares;

(d) no stabilising action can be taken to support the price of our Shares for longer than the stabilising period which will begin on the Listing Date, and is expected to expire on 25 December 2014, being the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for our Shares, and therefore the price of our Shares, could fall;

(e) the price of our Shares cannot be assured to stay at or above the Offer Price either during or after the stabilising period by the taking of any stabilising action; and

(f) stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, our 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 stabilising period.

In connection with the Global Offering, the Stabilising Manager may over-allocate up to and not more than an aggregate of 37,500,000 additional Shares and cover such over-allocations by the exercise of the Over-allotment Option, which will be exercisable by the Sole Global Coordinator (for itself and on behalf of the International Underwriters), 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 settlement of over-allocations in connection with the International Offering, the Stabilising Manager may borrow up to 37,500,000 Shares from QT Investment, equivalent to the maximum number of Shares to be issued on full exercise of the Over-allotment Option, under the Stock Borrowing Agreement. The stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulatory requirements.

No payments or other benefit will be made to QT Investment by the Stabilising Manager in relation to the stock borrowing arrangement.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on 2 December 2014, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on 2 December 2014. The Shares will be traded in board lots of 1,000 Shares each.

UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and us on the Price Determination Date.

We expect that we will, on or about 26 November 2014, enter into the International Underwriting Agreement relating to the International Offering.

The underwriting arrangements are summarised in the section headed "Underwriting" in this prospectus.

HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **White** or **Yellow** Application Form;
- apply online via the **White Form eIPO** service at **www.eipo.com.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.

Our Company, the Sole Sponsor, the Sole Global Coordinator, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

WHO CAN APPLY FOR THE HONG KONG OFFER SHARES

You can apply for Hong Kong Offer Shares on a **White** or **Yellow** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a US person (as defined in Regulation S); and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors or those who have obtained approval from competent regulatory authorities).

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company, the Sole Sponsor and the Sole Global Coordinator may accept it at their discretion and on any conditions if they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong 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 our Company and/or any its subsidiaries;
- a director or chief executive officer of our Company and/or any of its subsidiaries;
- an associate of any of the above;
- a connected person of our Company or will become a connected person of our Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

APPLYING FOR HONG KONG OFFER SHARES

Which application method to use

For Hong Kong Offer Shares to be issued in your own name, use a **White** Application Form or apply online through **www.eipo.com.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **Yellow** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to collect the Application Forms

You can collect a **White** Application Form and a prospectus during normal business hours from 9:00 a.m. on 20 November 2014 to 12:00 noon on 25 November 2014 from:

(a) the following offices of the Sole Global Coordinator and the Hong Kong Underwriters:

CLSA Limited
18/F, One Pacific Place
88 Queensway
Hong Kong

CITIC Securities Corporate Finance (HK) Limited
26/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

DBS Asia Capital Limited
17/F, The Center
99 Queen's Road Central
Hong Kong

(b) any of the branches of the following receiving banks:

Industrial and Commercial Bank of China (Asia) Limited

District	Branch Name	Address
Hong Kong	Queen's Road Central Branch	122-126 Queen's Road Central, Central
	Sheung Wan Branch	Shop F, G/F, Kai Tak Commercial Building, 317-319 Des Voeux Road Central, Sheung Wan
	Quarry Bay Branch	Shop SLG 1, Sub-Lower Ground Floor, Westlands Gardens, Nos. 2-12, Westlands Road, Quarry Bay
Kowloon	Tsimshatsui Branch	Shop 1&2, G/F, No. 35-37 Hankow Road, Tsimshatsui
	Yaumatei Branch	542 Nathan Road, Yaumatei
	Kwun Tong Branch	Shop 5 & 6, 1/F, Crocodile Center, 79 Hoi Yuen Road, Kwun Tong
New Territories	Tsueng Kwan O Branch	Shop Nos. 2011-2012, Level 2, Metro City, Plaza II, 8 Yan King Road, Tseung Kwan O
	Shatin Branch	Shop 22J, Level 3, Shatin Centre

Hang Seng Bank Limited

District	Branch Name	Address
Hong Kong	Head Office	83 Des Voeux Road Central
	North Point Branch	335 King's Road
Kowloon	Tsimshatsui Branch	18 Carnarvon Road
	Yaumati Branch	363 Nathan Road

You can collect a **Yellow** Application Form and a prospectus during normal business hours from 9:00 a.m., 20 November 2014 until 12:00 noon, 25 November 2014 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for lodging of completed Application Forms

Your completed **White** or **Yellow** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "ICBC (ASIA) NOMINEE LIMITED - Q TECH GROUP PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

- 9:00 a.m. to 5:00 p.m., Thursday, 20 November 2014
- 9:00 a.m. to 5:00 p.m., Friday, 21 November 2014
- 9:00 a.m. to 1:00 p.m., Saturday, 22 November 2014
- 9:00 a.m. to 5:00 p.m., Monday, 24 November 2014
- 9:00 a.m. to 12:00 noon, Tuesday, 25 November 2014

The application lists will be open from 11:45 a.m. to 12:00 noon on 25 November 2014, the last application day or such later time as described in the paragraph headed "Effect of bad weather on the opening of the application lists" in this section.

EFFECT OF MAKING 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 **White Form eIPO** service, among other things, you:

(a) 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 Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(b) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

(c) 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;

(d) 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;

(e) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(f) agree that none of our Company, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(g) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

(h) agree to disclose to our Company, our Hong Kong Share Registrar, receiving banks, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(i) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(k) agree that your application will be governed by the laws of Hong Kong;

(l) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(m) warrant that the information you have provided is true and accurate;

(n) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(o) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-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;

(p) 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;

(q) understand that our Company, the Sole Sponsor and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(r) (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 to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and

(s) (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.

APPLYING THROUGH WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in the paragraph headed "Who can Apply for the Hong Kong Offer Shares" in this section, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for submitting applications under the White Form eIPO

You may submit your application to the **White Form eIPO** Service Provider at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on 20 November 2014 until 11:30 a.m. on 25 November 2014 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on 25 November 2014 or such later time under the paragraph headed "Effects of Bad Weather on the Opening of the Application Lists" in this section.

No multiple applications

If you apply by means of **White Form eIPO** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service 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 **White Form eIPO** service 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 **White Form eIPO** Service Provider or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each 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).

Environmental Protection

The obvious advantage of the **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2 for each "Q TECHNOLOGY (GROUP) COMPANY LIMITED" **White Form eIPO** application submitted via **www.eipo.com.hk** to support the funding of "Source of DongJiang — Hong Kong Forest" project initiated by Friends of the Earth (HK).

APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System https://ip.ccass.com (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square,
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator and our Hong Kong Share Registrar.

Giving electronic application instruction to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **White** Application Form is signed by HKSCC Nominees on your behalf:

(a) 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;

(b) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;

- (if the electronic instructions are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;

- confirm that you understand that our Company, our Directors, the Sole Sponsor and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- 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 Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, 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 banks, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering 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 Hong Kong Offer Shares;

- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of giving electronic application instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **White** Application Form and in this prospectus.

Minimum purchase amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for inputting electronic application instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- 9:00 a.m. to 8:30 p.m.[(1)] on Thursday, 20 November 2014
- 8:00 a.m. to 8:30 p.m.[(1)] on Friday, 21 November 2014
- 8:00 a.m. to 1:00 p.m.[(1)] on Saturday, 22 November 2014
- 8:00 a.m. to 8:30 p.m.[(1)] on Monday, 24 November 2014
- 8:00 a.m.[(1)] to 12:00 noon on Tuesday, 25 November 2014

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 Thursday, 20 November 2014 until 12:00 noon on Tuesday, 25 November 2014 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, 25 November 2014, the last application day or such later time as described in the paragraph headed "Effect of Bad Weather on the Opening of the Application Lists" in this section.

No multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bankers, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** 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 such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **White** or **Yellow** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon, 25 November 2014.

HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **White** or **Yellow** Application Form or by giving **electronic application instructions** to HKSCC or through **White Form eIPO** service, 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.

"**Unlisted company**" means a company with no equity securities listed on the Stock Exchange.

"**Statutory control**" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

HOW MUCH ARE THE HONG KONG OFFER SHARES

The **White** and **Yellow** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **White** or **Yellow** Application Form or through the **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 1,000 Hong Kong 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.eipo.com.hk**.

If your application is successful, brokerage will be paid to the participants of the Sock 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 on the Offer Price, see the section headed "Structure and Conditions of the Global Offering — Pricing and Allocation" in this prospectus.

EFFECT OF BAD WEATHER 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 25 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.

If the application lists do not open and close on 25 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" in this prospectus, an announcement will be made in such event.

PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares in The Standard (in English) and the Hong Kong Economic Times (in Chinese), the Company's website at **qtechglobal.com** and the website of the Stock Exchange at **www.hkexnews.hk** on 1 December 2014.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will also 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 **qtechglobal.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on 1 December 2014;

- from the designated results of allocations website at **www.iporesults.com.hk** with a "search by ID" function on a 24-hour basis from 8:00 a.m., on 1 December 2014 to 12:00 midnight, 7 December 2014;

- by telephone enquiry line by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from 1 December 2014 to 4 December 2014;

- in the special allocation results booklets which will be available for inspection during opening hours from 1 December 2014 to 3 December 2014 at all the receiving banks' 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 Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure and Conditions of the Global Offering".

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.

CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

(a) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(b) If our Company, the Sole Sponsor, the Sole Global Coordinator, the White Form eIPO Service Provider and their respective agents exercise their discretion to reject your application:

Our Company, the Sole Sponsor, the Sole Global Coordinator, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(c) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee does not grant permission to list the Offer Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(d) Other circumstances in which you will not receive any allotment:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;

- our Company, the Sole Sponsor or the Sole Global Coordinator believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or

- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

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$3.60 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed "Structure and Conditions of the Global Offering — Conditions of the Hong Kong Public Offering" 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 1 December 2014.

DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **Yellow** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Offer 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 Hong Kong 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 Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around 1 December 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 at 8:00 a.m. on 2 December 2014 provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal collection

(a) If you apply using a White Application Form

If you apply for 1,000,000 or more Hong Kong 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 Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on 1 December 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 the 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 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on 1 December 2014, by ordinary post and at your own risk.

(b) If you apply using a Yellow Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on 1 December 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 1 December 2014, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

(c) If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)

For Hong Kong Public Offer shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offer shares allotted to you with that CCASS Participant.

(d) 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 Hong Kong Public Offering in the manner described in the paragraph headed "Publication of results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m., 1 December 2014 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(e) If you apply through the White Form eIPO service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on 1 December 2014, or such other date as notified by our Company in the newspapers as the date of despatch/collection of share certificates/e-Refund payment instructions/refund cheques.

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 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on 1 December 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-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.

(f) If you apply via electronic application instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of share certificates into CCASS and refund of application monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant's stock account on 1 December 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 Hong Kong Public Offering in the manner specified in the paragraph headed "Publication of Results" above on 1 December 2014. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m., 1 December 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 Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on 1 December 2014. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant's stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on 1 December 2014.

ADMISSION OF THE OFFER SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Offer Shares and we comply with the stock admission requirements of HKSCC, the Offer 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 Offer Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) 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 stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Offer Shares to be admitted into CCASS.

The following is the text of a report, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

20 November 2014

The Directors
Q Technology (Group) Company Limited

CITIC Securities Corporate Finance (HK) Limited

Dear Sirs,

Introduction

We set out below our report on the financial information relating to Q Technology (Group) Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") comprising the consolidated statements of financial position of the Group as at 31 December 2011, 2012 and 2013 and 30 June 2014, and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group, for each of the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014 (the "Relevant Periods"), together with the explanatory notes thereto (the "Financial Information"), for inclusion in the prospectus of the Company dated 20 November 2014 (the "Prospectus").

The Company was incorporated in the Cayman Islands on 5 May 2014 as an exempted company with limited liability under the Companies Law, (2011 Revision) (as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation completed on 26 June 2014 (the "Reorganisation") as detailed in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus, the Company became the holding company of the companies now comprising the Group, details of which are set out in Note 1(b) of Section B below. The Company has not carried out any business since the date of its incorporation save for the aforementioned Reorganisation.

As at the date of this report, no audited financial statements have been prepared for the Company, as it has not carried out any business since the date of incorporation and is an investment holding company, and is not subject to statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

All companies now comprising the Group have adopted 31 December as their financial year end date. Details of the companies comprising the Group that are subject to audit during the Relevant Periods and the names of the respective auditors are set out in Note 32 of Section B. The statutory financial statements of these companies were prepared in accordance with the relevant accounting rules and regulations applicable to entities in the countries in which they were incorporated and/or established.

The directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Periods (the "Underlying Financial Statements") on the same basis as used in the preparation of the Financial Information as set out in Note 1(b) of Section B below. The Underlying Financial Statements for each of the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014 were audited by KPMG Huazhen (Special General Partnership) under separated terms of engagement with the Company in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information has been prepared by the directors of the Company for inclusion in the Prospectus in connection with the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Directors' responsibility for the financial information

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board (the "IASB") and the applicable disclosure provisions of the 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.

Reporting accountants' responsibility

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA. We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to 30 June 2014.

Opinion

In our opinion, the Financial Information gives, for the purpose of this report, on the basis of preparation set out in Note 1(b) of Section B below, a true and fair view of the state of affairs of the Group as at 31 December 2011, 2012 and 2013 and 30 June 2014 and the Group's consolidated results and cash flows for the Relevant Periods then ended.

Corresponding financial information

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the Group comprising the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six months ended 30 June 2013, together with the notes thereon (the "Corresponding Financial Information"), for which the directors 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.

The directors of the Company are responsible for the preparation of the Corresponding Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding 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 Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

A CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

1 Consolidated income statements

	Section B	Year ended 31 December			Six months ended 30 June	
	Note	2011	2012	2013	2013	2014
					(Unaudited)	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	2	283,442	637,786	1,410,613	537,500	965,081
Cost of sales		(249,565)	(550,925)	(1,176,567)	(465,419)	(796,835)
Gross profit		33,877	86,861	234,046	72,081	168,246
Other revenue	3	6,011	9,299	11,483	5,064	7,195
Other net income/(loss)	3	17,346	1,650	15,341	1,665	(5,888)
Selling and distribution expenses		(1,291)	(2,192)	(3,259)	(1,747)	(2,400)
Administrative and other operating expenses		(2,597)	(7,352)	(14,572)	(5,907)	(18,129)
Research and development expenses		(8,886)	(24,956)	(51,058)	(16,544)	(33,224)
Profit from operations		44,460	63,310	191,981	54,612	115,800
Finance costs	4(a)	(591)	(5,307)	(9,010)	(3,035)	(10,203)
Share of (losses)/profits of an associate		(1,618)	(3,681)	5,201	2,778	—
Profit before taxation	4	42,251	54,322	188,172	54,355	105,597
Income tax	5	(4,804)	(3,852)	(25,011)	(7,152)	(16,645)
Profit for the year/period		37,447	50,470	163,161	47,203	88,952

The effect of the proposed capitalisation issue as described in Section B has not been taken into account.

The accompanying notes on pages I-12 to I-73 form part of the Financial Information.

1 Consolidated statements of comprehensive income

	Section B Note	Year ended 31 December 2011 RMB'000	2012 RMB'000	2013 RMB'000	Six months ended 30 June 2013 (Unaudited) RMB'000	2014 RMB'000
Profit for the year/period		37,447	50,470	163,161	47,203	88,952
Other comprehensive income for the year / period (after tax and reclassification adjustments):	8					
Items that may be reclassified subsequently to profit or loss:						
— Exchange differences on translation of the financial statements of subsidiaries outside the Mainland China		9,205	438	(2,016)	2,734	(654)
— Available-for-sale financial assets: net movement in the fair value reserve		—	2,079	3,084	761	8,590
Other comprehensive income for the year/period		9,205	2,517	1,068	3,495	7,936
Total comprehensive income for the year/period		46,652	52,987	164,229	50,698	96,888

The accompanying notes on pages I-12 to I-73 form part of the Financial Information.

2 Consolidated statements of financial position

	Section B Note	As at 31 December 2011	As at 31 December 2012	As at 31 December 2013	At 30 June 2014
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment	10	55,454	132,625	269,941	295,476
Interest in an associate	11	80,336	76,655	—	—
Lease prepayments	12	19,128	18,712	18,296	18,088
Intangible assets	13	8	6	4	3
Deferred tax assets	14(b)	1,179	3,869	5,114	4,811
Prepayment for acquisition of property, plant and equipment	15	2,147	4,481	819	2,786
		158,252	236,348	294,174	321,164
Current assets					
Inventories	16	46,501	79,650	129,305	185,011
Trade and other receivables	17	197,426	608,088	871,803	826,851
Other financial assets	18	17,150	117,046	416,074	457,180
Pledged bank deposits	19	58,866	53,434	8,939	135,500
Cash and cash equivalents	20	1,723	26,926	42,145	121,342
		321,666	885,144	1,468,266	1,725,884
Current liabilities					
Bank borrowings	21	—	84,527	427,581	830,745
Trade and other payables	22	423,259	927,848	904,350	692,725
Current tax payable	14(a)	2,397	3,828	15,368	18,175
		425,656	1,016,203	1,347,299	1,541,645
Net current (liabilities)/assets		(103,990)	(131,059)	120,967	184,239
Total assets less current liabilities		54,262	105,289	415,141	505,403
Non-current liabilities					
Deferred income	23	7,100	3,000	—	1,000
Trade and other payables	22	—	—	146,132	135,362
Deferred tax liabilities	14(b)	1,308	937	410	1,531
		8,408	3,937	146,542	137,893
NET ASSETS		45,854	101,352	268,599	367,510
CAPITAL AND RESERVES					
Capital	26	66	66	66	—
Reserves	27	45,788	101,286	268,533	367,510
TOTAL EQUITY		45,854	101,352	268,599	367,510

The accompanying notes on pages I-12 to I-73 form part of the Financial Information.

3 **Consolidated statements of changes in equity**

	Section B Note	Share capital	Exchange reserve	PRC statutory reserve	Other reserve	Equity settled share-based payment reserve	Fair value reserve	(Accumulated losses) / retained profits	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		Note 26	Note 27(a)	Note 27(b)	Note 27(c)	Note 27(d)	Note 27(e)		
As at 1 January 2011		66	8,070	—	—	—	—	(8,934)	(798)
Changes in equity for 2011:									
Profit for the year		—	—	—	—	—	—	37,447	37,447
Other comprehensive income		—	9,205	—	—	—	—	—	9,205
Total comprehensive income for the year		—	9,205	—	—	—	—	37,447	46,652
Appropriation to PRC statutory reserves	27(b)	—	—	1,741	—	—	—	(1,741)	—
As at 31 December 2011 and 1 January 2012		66	17,275	1,741	—	—	—	26,772	45,854
Changes in equity for 2012:									
Profit for the year		—	—	—	—	—	—	50,470	50,470
Other comprehensive income		—	438	—	—	—	2,079	—	2,517
Total comprehensive income for the year		—	438	—	—	—	2,079	50,470	52,987
Equity settled share-based payment transactions	4(b)	—	—	—	—	2,511	—	—	2,511
Appropriation to PRC statutory reserves	27(b)	—	—	4,958	—	—	—	(4,958)	—
As at 31 December 2012 and 1 January 2013		66	17,713	6,699	—	2,511	2,079	72,284	101,352

	Section B Note	Share capital	Exchange reserve	PRC statutory reserve	Other reserve	Equity settled share-based payment reserve	Fair value reserve	(Accumulated losses) / retained profits	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		Note 26	Note 27(a)	Note 27(b)	Note 27(c)	Note 27(d)	Note 27(e)		
Changes in equity for 2013:									
Profit for the year		—	—	—	—	—	—	163,161	163,161
Other comprehensive income		—	(2,016)	—	—	—	3,084	—	1,068
Total comprehensive income for the year		—	(2,016)	—	—	—	3,084	163,161	164,229
Equity settled share-based payment transactions	4(b)	—	—	—	—	3,018	—	—	3,018
Appropriation to PRC statutory reserves	27(b)	—	—	14,379	—	—	—	(14,379)	—
As at 31 December 2013		66	15,697	21,078	—	5,529	5,163	221,066	268,599
Changes in equity for the six months ended 30 June 2014:									
Profit for the period		—	—	—	—	—	—	88,952	88,952
Other comprehensive income		—	(654)	—	—	—	8,590	—	7,936
Total comprehensive income for the period		—	(654)	—	—	—	8,590	88,952	96,888
Arising from the Reorganisation		(66)	—	—	66	—	—	—	—
Equity settled share-based payment transactions	4(b)	—	—	—	—	2,023	—	—	2,023
As at 30 June 2014		—	15,043	21,078	66	7,552	13,753	310,018	367,510

	Section B Note	Share capital	Exchange reserve	PRC statutory reserve	Other reserve	Equity settled share-based payment reserve	Fair value reserve	(Accumulated losses) / retained profits	Total
		RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
		Note 26	Note 27(a)	Note 27(b)	Note 27(c)	Note 27(d)	Note 27(e)		
(Unaudited)									
Changes in equity for the six months ended 30 June 2013:									
As at 1 January 2013		66	17,713	6,699	—	2,511	2,079	72,284	101,352
Profit for the period		—	—	—	—	—	—	47,203	47,203
Other comprehensive income		—	2,734	—	—	—	761	—	3,495
Total comprehensive income for the period		—	2,734	—	—	—	761	47,203	50,698
Equity settled share-based payment transactions	4(b)	—	—	—	—	1,509	—	—	1,509
As at 30 June 2013		66	20,447	6,699	—	4,020	2,840	119,487	153,559

The accompanying notes on pages I-12 to I-73 form part of the Financial Information.

4 **Consolidated cash flow statements**

	Section B Note	Year ended 31 December			Six months ended 30 June	
		2011	**2012**	**2013**	**2013**	**2014**
					(Unaudited)	
		RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Operating activities						
Cash (used in) / generated from operations	20(b)	(132,757)	(323,367)	(286,558)	(255,075)	25,033
Income tax paid		(468)	(5,849)	(15,787)	(2,175)	(13,929)
Net cash (used in) / generated from operating activities		(133,225)	(329,216)	(302,345)	(257,250)	11,104
Investing activities						
Payment for the purchase of other financial assets		(394,380)	(548,245)	(1,382,910)	(359,810)	(749,240)
Payment for the purchase of property, plant and equipment		(35,480)	(85,623)	(148,494)	(21,919)	(103,796)
Proceeds from disposal of property, plant and equipment		15	15	168	4	—
Proceeds from disposal of other financial assets		377,929	453,303	1,093,259	297,965	723,846
Additional investment in interest in an associate		(26,294)	—	—	—	—
(Increase)/decrease in pledged bank deposits		(800)	—	800	800	(800)
Interest received		751	2,068	2,675	2,243	345
Proceeds from disposal of interest in an associate		—	—	—	—	81,439
Net cash used in investing activities		(78,259)	(178,482)	(434,502)	(80,717)	(48,206)

	Section B	Year ended 31 December			Six months ended 30 June	
	Note	2011	2012	2013	2013	2014
					(Unaudited)	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financing activities						
Proceeds from bank borrowings		20	97,220	475,771	89,652	445,134
Repayment of bank borrowings		(11,350)	(12,693)	(132,717)	(28,320)	(146,413)
Decrease / (increase) in pledged bank deposits		10,850	(51,634)	49,195	28,935	(132,261)
Repayment of advances to related parties		194,287	455	20,526	693	242,197
Advances to related parties		(111,596)	(267,156)	(24,373)	(11,241)	(39,318)
Proceeds from new advances from related parties		439,906	842,527	924,707	467,898	330,582
Repayment of advances from related parties		(308,616)	(74,830)	(547,696)	(214,397)	(575,151)
Interest paid		(560)	(964)	(12,615)	(5,566)	(7,837)
Payment for listing expenses		—	—	—	—	(1,074)
Net cash generated from financing activities		212,941	532,925	752,798	327,654	115,859
Net increase / (decrease) in cash and cash equivalents		1,457	25,227	15,951	(10,313)	78,757
Cash and cash equivalents at 1 January		289	1,723	26,926	26,926	42,145
Effect of foreign rate changes		(23)	(24)	(732)	(785)	440
Cash and cash equivalents at 31 December / 30 June	20(a)	1,723	26,926	42,145	15,828	121,342

The accompanying notes on pages I-12 to I-73 form part of the Financial Information.

B NOTES TO THE FINANCIAL INFORMATION

1 Significant accounting policies

(a) Statement of compliance

The Financial Information set out in this report has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which collective term includes International Accounting Standards and related interpretations, promulgated by the International Accounting Standards Board (the "IASB"). Further details of the significant accounting policies adopted are set out in the remainder of this Section B.

The IASB has issued certain new and revised IFRSs. For the purpose of preparing this Financial Information, Q Technology (Group) Company Limited (the "Company") and its subsidiaries (the "Group") has adopted all applicable new and revised IFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the Relevant Periods. The revised and new accounting standards and interpretations issued but not yet effective for the Relevant Periods are set out in Note 33.

The Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

The Corresponding Financial Information for the six months ended 30 June 2013 had been prepared in accordance with the same basis and accounting policies adopted in respect of the Financial Information.

(b) Basis of preparation and presentation

The Group is principally engaged in manufacturing and sales of camera modules for mobile phones and other electronic appliances. During the Relevant Periods, the Group's business was conducted through CK Telecom (Great China) Inc. ("CK Great China") and its subsidiaries, Kunshan Q Technology Limited ("Kunshan QT China") and Kunshan Q Technology (Hong Kong) Limited ("Kunshan QT Hong Kong"). The Company was incorporated as an exempted company under the laws of Cayman Islands with limited liability on 5 May 2014 as part of the reorganisation ("the Reorganisation") and in preparation for the listing of the Company's shares on the Main Board of the Stock Exchange. CK Great China was incorporated on 3 July 2007 and was beneficially owned and controlled by Mr. He Ningning (hereinafter referred to as the "Controlling Shareholder"). Upon completion of the Reorganisation on 26 June 2014, the Company became the Group's holding company. The companies that took part in the Reorganisation were controlled by the Controlling Shareholder before and after the Reorganisation and there were no change in the business of the Group as a result of the Reorganisation.

As the Company had no substantive operations prior to the Reorganisation and was formed for the sole purpose of effecting the Group's restructuring and the listing of the Company's shares, no business combination had occurred and the Reorganisation has been accounted for using a principle similar to that for a reverse acquisition as set out in IFRS 3, Business combinations.

The Financial Information has been prepared and presented as a continuation of the financial information of CK Great China with the assets and liabilities of CK Great China and its subsidiaries recognised and measured at their historical carrying amounts prior to the Reorganisation.

Intra-group balances and intra-group transactions are eliminated in full in preparing the Financial Information.

At the date of this report, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies, particulars of which are set out below:

Name of company	Place and date of incorporation/ establishment	Paid up capital/registered capital	Proportion of equity interest attributable to the Company		Principal Activities
			Direct	Indirect	
CK Great China	British Virgin Islands ("BVI")/ 3 July 2007	US$10,000	100%	—	Investment holding and trading of raw materials of Camera Modules
Kunshan QT China* (昆山丘鈦微電子科技有限公司).	People's Republic of China ("PRC")/ 15 October 2007	US$25,000,000/ US$30,000,000	—	100%	Manufacture and trading of Camera Modules
Kunshan QT Hong Kong	Hong Kong/ 21 January 2013	HK$10,000	—	100%	Trading of Camera Modules
Chengdu Q Technology Limited* ("Chengdu QT Subsidiary") (成都丘鈦微電子科技有限公司)	PRC/ 6 June 2014	RMB1,000,000	—	100%	Research and development of Camera Module

* The English translation of the company's name is for reference only. The official names of the company is in Chinese.

(c) Basis of measurement

The Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand unless otherwise indicated. RMB is the functional currency and the reporting currency for the Company's subsidiary established in the Mainland China. The functional currency of the Company and its subsidiaries outside the Mainland China is US dollars.

The Financial Information is prepared on the historical cost basis except for other financial assets (Note 18) that are stated at their fair value.

(d) Use of estimates and judgements

The preparation of Financial Information in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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.

Judgements made by management in the application of IFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in Note 31.

(e) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights are considered.

An investment in a subsidiary is included in the Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(l)), unless the investment is classified as held for sales (or included in a disposal group that is classified as held for sale).

(f) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the Financial Information under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (Note 1(1)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statements, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statements of comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (Note 1(1)(ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (Note 1(w)).

No depreciation is provided in respect of construction in progress.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

— Buildings held for own use which are situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 20 years after the date of completion.

— Plant and machinery 10 years

— Motor vehicles 5 years

— Office and other equipment 3-5 years

The residual value rates of each class of fixed assets are as follows:

	Residual value rates (%)
Buildings	10%
Plant and machinery	10%
Motor vehicles	10%
Office and other equipment	10%

Both the useful life of an asset and its residual value, if any, are reviewed annually.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

(h) Other financial assets

Other financial assets are initially stated at fair value plus any directly attributable transaction costs. At the end of each reporting period, the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. Interest income from these financial assets is recognised using the effective interest method in profit or loss in accordance with the policy set out in Note 1(u) (ii). When these financial assets are derecognised or impaired (Note 1(1) (i)), the cumulative gain or loss is reclassified from equity to profit or loss.

(i) Lease prepayments

Lease prepayments represent cost of acquiring land use rights paid to the PRC's governmental authorities. Land use rights are stated at cost less accumulated amortisation and impairment losses (Note 1(1) (ii)). Amortisation is charged to profit or loss on a straight-line basis over the respective periods of the rights which are 50 years.

(j) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (Note 1(1)(ii)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. Computer software is amortised from the date they are available for the use for 5 years.

Both the useful life and method of amortisation are reviewed annually.

(k) Operating lease charges

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease terms, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(l) Impairment of assets

(i) *Impairment of available-for-sale financial assets, and current and non-current receivables*

Current and non-current receivables that are stated at cost or amortised cost and available-for-sale financial assets are reviewed annually to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of available-for-sale financial asset below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For investments in associates accounted for under the equity method in the Financial Information (see Note 1(f)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with Note 1(1)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with Note 1(1)(ii).

— For current receivables carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

For available-for-sale financial assets, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) *Impairment of other assets*

Internal and external sources of information are reviewed at each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— intangible assets;

— lease prepayments; and

— investments in subsidiary in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(m) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(n) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (Note 1(1)(i)) except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (Note 1(l)(i)).

(o) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(p) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost, except where the payables are interest-free loans made from related parties without any fixed repayment terms or the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(r) Employee benefits

(i) *Short term employee benefits and contributions to defined contribution retirement plans*

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to appropriate local defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in profit or loss as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

(ii) *Share-based payments*

The fair value of shares granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the black-scholes model, taking into account the terms and conditions upon which the shares were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the shares, the total estimated fair value of the shares is spread over the vesting period, taking into account the probability that the shares will vest.

During the vesting period, the number of shares that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged / credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of shares that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the shares are exercised (when it is transferred to the share premium account) or the shares expire (when it is released directly to retained profits).

(s) Income tax

Income tax for the year/period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year/period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(t) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) *Sale of goods*

Revenue is recognised when goods are delivered and when the customer has accepted the related risks and rewards of ownership. Revenue excludes value added tax ("VAT") or other sales taxes and is after deduction of any trade discounts.

(ii) *Interest income*

Interest income is recognised as it accrues using the effective interest method.

(iii) *Government grants*

Government grants are recognised in the statements of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same year in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful lives of the asset by way of reduced depreciation expense.

Unconditional discretionary government grants from the government authorities are recognised in the profit or loss as other revenue when the amount is received.

(v) Translation of foreign currencies

Foreign currency transactions during the period are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results of operations with functional currency other than Renminbi are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Renminbi at the closing foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(w) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(x) Research and development

Research and development costs comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Because of the nature of the Group's research and development activities, the criteria for the recognition of such costs as an asset are generally not met until late in the development stage of the project when the remaining development costs are immaterial. Hence both research costs and development costs are generally recognised as expenses in the period in which they are incurred.

(y) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(z) Segment reporting

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

The chief operating decision maker of the Group assesses the performance and allocates the resources of the Group as a whole, as all of the Group's revenue and profits are derived primarily from manufacturing and sales of camera modules for mobile phones and other electronic appliances. In this regard, no segment information is presented.

2 **Turnover and segmental reporting**

The principal activities of the Group are manufacturing and sales of camera modules for mobile phones and other electronic appliances. Turnover represents the sales value of goods sold, excludes VAT and is after deduction of any trade discounts.

The Group's revenue by geographical location is determined by the locations of operations of the contracting parties.

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
				(Unaudited)	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover					
PRC (including Hong Kong)	283,258	637,768	1,407,221	537,316	931,773
Overseas	184	18	3,392	184	33,308
	283,442	637,786	1,410,613	537,500	965,081

The Group had two, three, four, five and five customers with whom transactions have exceeded 10% of the Group's turnover for the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014 respectively. The amount of sales to these customers amounted to approximately RMB235,249,000, RMB495,369,000, RMB1,030,484,000, RMB454,466,000 (unaudited) and RMB772,525,000 for the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014 respectively. Details of concentrations of credit risk arising from these customers are set out in Note 28(a).

For the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014, certain amounts of turnover are related to sales made to related parties (see Notes 30).

3 **Other revenue and other net income/(loss)**

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
				(Unaudited)	
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Other revenue					
Government grants (Note)	4,157	4,130	3,473	1,502	308
Interest income	1,155	2,561	1,381	982	505
Investment income (reclassified from equity on disposal)	699	2,508	5,749	2,555	5,606
Others	—	100	880	25	776
	6,011	9,299	11,483	5,064	7,195
Other net income/(loss)					
Net gain on the disposal of interest in an associate (Note 11)	16,595	—	5,807	—	—
Net foreign exchange gain/(loss)	753	1,650	9,610	1,665	(6,011)
(Loss) / gain on disposal of property, plant and equipment	(2)	—	(76)	—	123
	17,346	1,650	15,341	1,665	(5,888)

Note: The amounts mainly included RMB4,100,000, RMB4,100,000, RMB3,000,000, and RMB1,500,000 (unaudited) government grant income for the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 respectively for subsidising the costs incurred in the research and development projects for new products within durations ranging from 1 to 3 years. This government grant income was fully amortised as at 31 December 2013.

During the six months ended 30 June 2014, the Group received government grants in form of cash subsidies amounting to RMB308,000 from local government for compensation of research and development expenses incurred.

4 Profit before taxation

Profit before taxation is arrived at after charging:

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
				(Unaudited)	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(a) Finance costs					
Interest expenses	591	5,307	9,010	3,035	10,203
(b) Staff costs					
Contributions to defined contribution retirement plans (Note 24)	774	1,105	1,813	804	1,500
Salaries, wages and other benefits	18,580	38,414	74,844	31,935	48,170
Equity-settled share based payment expenses (Note 25)	—	2,511	3,018	1,509	2,023
	19,354	42,030	79,675	34,248	51,693
(c) Other items					
Amortisation					
— lease prepayments (Note 12)	416	416	416	208	208
— intangible assets (Note 13)	2	2	2	1	1
Depreciation (Note 10)	3,413	6,406	14,898	5,921	13,902
Auditors' remuneration (Note (i))	34	43	81	—	—
Net foreign exchange gain / (loss)	753	1,650	9,610	1,665	(6,011)
Operating lease charges in respect of properties	841	485	75	9	39
Research and development costs (Note (ii))	8,886	24,956	51,058	16,544	33,224
Impairment loss recognised on trade receivables	—	—	360	360	78
Impairment loss written back on trade receivables	—	—	—	—	(360)
Cost of inventories (Note (iii))	254,020	563,283	1,202,996	476,864	816,776
Listing expenses	—	—	597	—	8,778

Notes:

(i) Remuneration of the reporting accountants in connection with the IPO services, which are recognised as expenses in the period which they are incurred, are included as the listing expenses as disclosed in Note 4(c).

(ii) Research and development costs include staff costs of employees in the design, research and development department of RMB3,106,000, RMB5,035,000, RMB10,027,000, RMB3,851,000 (unaudited) and RMB8,570,000 for the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014 respectively which are included in the staff costs as disclosed in Note 4(b).

The criteria for the recognition of such costs as an asset are generally not met until late in the development state of the project when the remaining development costs are immaterial. Hence both research costs and development costs are generally recognised as expenses in the period in which they are incurred.

(iii) Cost of inventories includes RMB17,002,000, RMB36,652,000, RMB77,458,000, RMB32,534,000 (unaudited) and RMB50,660,000 for the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014 respectively relating to staff costs, depreciation and amortisation expenses, which amounts are also included in the respective total amounts disclosed separately above or in Note 4(b) for each of these types of expenses.

5 Income tax in the consolidated income statements

(a) Income tax in the consolidated income statements represents:

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
				(Unaudited)	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current tax					
PRC Corporate Income Tax	2,865	7,280	23,407	6,414	16,578
Hong Kong Profits Tax	—	—	3,920	2,086	159
	2,865	7,280	27,327	8,500	16,737
Deferred tax					
Origination and reversal of temporary differences (Note 14(b))	1,939	(3,428)	(2,316)	(1,348)	(92)
	4,804	3,852	25,011	7,152	16,645

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
				(Unaudited)	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit before taxation	42,251	54,322	188,172	54,355	105,597
Notional tax on profit before taxation, calculated at the rates applicable to the tax jurisdictions concerned	6,829	9,182	41,883	11,427	27,922
Tax effect of PRC preferential tax treatments (iii)	(2,287)	(2,504)	(12,940)	(3,009)	(10,742)
Tax effect of bonus deduction allowance of research and development costs	(1,111)	(2,921)	(5,615)	(1,820)	(3,736)
Effect of non-deductible expenses	65	466	554	276	3,201
PRC dividend withholding tax on interest in an associate	1,308	(371)	1,129	278	—
Actual tax expense	4,804	3,852	25,011	7,152	16,645

Notes:

(i) Pursuant to the rules and regulations of the Cayman Islands and BVI, the Group is not subject to any income tax in the Cayman Islands and BVI.

(ii) No provision was made for Hong Kong Profits Tax in 2011, 2012 as the Group did not earn any assessable profit subject to Hong Kong Profits Tax during 2011 and 2012. Q Technology (Hong Kong) is subject to Hong Kong Profits Tax at 16.5% in 2013 and during the six months ended 30 June 2014.

(iii) Effective from 1 January 2008, the PRC statutory income tax rate is 25%. Kunshan QT China was qualified as a High and New Technology Enterprise ("HNTE") in 2009, which entitled it to enjoy a preferential income tax rate of 15% from the year 2009 to 2011 according to relevant regulations in the PRC Corporate Income Tax Law. Kunshan QT China successfully renewed the HNTE qualification on 21 May 2012 and continued to enjoy a preferential income tax rate of 15% for another three years starting from 1 January 2012.

(iv) According to the PRC Corporate Income Tax Law and its related regulations, the Group is subject to a withholding tax at 10%, unless reduced by tax treaties or arrangements, for dividends distributed by a PRC enterprise to its immediate holding company outside the PRC for earnings generated beginning on 1 January 2008 and undistributed earnings generated prior to 1 January 2008 are exempt from such withholding tax. According to the China-HK Tax Arrangement and its relevant regulations, a qualified Hong Kong tax resident which is the "beneficial owner" and holds 25% or more of a PRC enterprise is entitled to a reduced withholding rate of 5%.

6 Directors' remuneration

Details of directors' remuneration are as follows:

Year ended 31 December 2011

	Fee	Salaries, allowances and other benefits	Retirement scheme contributions	Discretionary bonuses	Sub-Total	Share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						Note	
Executive directors							
Mr. He Ningning	—	—	—	—	—	—	—
Mr. Wang Jianqiang	—	68	—	—	68	—	68
Mr. Yang Peikun	—	140	—	—	140	—	140
Total	—	208	—	—	208	—	208

Year ended 31 December 2012

	Fee	Salaries, allowances and other benefits	Retirement scheme contributions	Discretionary bonuses	Sub-Total	Share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						Note	
Executive directors							
Mr. He Ningning	—	—	—	—	—	—	—
Mr. Wang Jianqiang	—	139	—	—	139	452	591
Mr. Yang Peikun	—	192	—	—	192	905	1,097
Total	—	331	—	—	331	1,357	1,688

Year ended 31 December 2013

	Fee	Salaries, allowances and other benefits	Retirement scheme contributions	Discretionary bonuses	Sub-Total	Share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 *Note*	RMB'000
Executive directors							
Mr. He Ningning	264	—	—	—	264	—	264
Mr. Wang Jianqiang. . .	—	151	—	—	151	452	603
Mr. Yang Peikun	—	214	2	—	216	905	1,121
Total.	264	365	2	—	631	1,357	1,988

Six months ended 30 June 2013 (Unaudited)

	Fee	Salaries, allowances and other benefits	Retirement scheme contributions	Discretionary bonuses	Sub-Total	Share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 *Note*	RMB'000
Executive directors							
Mr. He Ningning	120	—	—	—	120	—	120
Mr. Wang Jianqiang. . .	—	76	—	—	76	226	302
Mr. Yang Peikun	—	92	—	—	92	452	544
Total.	120	168	—	—	288	678	966

Six months ended 30 June 2014

	Fee	Salaries, allowances and other benefits	Retirement scheme contributions	Discretionary bonuses	Sub-Total	Share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 *Note*	RMB'000
Executive directors							
Mr. He Ningning	144	—	—	—	144	—	144
Mr. Wang Jianqiang. . .	—	91	—	48	139	226	365
Mr. Yang Peikun	—	150	3	60	213	452	665
Total.	144	241	3	108	496	678	1,174

Note: These represent the estimated value of share options granted to the directors under the Group's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 1(r)(ii).

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed in Note 25.

During the Relevant Periods, there were no amounts paid or payable by the Group to the directors or any of the highest paid individuals set out in Note 7 below as an inducement to join or upon joining the Group or as a compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

7 Individual with highest emoluments

Of the five individuals with the highest emoluments, one, two, two, three and three of them are directors for the years ended 31 December 2011, 2012, 2013 and the six months ended 30 June 2013 and 2014, respectively, whose emoluments are disclosed in Note 6 above. The aggregate of the emoluments in respect of the remaining individuals are as follows:

	Year ended 31 December			**Six months ended 30 June**	
	2011	**2012**	**2013**	**2013**	**2014**
				(Unaudited)	
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Salaries and other emoluments	696	673	793	280	433
Contributions to retirement benefit scheme	21	16	17	5	6
Share-based payments	—	244	244	73	86
	717	933	1,054	358	525

The emoluments of the 4, 3, 3, 2 and 2 individuals with the highest emoluments for the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014, respectively, are within the following bands:

	Year ended 31 December			**Six months ended 30 June**	
	2011	**2012**	**2013**	**2013**	**2014**
				(Unaudited)	
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
	Number of individuals	*Number of individuals*	*Number of individuals*	*Number of individuals*	*Number of individuals*
HK$Nil to HK$1,000,000	4	3	3	2	2

8 Other comprehensive income

(a) *Tax effects relating to each component of other comprehensive income*

	As at 31 December									As at 30 June					
	2011			2012			2013			2013			2014		
	Before-tax amount	Tax effect	Net-of-tax amount	Before-tax amount	Tax effect	Net-of-tax amount	Before-tax amount	Tax effect	Net-of-tax amount	Before-tax amount	Tax effect	Net-of-tax amount	Before-tax amount	Tax effect	Net-of-tax amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000	RMB'000	RMB'000
Exchange difference on translation of:															
— financial statements of subsidiaries outside the Mainland China	9,205	—	9,205	438	—	438	(2,016)	—	(2,016)	2,734	—	2,734	(654)	—	(654)
Available-for-sale financial assets: net movement in fair value reserve	—	—	—	2,446	(367)	2,079	3,628	(544)	3,084	895	(134)	761	10,106	(1,516)	8,590
Other comprehensive income	9,205	—	9,205	2,884	(367)	2,517	1,612	(544)	1,068	3,629	(134)	3,495	9,452	(1,516)	7,936

(b) Components of other comprehensive income, including reclassification adjustments

	As at 31 December			Six ended 30 June months	
	2011	2012	2013	2013	2014
				(Unaudited)	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Available-for-sale financial assets:					
Changes in fair value recognised during the period	699	4,954	9,377	3,450	15,712
Reclassification adjustments for amounts transferred to profit or loss:					
— gains on disposal (note 3)	(699)	(2,508)	(5,749)	(2,555)	(5,606)
Tax effect of fair value change charged to reserve.	—	(367)	(544)	(134)	(1,516)
Net movement in the fair value reserve during the period recognised in other comprehensive income	—	2,079	3,084	761	8,590

9 Earnings per share

The number of the Company's shares was only 2 as at 30 June 2014 and no earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful.

The effect of the proposed capitalisation issue as described in Section B has not been taken into account.

10 **Property, plant and equipment**

	Buildings	Plant and machinery	Motor vehicles	Office and other equipment	Sub-total	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:							
At 1 January 2011	—	27,870	150	2,888	30,908	534	31,442
Additions	—	7,453	—	533	7,986	27,099	35,085
Disposals	—	(23)	—	—	(23)	—	(23)
At 31 December 2011 and 1 January 2012	—	35,300	150	3,421	38,871	27,633	66,504
Additions	873	33,274	409	3,849	38,405	45,187	83,592
Transfer from construction in progress	67,748	—	—	—	67,748	(67,748)	—
Disposals	—	—	(150)	—	(150)	—	(150)
At 31 December 2012 and 1 January 2013	68,621	68,574	409	7,270	144,874	5,072	149,946
Additions	2,007	110,494	213	16,817	129,531	22,927	152,458
Transfer from construction in progress	8,514	2,469	—	—	10,983	(10,983)	—
Disposals	—	(233)	(105)	(159)	(497)	—	(497)
At 31 December 2013 and 1 January 2014	79,142	181,304	517	23,928	284,891	17,016	301,907
Additions	1,765	21,685	—	6,797	30,247	10,724	40,971
Transfer from construction in progress	6,948	3,196	—	—	10,144	(10,144)	—
Disposals	—	(1,594)	—	—	(1,594)	—	(1,594)
At 30 June 2014	87,855	204,591	517	30,725	323,688	17,596	341,284

	Buildings	Plant and machinery	Motor vehicles	Office and other equipment	Sub-total	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Accumulated depreciation:							
At 1 January 2011	—	(6,668)	(101)	(874)	(7,643)	—	(7,643)
Charge for the year	—	(2,918)	(34)	(461)	(3,413)	—	(3,413)
Written back on disposals	—	6	—	—	6	—	6
At 31 December 2011 and 1 January 2012	—	(9,580)	(135)	(1,335)	(11,050)	—	(11,050)
Charge for the year	(206)	(5,321)	(46)	(833)	(6,406)	—	(6,406)
Written back on disposals	—	—	135	—	135	—	135
At 31 December 2012 and 1 January 2013	(206)	(14,901)	(46)	(2,168)	(17,321)	—	(17,321)
Charge for the year	(4,051)	(7,411)	(90)	(3,346)	(14,898)	—	(14,898)
Written back on disposals	—	112	20	121	253	—	253
At 31 December 2013 and 1 January 2014	(4,257)	(22,200)	(116)	(5,393)	(31,966)	—	(31,966)
Charge for the period	(2,955)	(7,875)	(47)	(3,025)	(13,902)	—	(13,902)
Written back on disposals	—	60	—	—	60	—	60
At 30 June 2014	(7,212)	(30,015)	(163)	(8,418)	(45,808)	—	(45,808)

	Buildings	Plant and machinery	Motor vehicles	Office and other equipment	Sub-total	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net book value:							
At 31 December 2011	—	25,720	15	2,086	27,821	27,633	55,454
At 31 December 2012	68,415	53,673	363	5,102	127,553	5,072	132,625
At 31 December 2013	74,885	159,104	401	18,535	252,925	17,016	269,941
At 30 June 2014	80,643	174,576	354	22,307	277,880	17,596	295,476

The buildings held for own use are located in the PRC under medium-term leases.

11 **Interest in an associate**

	As at 31 December			At 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Share of net assets	80,336	76,655	—	—

The following list contains the particulars of an associate, which is an unlisted corporate entity whose quoted market price is not available:

Name of associate	Place and date of establishment	Paid up capital/registered capital	Proportion of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
				(up to 7 December 2013)	
Huatian Technology (Kunshan) Electronic Co., Ltd* ("Huatian Kunshan") (華天科技(昆山)電子有限公司)	PRC/ 10 June 2008	US$61,930,003	—	16.1473% held by CK Great China	Assembling of wafer business

The name of 昆山西鈦微電子科技有限公司 ("Kunshan Xitai") was changed to Huatian Kunshan from 9 January 2014.

The above associate is accounted for using the equity method in the Financial Information during the Relevant Periods up to 7 December 2013.

In May 2011, certain independent third parties injected capital of USD21,930,000 (equivalent to RMB145,212,000) to Kunshan Xitai. With the above capital injection by the other equity holders, the Group's share of equity interests in Kunshan Xitai was diluted from 25% to 16.1473%. The Group recorded a net gain of RMB16,595,000 on the equity dilution resulted from the injection of additional capital from other equity holders. The gain was recorded in "other net income" (Note 3) in the consolidated income statements for the year ended 31 December 2011. In view of the fact that Mr. He Ningning, the Controlling Shareholder of the Group, was appointed by Shenzhen Handi Investment Co., Ltd., one of the then equity owners of Kunshan Xitai and a related party of the Group, as a director of Kunshan Xitai, the directors of the Group are of the opinion that CK Great China had significant influence over the management of Kunshan Xitai's financial and operating policy decisions. Therefore, Kunshan Xitai was considered as an associate of the Group.

* The English translation of the Company's name is for reference only. The official name of the Company is in Chinese.

On 8 December 2013, CK Great China disposed of its 16.1473% equity interest in Kunshan Xitai to an independent third party, Gentec Investment Limited at a consideration of USD13,268,600 (equivalent to RMB81,439,000). After such disposal, the Group did not have equity interests in Kunshan Xitai. The Group recorded a net gain of RMB5,807,000 on the disposal. The loss was recorded in "other net income" (Note 3) in the consolidated income statements for the year ended 31 December 2013.

	Kunshan Xitai	
	2011	2012
	RMB'000	RMB'000
Gross amounts of the associate's		
Current assets	292,752	238,006
Non-current assets	377,336	376,283
Current liabilities	(160,518)	(128,795)
Non-current liabilities	(12,053)	(10,774)
Equity	(497,517)	(474,720)
Revenue	333,944	644,794
Loss from continuing operations	(6,319)	(22,796)
Total comprehensive income	(6,319)	(22,796)
Reconciled to the Group's interest in the associate		
Gross amounts of net assets of the associate	497,517	474,720
Group's effective interest	16.1473%	16.1473%
Group's share of net assets of the associate	80,336	76,655
Carrying amount in the Financial Information	80,336	76,655

During the period from 1 January 2013 to 7 December 2013 (the date prior to the above-mentioned disposal of equity interests in Kunshan Xitai), Kunshan Xitai recognised total comprehensive income of RMB32,209,000, in which the Group shared 16.1473% thereof, amounting to RMB5,201,000 which was recorded under "share of (losses) / profits of an associate" in the consolidated income statements for the year ended 31 December 2013.

For the six months ended 30 June 2013, Kunshan Xitai recognised profit for the period of RMB17,206,000 (unaudited), in which the Group shared 16.1473% thereof, amounting to RMB2,778,000 (unaudited) which was recorded under "share of (losses) / profits of an associate" in the consolidated income statements for the six months ended 30 June 2013.

12 **Lease prepayments**

	RMB'000
Cost:	
At 1 January 2011, 31 December 2011, 2012 and 2013 and 30 June 2014	20,791
Accumulated amortisation:	
At 1 January 2011	1,247
Amortisation for the year	416
At 31 December 2011 and 1 January 2012	1,663
Amortisation for the year	416
At 31 December 2012 and 1 January 2013	2,079
Amortisation for the year	416
At 31 December 2013 and 1 January 2014	2,495
Amortisation for the period	208
At 30 June 2014	2,703
Net book value:	
At 31 December 2011	19,128
At 31 December 2012	18,712
At 31 December 2013	18,296
At 30 June 2014	18,088

Interests in leasehold land represent prepayments of land use rights premium to the PRC authorities by the Group. The Group's leasehold land is located in PRC, on which its manufacturing plants were built. The Group is granted land use rights for a period of 50 years up to 2058.

The amounts include RMB416,000, RMB416,000, RMB416,000 and RMB416,000 current portion of the lease prepayments as at 31 December 2011, 2012, 2013 and 30 June 2014 respectively.

13 Intangible assets

	Computer software
	RMB'000
Cost:	
At 1 January 2011, 31 December 2011, 2012 and 2013 and 30 June 2014	11
Accumulated amortisation:	
At 1 January 2011	1
Amortisation for the year	2
At 31 December 2011 and 1 January 2012	3
Amortisation for the year	2
At 31 December 2012 and 1 January 2013	5
Amortisation for the year	2
At 31 December 2013 and 1 January 2014	7
Amortisation for the period	1
At 30 June 2014	8
Net book value:	
At 31 December 2011	8
At 31 December 2012	6
At 31 December 2013	4
At 30 June 2014	3

The amortisation charges of the intangible assets during the Relevant Periods are included in "administrative and other operating expenses" in the consolidated income statements.

14 Income tax in the consolidated statements of financial position

(a) Current taxation in the consolidated statements of financial position represents:

	As at 31 December			At 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
PRC Corporate Income Tax	2,397	3,828	11,508	14,121
Hong Kong Profit Tax	—	—	3,860	4,054
	2,397	3,828	15,368	18,175

(b)(i) ***Deferred tax assets and liabilities recognised:***

The components of deferred tax assets and liabilities recognised in the consolidated statements of financial position and the movements during the Relevant Periods are as follows:

	PRC dividend withholding tax on interest in an associate	Fair value change of other financial assets	Unrealised profit arising from intra-group transactions	Write down of inventories	Deferred income	Accrued expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2011	—	—	—	74	1,680	56	1,810
Charged to consolidated income statements (Note 5(a))	(1,308)	—	—	(12)	(615)	(4)	(1,939)
At 31 December 2011 and1 January 2012	(1,308)	—	—	62	1,065	52	(129)
Charged to consolidated income statements (Note 5(a))	371	—	3,014	6	(615)	652	3,428
Charged to reserves	—	(367)	—	—	—	—	(367)
At 31 December 2012 and 1 January 2013	(937)	(367)	3,014	68	450	704	2,932
Charged to consolidated income statements (Note 5(a))	937	—	2,100	270	(450)	(541)	2,316
Charged to reserves	—	(544)	—	—	—	—	(544)
At 31 December 2013 and 1 January 2014	—	(911)	5,114	338	—	163	4,704
Charged to consolidated income statements (Note 5(a))	—	—	(303)	(238)	150	483	92
Charged to reserves	—	(1,516)	—	—	—	—	(1,516)
At 30 June 2014	—	(2,427)	4,811	100	150	646	3,280

(b)(ii) ***Reconciliation to the consolidated statements of financial position:***

	As at 31 December			At 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Net deferred tax asset recognised in the consolidated statement of financial position	1,179	3,869	5,114	4,811
Net deferred tax liability recognised in the consolidated statement of financial position	(1,308)	(937)	(410)	(1,531)
	(129)	2,932	4,704	3,280

(b)(iii) ***Deferred tax liabilities not recognised***

The Group did not provide for deferred tax liabilities on earnings generated by its PRC entities for the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014 since the Group controls the dividend policy of these subsidiaries and it has been determined that it is probable that they will not be distributed in the foreseeable future. As of 31 December 2011, 2012 and 2013 and 30 June 2014, the temporary differences relating to such undistributed profits amounted to RMB15,669,000, RMB60,291,000, RMB189,702,000 and RMB293,852,000 respectively.

15 Prepayment for acquisition of property, plant and equipment

	As at 31 December			At 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayment for acquisition of property, plant and equipment from				
— third parties	1,228	3,562	819	2,786
— related parties (Note 30(c))	919	919	—	—
	2,147	4,481	819	2,786

16 **Inventories**

Inventories in the consolidated statements of financial position comprise:

	As at 31 December			At 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	18,681	25,235	41,526	70,509
Work in progress	10,094	17,804	35,690	65,770
Finished goods	17,726	36,611	52,089	48,732
	46,501	79,650	129,305	185,011

The analysis of amount of inventories as an expenses and included in profit or loss is as follows:

	As at 31 December			At 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount of inventories sold	249,429	550,208	1,173,543	794,460
Carrying amount of inventories recognised as administrative and other operating expenses for research and development	4,475	12,784	27,655	21,897
Write down of inventories	116	291	1,798	419
	254,020	563,283	1,202,996	816,776

17 **Trade and other receivables**

	As at 31 December			At 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables				
— third parties	85,371	221,619	335,034	603,828
— related parties (Note 30(c))	8,909	11,482	9,331	16,684
Bills receivable				
— third parties	34,956	119,154	229,464	192,436
Trade and bills receivables	129,236	352,255	573,829	812,948
Less: allowance for doubtful debts	(11)	(11)	(371)	(83)
	129,225	352,244	573,458	812,865
Amounts due from related parties (Note 30(c))	64,667	251,431	202,879	7
Amount due from the Controlling Shareholder (Note 30(c))	63	63	—	—
Other deposits, prepayments and receivables	3,471	4,350	95,466	13,979
	197,426	608,088	871,803	826,851

All of the trade and other receivables are expected to be recovered or recognised as expense within one year, except for trade receivables amounting to RMB11,000, RMB121,000, RMB371,000 and RMB257,000 and the Group's deposits amounting to RMB55,000, RMB18,000, RMB18,000 and RMB23,000 as at 31 December 2011, 2012, 2013 and 30 June 2014, respectively, which are expected to be recovered after more than one year.

Bill receivable represented outstanding bank acceptance bills. As at 31 December 2011, 2012, 2013 and 30 June 2014, bills receivable amounting to nil, RMB61,425,000, RMB69,822,000 and RMB7,600,000 respectively, were pledged as security for bills payable (see Note 22). Bills receivable are due in 3 to 6 months from the date of issue.

As at 31 December 2013 and 30 June 2014, bills receivable amounting to RMB84,323,000 and RMB127,679,000 respectively were pledged as security for bank borrowings (see Note 21).

(a) Ageing analysis

Included in trade and other receivables are trade and bills receivables with the following ageing analysis based on due date as at 31 December 2011, 2012, 2013 and 30 June 2014 are as follows:

	As at 31 December			At 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Neither past due nor impaired	85,167	258,536	401,469	604,344
Less than 3 month past due	42,718	89,903	171,689	208,036
Over 3 less than 6 months past due	766	3,195	300	2
Over 6 less than 12 months past due	574	500	—	309
Over 12 less than 24 months past due	—	110	360	—
More than 24 months	11	11	11	257
	129,236	352,255	573,829	812,948

As at 31 December 2011, 2012, 2013 and 30 June 2014, amounts due from related parties, and amount due from the Controlling Shareholder are unsecured, interest free and have no fixed repayment terms.

(b) Impairment of trade and bills receivables

Impairment losses in respect of trade and bills receivables are recorded using an allowance account unless the Group is satisfied that the recovery of the amount is remote, in which case the impairment loss is written off against trade and bills receivables directly (see Note 1(l)(i)).

The movement in the allowance for doubtful debts during the year/period is as follows:

	As at 31 December			At 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	11	11	11	371
Impairment loss recognised	—	—	360	78
Reversal of impairment loss recognised	—	—	—	(360)
Uncollectible amounts written off	—	—	—	(6)
At 31 December/30 June	11	11	371	83

As at 31 December 2011, 2012, 2013 and 30 June 2014, the Group's trade and bills receivables of RMB11,000, RMB11,000, RMB371,000 and RMB83,000 were individually determined to be impaired. The individually impaired receivables are mainly related to customers that the Group terminated business with them, and management assessed that the receivables are not probable to be recovered. Consequently, specific allowances for doubtful debts were recognised in full. The Group does not hold and collateral over these balances.

(c) Trade and bills receivables that are not impaired

The ageing analysis of trade and bills receivables that are neither individually nor collectively considered to be impaired as at 31 December 2011 and 2012, 2013 and 30 June 2014 are as follows:

	As at 31 December			At 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Neither past due nor impaired	85,167	258,536	401,469	604,344
Less than 3 month past due	42,718	89,903	171,689	208,036
Over 3 less than 6 months past due	766	3,195	300	2
Over 6 less than 12 months past due	574	500	—	231
Over 12 less than 24 months past due	—	110	—	—
More than 24 months	—	—	—	252
	129,225	352,244	573,458	812,865

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

As at 31 December 2011, 2012, 2013 and 30 June 2014, receivables that were past due but not impaired related to customers that have good track records with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

18 Other financial assets

	As at 31 December			At 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Available-for-sale financial assets (unlisted)	17,150	117,046	416,074	457,180

As at 31 December 2011, 2012, 2013 and 30 June 2014, certain available-for-sale financial assets with carrying value of RMB nil, RMB35,281,000, RMB314,419,000 and RMB448,164,000, respectively, have been pledged as security for bank borrowings (Note 21).

As at 31 December 2011, 2012, 2013 and 30 June 2014, certain available-for-sale financial assets with carrying value of RMB nil, RMB50,711,000, RMB51,472,000 and RMB nil respectively, have been pledged as security for bills payable (Note 22).

The Group's available-for-sale financial assets were revalued as at 31 December 2011, 2012, 2013 and 30 June 2014. The valuations were carried out by an independent firm of surveyors, Jones Lang LaSalle Corporate Appraisal and Advisory Limited. The valuation technique and inputs used in estimating the fair value of these financial assets are set out in Note 28(e). Details of the credit risk associated with these financial assets are set out in Note 28 (a)(iii).

19 Pledged bank deposits

	As at 31 December			At 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Pledged for				
— bills payable	58,066	1,000	6,500	—
— bank borrowings	—	51,634	2,439	134,700
— others	800	800	—	800
Pledged bank deposits	58,866	53,434	8,939	135,500

Bank deposits have been mainly pledged as security for bank borrowings and bills payable (see Notes 21 and 22). The pledged bank deposits will be released upon the settlement of relevant bank borrowings and bills payable.

20 Cash and cash equivalents

(a) Cash and cash equivalents comprise:

	As at 31 December			At 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Cash in hand	39	51	43	35
Cash at bank	1,684	26,875	42,102	121,307
Cash at bank and in hand	1,723	26,926	42,145	121,342

As at 31 December 2011, 2012, 2013 and 30 June 2014, cash and cash equivalents placed with banks in the mainland China amounted to RMB803,000, RMB7,745,000, RMB15,673,000 and RMB79,916,000 respectively. Remittance of funds out of Mainland China is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

(b) Reconciliation of profit before taxation to cash (used in)/generated from operations:

		Year ended 31 December			Six months ended 30 June	
	Note	2011	2012	2013	2013	2014
					(Unaudited)	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit before taxation		42,251	54,322	188,172	54,355	105,597
Adjustments for:						
Depreciation	4(c)	3,413	6,406	14,898	5,921	13,902
Amortisation of lease prepayments	4(c)	416	416	416	208	208
Amortisation of intangible assets	4(c)	2	2	2	1	1
Share of losses / (profits) of an associate		1,618	3,681	(5,201)	(2,778)	—
Net gain on the disposal of interest in an associate	3	(16,595)	—	(5,807)	—	—
Interest expense	4(a)	591	5,307	9,010	3,035	10,203
Interest income	3	(1,155)	(2,561)	(1,381)	(982)	(505)
Loss/(gain) on disposal of property, plant and equipment	3	2	—	76	—	(123)
Impairment loss for inventories	16	116	291	1,798	1,506	419
Impairment loss for trade and other receivables/(written back)	4(c)	—	—	360	360	(282)
Equity-settled share-based payment transactions	4(b)	—	2,511	3,018	1,509	2,023
Investment income	3	(699)	(2,508)	(5,749)	(2,555)	(5,606)
Foreign exchange loss/(gain)		9,520	462	4,940	3,519	(1,094)
Government grant income	3	(4,157)	(4,130)	(3,473)	(1,500)	—
Changes in working capital:						
Increase in inventories		(17,025)	(33,440)	(51,453)	(49,501)	(56,125)
Increase in trade and other receivables		(182,660)	(584,353)	(561,747)	(290,909)	(238,048)
Increase in trade and other payables		68,120	171,171	131,348	23,579	188,173
(Increase) / decrease in pledged deposits with banks		(37,540)	57,066	(5,500)	1,000	6,500
Increase / (decrease) in amounts due to related parties		841	1,990	(285)	(1,843)	(1,203)
Decrease/ (increase) in amounts due from related parties		184	—	—	—	(7)
Increase in deferred income		—	—	—	—	1,000
Cash (used in)/generated from operations		(132,757)	(323,367)	(286,558)	(255,075)	25,033

(c) Major non-cash transactions

During the Relevant Periods, major non-cash transactions included the following items:

	Note	Year ended 31 December			Six months ended 30 June	
		2011	2012	2013	2013	2014
					(Unaudited)	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Repayment of advance from CK Telecom Limited ("Heyuan CK") through endorsement of bills receivable (Note 30(b))		113,229	361,399	329,672	179,493	—
Offsetting the related parties' other receivables with other payables		—	—	118,622	—	—
Settlements of trade payables directly by the bank through import trade loan facilities		—	—	—	—	104,443
		113,229	361,399	448,294	179,493	104,443

21 **Bank borrowings**

As at 31 December 2011, 2012, 2013 and 30 June 2014, the bank borrowings with annual interest rate of 2.28%, 2.53%, 3.05% and 3.11%, respectively, were repayable within one year or on demand as follows:

	As at 31 December			At 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Bank borrowings				
— secured (Note)	—	84,527	427,581	752,584
— unsecured	—	—	—	78,161
	—	84,527	427,581	830,745

Note: The bank borrowings were secured by assets of the Group and the carrying amounts of these assets are as follows:

	As at 31 December			At 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Available-for-sale financial assets (Note 18)	—	35,281	314,419	448,164
Pledged bank deposits (Note 19)	—	51,634	2,439	134,700
Bills receivable (Note 17)	—	—	84,323	127,679
	—	86,915	401,181	710,543

As at 31 December 2013 and 30 June 2014, bank borrowings amounting to RMB33,570,000 and RMB92,171,000 were guaranteed by the related parties, namely Heyuan CK, Mr. He Ningning and Mr. Wang Jianqiang.

Certain of the Group's banking facilities as at 30 June 2014 are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would became payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk rate are set out in note 28(b). As at 30 June 2014, none of the covenants relating to drawn down facilities had been breached.

22 Trade and other payables

	As at 31 December			At 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Current liabilities				
Trade payables				
— third parties	58,547	151,566	296,982	387,385
— related parties (Note 30 (c))	2,823	20,392	3,813	1,291
Bills payable (Note (a))				
— third parties	—	6,900	31,598	22,607
— related parties (Note 30 (c))	58,066	103,508	79,937	—
Trade and bills payables (Note (b))	119,436	282,366	412,330	411,283
Accrued payroll	3,216	7,546	10,431	12,372
Amounts due to related parties (Note (c))	297,835	631,483	458,232	241,106
Amount due to the Controlling Shareholder (Note 30 (c))	—	—	18,256	—
Other payables and accruals	2,772	6,453	5,101	27,964
	423,259	927,848	904,350	692,725
Non-current liabilities				
Amount due to related parties	—	—	146,132	135,362

All of the trade and other payables as at 31 December 2011 and 2012 are expected to be settled or recognised as income within one year or are repayable on demand.

All of the trade and other payables as at 31 December 2013 are expected to be settled or recognised as income within one year or are repayable on demand, except for the interest-free loans from Focus Technology Limited ("Focus") amounting to RMB134,132,000 and loans from Guangzhou CK Telecom Limited ("Guangzhou CK") amounting to RMB12,000,000, which are expected to be settled more than one year.

All of the trade and other payables as at 30 June 2014 are expected to be settled or recognised as income within one year or are repayable on demand, except for the interest-free loans from Focus amounting to RMB135,362,000, which are expected to be settled more than one year.

(a) As at 31 December 2011, bills payable with carrying value of RMB58,066,000 were secured by pledged bank deposits (Note 19).

As at 31 December 2012, bills payable with the carrying values of RMB4,999,000, RMB55,957,000 and RMB49,452,000 were secured by pledged bank deposits, bills receivable and other financial assets, respectively. Additionally, bills payable with the carrying values of RMB4,999,000 as at 31 December 2012 were guaranteed by Mr. He Ningning and Mr. Wang Jianqiang.

As at 31 December 2013, bills payable with carrying values of RMB49,753,000, RMB6,500,000 and RMB55,282,000 were secured by other financial assets, pledged bank deposits and bills receivable, respectively.

As at 30 June 2014, bills payable with carrying value of RMB7,600,000 was secured by bills receivable.

(b) An ageing analysis of the trade and bills payables as at 31 December 2011, 2012 and 2013 and 30 June 2014 based on the invoice date is as follows:

	As at 31 December			At 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	65,752	205,852	308,038	298,803
Over 3 months but within 6 months	40,315	31,111	15,260	70,557
Over 6 months but within 1 year	—	25,431	65,000	4,085
Over 1 year	—	77	134	66
	106,067	262,471	388,432	373,511

As at 31 December 2011, 2012, 2013 and 30 June 2014, the accrued trade payables which represented the amounts with no invoice received by the end of the reporting period date, amounted to RMB13,369,000, RMB19,895,000, RMB23,898,000 and RMB37,772,000, respectively.

(c) As at 31 December 2011, 2012, 2013 and 30 June 2014, amounts due to related parties were unsecured, interest-free and have no fixed repayment terms, except for loans from Guangzhou CK amounting to RMB62,000,000 and RMB12,000,000 as at 31 December 2012 and 2013 with annual interest rate of 5% and 5% in 2012 and 2013 respectively.

23 **Deferred income**

	Government grant
	RMB'000
At 1 January 2011	11,200
Amortisation credited to consolidated income statements (Note 3)	(4,100)
At 31 December 2011 and 1 January 2012	7,100
Amortisation credited to consolidated income statements (Note 3)	(4,100)
At 31 December 2012 and 1 January 2013	3,000
Amortisation credited to consolidated income statements (Note 3)	(3,000)
At 31 December 2013 and 1 January 2014	—
Additions during the period	1,000
Amortisation credited to consolidated income statements	—
At 30 June 2014	1,000

The deferred income as at 31 December 2011, 2012, 2013 and 30 June 2014 represented unamortised government grants.

24 **Employee retirement benefits**

Defined contribution retirement plans

The PRC subsidiaries of the Group participate in defined contribution retirement benefit schemes (the "Schemes") organised by the PRC municipal and provincial government authorities whereby the PRC subsidiaries are required to make contributions at the rate of 20% starting from 1 December 2011 (before 1 December 2011:18%) of the eligible employees' salary rate to the Schemes. The Group has accrued for the required contributions which are remitted to the respective local government authorities when the contributions become due. The local government authorities are responsible for the pension obligations payable to the retired employees covered under the Schemes.

Starting from 2014, the Group also operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000 (HK$25,000 prior to June 2014). Contributions to the plan vest immediately.

The Group has no other material obligation for the payment of pension benefits beyond the contributions described above.

25 Equity settled share-based transactions

CK Great China has a share option scheme (the "Employee Share Option Scheme") which was adopted on July 2011 whereby the directors of CK Great China were authorised, at their discretion, to invite certain employees of the Group, including directors of any company in the Group, to take up pre-IPO share options (the "Employee Share Options"). The Employee Share Options were granted on 1 January 2012 (the "2012 Employee Share Options"), 1 January 2013 (the "2013 Employee Share Options") and 1 January 2014 (the "2014 Employee Share Options") respectively. After all of the above grants, a total number of 628.60 share options would be granted to certain directors and employees (the "Grantees"). 50%, 25% and 25% of the options granted vest on 1 January 2015, 1 January 2016 and 1 January 2017 respectively (the "Vesting Dates").

Pursuant to the relevant terms of the Employee Share Option Scheme, the Employee Share Options will be converted into options of the Company (see Note 35). The options are exercisable from the Vesting Dates to 31 December 2017. Each of the options will give the holder the right to subscribe for 1 ordinary share in the Company and will be settled gross in shares. In addition, the unexercised options granted under the Employee Share Option Scheme will be forfeited when the Grantees cease to be the directors / employees of the Group for reasons other than death, ill-health or retirement.

(a) The terms and conditions of the grants are as follows:

	Number of instruments	Vesting Conditions	Contractual life of options
2012 Employee Share Options:			
Options granted to directors:			
— on 1 January 2012	150.00	3 years from the date grant	6 years
— on 1 January 2012	75.00	4 years from the date grant	6 years
— on 1 January 2012	75.00	5 years from the date grant	6 years
Options granted to employees:			
— on 1 January 2012	127.54	3 years from the date grant	6 years
— on 1 January 2012	63.76	4 years from the date grant	6 years
— on 1 January 2012	63.76	5 years from the date grant	6 years
Total share options granted	555.06		

	Number of instruments	Vesting Conditions	Contractual life of options
2013 Employee Share Options:			
Options granted to employees:			
— on 1 January 2013	25.30	2 years from the date grant	5 years
— on 1 January 2013	12.60	3 years from the date grant	5 years
— on 1 January 2013	12.60	4 years from the date grant	5 years
Total share options granted	50.50		

	Number of instruments	Vesting Conditions	Contractual life of options
2014 Employee Share Options:			
Options granted to employees:			
— on 1 January 2014	11.52	1 year from the date grant	4 years
— on 1 January 2014	5.76	2 years from the date grant	4 years
— on 1 January 2014	5.76	3 years from the date grant	4 years
Total share options granted	23.04		

(b) The number and exercise prices of share options are as follows:

	Year ended 31 December				Six months ended 30 June	
	2012		2013		2014	
	Exercise price	Number of options	Exercise price	Number of options	Exercise price	Number of options
	RMB		RMB		RMB	
Outstanding at the beginning of the year / period	—	—	40,000	555.06	40,000	605.56
Granted during the year / period	40,000	555.06	40,000	50.50	40,000	23.04
Forfeited during the year / period	—	—	—	—	40,000	(11.24)
Outstanding at the end of the year / period	40,000	555.06	40,000	605.56	40,000	617.36
Exercisable at the end of the year / period	—	—	—	—	—	—

No share option was exercised during the Relevant Periods as all share options are out of the vesting conditions.

The 2012 Employee Share Options outstanding at 31 December 2012, 2013 and 30 June 2014 had an exercise price of RMB40,000 and a weighted average remaining contractual life of 3.88 years, 2.88 years and 2.38 years respectively.

The 2013 Employee Share Options outstanding at 31 December 2013 and 30 June 2014 had an exercise price of RMB40,000 and a weighted average remaining contractual life of 2.88 years and 2.38 years respectively.

The 2014 Employee Share Options outstanding at 30 June 2014 had an exercise price of RMB40,000 and a weighted average remaining contractual life of 2.38 years.

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on black-scholes model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the black-scholes model.

	2012 Employee Share Options	2013 Employee Share Options	2014 Employee Share Options
Fair value at measurement date	RMB16,206	RMB25,332	RMB89,705
Spot Price	RMB35,394.46	RMB50,772.55	RMB123,604.19
Exercise Price	RMB40,000	RMB40,000	RMB40,000
Expected volatility	53.8%	51.3%	47.9%
Option life (expressed as weighted average life used in the modelling)	4.88	3.88	2.88
Expected Dividend	0.00%	0.00%	0.00%
Risk-free interest rate (based on CNY China Government Bond Yield)	3.27%	3.25%	4.42%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

26 Share capital

For the purposes of the Financial Information, capital as at 1 January 2011, 31 December 2011, 31 December 2012 and 31 December 2013 represented the share capital of CK Great China.

On 5 May 2014, the Company was incorporated in the Cayman Islands as an exempted company with limited liability with an authorised share capital of HK$380,000 divided into 38,000,000 shares with par value of HK$0.01 each. One share of HK$0.01 was issued and allotted to Sharon Pierson, the initial subscriber, at par, who then transferred such share to Q Technology Investment Inc.("QT Investment") on 5 May 2014. Upon the completion of Reorganisation on 26 June 2014, the Company issued and allotted one additional share of HK$0.01 to QT Investment, which is owned by Mr. He Ningning, and acquired all the issued share capital in CK Great China from Mr. He Ningning and the Company became the holding company of the Group since then. Therefore, share capital as at 30 June 2014 represented the share capital of the Company.

(i) *Authorised shares of the Company*

	No. of shares	Amount
		HK$
Ordinary share of HK0.01 each	38,000,000	380,000

(ii) *Ordinary shares of the Company*

	Number of shares issued	Nominal value of fully paid shares	Nominal value of fully paid shares
		HK$'000	RMB '000
At 5 May 2014 (date of incorporation) issue of one ordinary share of HK$0.01 each	1	—	—
Share issued upon Reorganisation	1	—	—
At 30 June 2014	2	—	—

27 Reserves

(a) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of financial statements of operations outside Mainland China which are dealt with in accordance with the accounting policies as set out in Note 1(v).

(b) PRC Statutory reserve

As stipulated by regulations in the PRC, the Company's subsidiaries established and operated in the Mainland China 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 the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of profits to parent companies.

The statutory reserve can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase capital of the subsidiary, provided that the balance after such issue is not less than 25% of its registered capital.

(c) Other reserve

The other reserve of the Group as at 30 June 2014 represents the difference between (i) the carrying amount of share capital of CK Great China; and (ii) the nominal value of the share issued by the Company in exchange for all the issued share capital of CK Great China under the Reorganisation of the Group completed on 26 June 2014.

(d) Equity settled share-based payment reserve

The equity settled share based payment reserve comprises the portion of the grant date fair value of unexercised shares options granted to the directors and employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments in Note 1(r)(ii).

(e) Fair value reserve

The fair value reserve comprises the cumulative net changes in the fair value of other financial assets held by the Group as at the year end dates net of deferred tax, and is dealt with in accordance with the accounting policies in Notes 1(h) and 1(l)(i).

(f) Distributable reserve

The Company was incorporated on 5 May 2014 and, save for the Reorganisation, has not carried out any business since its date of incorporation. Accordingly, there was no reserve available for distribution to shareholders as at 30 June 2014.

(g) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for its shareholder and benefits for other stakeholders, by pricing products commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure with reference to its debt position. The Group's strategy is to maintain the equity and debt in a balanced position and ensure there are adequate working capital to service its debt obligations. The Group's debt to asset ratio, being the Group's total liabilities over its total assets, at 31 December 2011, 2012, 2013 and 30 June 2014 were 90%, 91%, 85% and 82%, respectively.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

28 **Financial risk management and fair values**

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables, deposits with banks and other financial assets. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

(i) *Trade and other receivables*

For the years ended 31 December 2011 and 2012, certain amounts of sales were related to sales through an agent, namely Focus which was a related party of the Group (Note 30(b)). Additionally, for the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, certain amounts of sales were related to sales directly to related party (Note 30(b)).

The management considers that related parties are under influence of the Group's Controlling Shareholder, hence no material credit risk exists on sales to related companies (including those made through Focus).

In respect of the sales to third party customers, individual credit evaluations are performed on all customers requiring credit terms. These evaluations focus on the customer's history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. These trade receivables are due within 30 to 90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at 31 December 2011, 2012, 2013 and 30 June 2014, 39.04%, 28.10%, 7.24% and 21.32%, respectively, of the total trade and bills receivables were due from the Group's largest customer, and 68.95%, 61.42%, 52.53% and 64.18%, respectively, of the total trade and bills receivables were due from the Group's five largest customers.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statements of financial position after deducting any impairment allowance. The Group does not provide financial guarantee which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in Note 17.

The Group had unmatured bank acceptance bills by endorsement totalling RMB52,409,000, RMB145,284,000, RMB101,902,000 and RMB19,879,000 respectively as at the year ended 31 December 2011, 2012, 2013 and the period ended 30 June 2014, which were derecognised as financial assets. The transferees have recourse to the Group in case of default payment by the issuing banks. In such cases, the Group would have to repurchase these bank acceptance bills at face value. As these bank acceptance bills mature within one year from their respective dates of issue, the Group's maximum loss in case of default payment is RMB52,409,000, RMB145,284,000, RMB101,902,000 and RMB19,879,000 as at 31 December 2011, 2012, 2013 and 30 June 2014 respectively, before these bills mature.

The Group only accepts bank acceptance bills issued by major banks or banks with qualified rating in the PRC and considers that the credit risk associated with such bank acceptance bills to be insignificant. The Group had not suffered any losses in this respect during the Relevant Periods.

(ii) *Deposits with banks*

The Group mitigates its exposure to credit risk by placing deposits with financial institutions with established credit rating. Given the high credit ratings of the banks, management does not expect any counterparty to fail to meet its obligations.

(iii) *Other financial assets*

During the Relevant Periods, the Group invested in certain financial assets. The Group regularly evaluates the risks and returns of the financial assets and only invests in investments that are quoted as low risk being rated by the counterparties and with maturity period within one year. All the investments are required to be reviewed by the chief legal director and then approved by the chief financial officer. The other financial assets are revalued by an independent valuer at the end of each reporting periods. From June 2014 onwards, the Group has further tightened the internal investment policies and only invests in (i) principal-protected wealth management products or (ii) wealth management products fully covered by insurance, issued by the top ten commercial banks in terms of total assets. During the Relevant Periods, the Group invested in wealth management products issued by different counterparties so as to avoid significant concentration of credit risks arising from these products. The directors of the Company consider the counterparties are with high credit rating and the default risk is remote.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the board of directors when the borrowings exceed certain predetermined levels of authority.

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

All non-interest bearing financial liabilities of the Group are carried at amount not materially different from their contractual undiscounted cash flow and all the financial liabilities are with maturities within one year or repayable on demand at the respective end of each reporting period, other than other payables amounting to RMB134,132,000 as at 31 December 2013 and RMB135,362,000 as at 30 June 2014 which will be repaid during 2015.

The following tables show the remaining scheduled maturities at the end of each reporting period of the Group's bank and other borrowings, if the bank and other borrowings are to be repaid over the agreed repayment schedules, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each reporting period):

	Total contractual undiscounted cash flow / within 1 year or on demand	Total contractual undiscounted cash flow / more than 1 year but less than 2 years	Carrying amount
	RMB'000	RMB'000	RMB'000
Bank borrowings			
At 31 December 2011	—	—	—
At 31 December 2012	85,788	—	84,527
At 31 December 2013	436,908	—	427,581
At 30 June 2014	840,739	—	830,745
Trade and other payables			
At 31 December 2011	423,259	—	423,259
At 31 December 2012	929,998	—	927,848
At 31 December 2013	904,951	146,305	1,050,482
At 30 June 2014	692,725	135,362	828,087

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank borrowings and loans from Guangzhou CK. The Group does not obtain any bank borrowings and loans at variable interest rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Details of the interest rates and terms of bank borrowings and loans from Guangzhou CK are disclosed in Notes 21 and 22(c).

(d) Currency risk

The Group is exposed to currency risk primarily through bank borrowings, and sales and purchases which give rise to receivables, payables, cash balances and loan balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk is primarily USD.

The following table details the Group's major exposure at the end of each reporting period to currency risk arising from recognised assets and liabilities denominated in a currency other than the functional currency of the Group to which they relate. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the end of each reporting period.

(i) *Exposure to currency risk*

	Exposure to foreign currency (expressed in Renminbi)			
	As at 31 December			At 30 June
	2011	2012	2013	2014
	USD	USD	USD	USD
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other receivables	10,959	8,877	—	—
Cash and cash equivalents	1	1	—	25,092
Pledged bank deposits	—	—	—	92,128
Trade and other payables	(67,842)	(95,732)	(336,851)	(372,652)
Bank loans and borrowings	—	(84,527)	—	(91,864)

(ii) *Sensitivity analysis*

At 31 December 2011, 2012, 2013 and at 30 June 2014, it is estimated that a general increase / decrease of five percent in foreign exchange rates, with all other variables held constant, would have decrease/increase the Group's profit after tax and retained profits by approximately RMB2,417,000, RMB7,284,000, RMB14,316,000 and RMB14,760,000, respectively.

Results of the analysis above represent an aggregation of the instantaneous effects on the Group's profit after tax and retained profits measures in the respective functional currencies, translated into Renminbi at the exchange rate ruling as at the end of the respective reporting periods for presentation purposes.

The sensitivity analysis above assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency at the end of the respective reporting periods. The analysis has been performed on the same basis throughout the Relevant Periods.

(e) Fair value

(i) *Financial instruments carried at fair value*

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. Unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

The Group has a team headed by the assistant chief financial officer performing valuations for the financial instruments, including other financial assets which are categorised into Level 2 of the fair value hierarchy. The team reports directly to the chief financial officer. A valuation report with analysis of changes in fair value measurement is prepared at the end of each reporting period, and is reviewed and approved by the chief financial officer.

	Fair value at 31 December 2011	Fair value measurements as at 31 December 2011 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Assets:				
Other financial assets.	17,150	—	17,150	—

	Fair value at 31 December 2012	Fair value measurements as at 31 December 2012 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Assets:				
Other financial assets.	117,046	—	117,046	—

	Fair value at 31 December 2013	Fair value measurements as at 31 December 2013 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Assets:				
Other financial assets.	416,074	—	416,074	—

	Fair value at 30 June 2014	Fair value measurements as at 30 June 2014 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Assets:				
Other financial assets.	457,180	—	457,180	—

The fair value of other financial assets in Level 2 is mainly determined using discounted cash flow models. The discount rate used is derived from the relevant government yield curve as at the end of each reporting period plus an adequate constant credit spread.

(ii) *Fair value of financial assets and liabilities carried at other than fair value*

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2011, 2012, 2013 and 30 June 2014.

29 **Commitments**

(a) Capital commitments

Capital commitments outstanding at 31 December 2011, 2012 and 2013 and 30 June 2014 not provided for in the Financial Information were as follows:

	As at 31 December			At 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted for	24,910	2,711	5,558	27,607
Authorised but not contracted for	22,103	13,145	9,695	—
	47,013	15,856	15,253	27,607

(b) Operating lease payments

As at 31 December 2011, 2012, 2013 and 30 June 2014, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	As at 31 December			At 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	294	—	—	189
After 1 year but within 3 years	—	—	—	196
	294	—	—	385

The Group leases a number of properties under operating leases. The leases typically run for an initial period of 1 to 2.5 years, at the end of which period all terms are renegotiated. None of the leases includes contingent rentals.

30 Material related party transactions

In addition to the related party information disclosed elsewhere in this Financial Information, the Group entered into the following significant related party transactions during the Relevant Periods:

(a) Name and relationship with related parties

Name of related parties	Relationship with the Group
— Mr. He Ningning	Controlling Shareholder
— Mr. Zhouhao	Director of a subsidiary of the Group up to 19 March 2012
— Heyuan CK* ("西可通信技術設備 (河源)有限公司")	Controlled by Mr. He Ningning
— Kunshan Xitai	An associate of the Group up to 7 December 2013 *(note)*
— QT Investment ("丘鈦投資有限公司")	Direct shareholder of the Company & Controlled by Mr. He Ningning
— "Focus" ("盛輝科技有限公司")	Controlled by Mr. He Ningning
— Kunshan Q Technology (Hong Kong) Ltd. ("Hong Kong Xitai")	Controlled by Mr. He Ningning
— Shenzhen Xike Dexin Telecom Equipment Co., Ltd. *("Shenzhen CK") ("深圳市西可德信通信技術設備有限公司")	Controlled by Mr. He Ningning
— "Guangzhou CK" ("廣州西可通信技術設備有限公司")	Controlled by key management of the Group
— CK Telecom Inc. ("CK Telecom")	Controlled by Mr. He Ningning
— Surewheel Asia Pacific Inc (Surewheel)	Controlled by Mr. He Ningning
— Van Telecom Limited ("Van Telecom PRC") ("唯安科技有限公司")	Controlled by Mr. He Ningning
— Kunshan Fu Lai Ji Electronic Technology Co., Ltd.* 昆山弗萊吉電子科技有限公司 ("弗萊吉")	Controlled by key management of the Group
— Shenzhen Handi Venture Investment Co., Ltd.* ("Shenzhen Handi") ("深圳市漢迪投資有限公司")	Controlled by Mr. He Ningning
— Van Telecom Asia Pacific Ltd ("Van Telecom BVI")	Controlled by Mr. He Ningning
— C-Flex Electronic (Heyuan) Ltd. * ("C-Flex Electronic") ("西普電子(河源)有限公司")	Controlled by Mr. He Ningning
— CK Telecom Asia Pacific Ltd.	Controlled by Mr. He Ningning
— Chengdu CK Technology Limited* ("Chengdu CK") ("成都西可科技有限公司")	Controlled by Mr. He Ningning
— Sheng Tai Hui Technology Limited*("Sheng Tai Hui") 盛泰輝科技有限公司("盛泰輝")	Controlled by Mr. He Ningning

* The English translation of the companies' names is for reference only. The official names of these companies are in Chinese.

Note: The 16.1473% equity interests in Kunshan Xitai were disposed in December 2013 (Note 11) and the Group did not have equity interests in Kunshan Xitai since then.

(b) Transactions with related parties

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
				(Unaudited)	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Sales of products to					
— Heyuan CK	9,662	5,477	47,336	18,760	21,697
Sales of raw materials to					
— Kunshan Xitai	—	1,017	38	—	—
Purchases of products from					
— Kunshan Xitai	34	21,029	12,597	5,863	—
— Van Telecom PRC	2,454	897	391	248	35
— C-Flex Electronic	1,494	102	16	1	1,044
	3,982	22,028	13,004	6,112	1,079
Sales through agency arrangement with Focus to					
— Heyuan CK	51,668	24,123	—	—	—
Sales through agency arrangement with Hong Kong Xitai to					
— Heyuan CK	—	2,847	4,773	4,773	—
	51,668	26,970	4,773	4,773	—
Purchase of property, plant and equipment					
— Van Telecom PRC	—	—	8,638	—	—
Commission expense for research and development to					
— Chengdu CK	—	2,400	800	800	—
— Sheng Tai Hui	—	1,350	1,050	1,050	—
Service fee to					
— Guangzhou CK	399	389	703	322	95
Subcontracting fee to					
— Van Telecom PRC	1,859	1,273	29	29	—
Agency fee to					
— Focus	450	473	—	—	—
— Hong Kong Xitai	—	122	368	368	—
	450	595	368	368	—
Rental expenses to					
— Chengdu CK	—	—	—	—	9

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
				(Unaudited)	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest expense to					
— Guangzhou CK	—	2,662	2,618	1,307	142
Advances from					
— Guangzhou CK	18,476	77,388	—	—	—
— Hong Kong Xitai	—	5,248	12,676	13,340	—
— Heyuan CK	116,729	439,646	355,724	168,167	—
— Focus	304,641	300,414	530,680	278,455	330,582
— Mr. He Ningning	—	—	18,256	—	—
— Van Telecom BVI	60	19,831	7,371	7,936	—
	439,906	842,527	924,707	467,898	330,582
Repayment of advances from by cash					
— Guangzhou CK	88,752	31,723	123,586	120,761	12,000
— Hong Kong Xitai	—	—	5,249	5,248	—
— Heyuan CK	3,500	—	104,299	65,899	—
— Focus	216,364	43,107	314,562	22,489	502,801
— Mr. He Ningning	—	—	—	—	18,256
— Van Telecom BVI	—	—	—	—	42,094
	308,616	74,830	547,696	214,397	575,151
Repayment of advances by endorsement of bills receivable to					
— Heyuan CK	113,229	361,399	329,672	179,493	—
Advances to					
— Hong Kong Xitai	111,596	4,011	24,373	11,241	39,318
— Guangzhou CK	—	263,134	—	—	—
— Kunshan Fu Lai Ji	—	11	—	—	—
	111,596	267,156	24,373	11,241	39,318
Repayment of advances to					
— Hong Kong Xitai	125,092	374	14,377	385	91,425
— Surewheel	631	30	274	209	12,055
— Kunshan Xitai	63,384	—	—	—	—
— Focus	5,177	—	—	—	—
— Guangzhou CK	—	—	5,806	99	138,706
— Kunshan Fu Lai Ji	—	51	—	—	—
— Mr. He Ningning	3	—	63	—	—
— Shenzhen CK	—	—	6	—	—
— CK Telecom	—	—	—	—	6
— CK Telecom Asia Pacific Ltd	—	—	—	—	5
	194,287	455	20,526	693	242,197
Expenses paid on behalf of					
— QT Investment	—	—	—	—	7

The directors consider that all related party transactions during the Relevant Periods were conducted on normal commercial terms and in the ordinary and usual course of the Group's business. The directors confirmed that the above non-trade transactions will not continue after listing of the Company's shares on the Hong Kong Stock Exchange.

(c) Balances with related parties

Balances with related parties were mainly resulted from the funding arrangements between these parties. Balances at 31 December 2011, 2012, 2013 and 30 June 2014 and major terms of these balances are disclosed in Notes 17 and 22.

(i) *Due from related parties*

	As at 31 December			At 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Trade-related				
Trade receivables				
— Heyuan CK	8,909	11,477	9,331	16,684
— Kunshan Xitai	—	5	—	—
	8,909	11,482	9,331	16,684
Non-trade-related				
Prepayment for acquisition of property, plant and equipment				
— Van Telecom PRC	919	919	—	—
	919	919	—	—
Other receivables				
— Guangzhou CK	—	189,547	138,706	—
— Hong Kong Xitai	51,149	49,538	52,107	—
— CK Telecom	6	6	6	—
— Surewheel	12,359	12,329	12,055	—
— CK Telecom Asia Pacific Ltd.	5	5	5	—
— Shenzhen CK	6	6	—	—
— Kunshan Fu Lai Ji	40	—	—	—
— Mr. Zhouhao (ii)	1,102	—	—	—
— QT Investment	—	—	—	7
	64,667	251,431	202,879	7
	65,586	252,350	202,879	7
Amount due from the Controlling Shareholder				
— Mr. He Ningning	63	63	—	—

(ii) *Due to related parties*

	As at 31 December			At 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Trade-related				
Trade and bills payable				
— Kunshan Xitai	29	17,325	—	—
— C-Flex Electronic	240	—	16	1,082
— Van Telecom PRC	2,554	3,067	3,797	209
	2,823	20,392	3,813	1,291
Non-trade related				
Bills payable				
— Guangzhou CK	58,066	103,508	79,937	—
Other payables				
— Heyuan CK	—	78,247	—	—
— Guangzhou CK (iii)	90,670	67,333	14,576	2,298
— Focus	192,269	449,708	547,204	374,170
— Van Telecom BVI	14,892	34,723	42,094	—
— Kunshan Xitai	4	—	—	—
— Hong Kong Xitai	—	122	490	—
— Sheng Tai Hui	—	1,350	—	—
	297,835	631,483	604,364	376,468
Amount due to the Controlling Shareholder				
— Mr. He Ningning	—	—	18,256	—

(i) The amounts due from/to related parties as at 31 December 2011, 2012 and 2013 and 30 June 2014 were expected to be recovered / repaid within one year other than the amount due to Focus and the amount due to Guangzhou CK amounting to RMB134,132,000 and RMB12,000,000 respectively as at 31 December 2013, and the amount due to Focus amounting to RMB135,362,000 as at 30 June 2014, which will be repaid after one year.

(ii) Mr. Zhouhao resigned as the director of Kunshan QT China in March 2012 and did not hold any position in the Group since then. Therefore, Mr. Zhouhao is no longer the related party of the Group since that date.

(iii) Other payables to Guangzhou CK include loans from Guangzhou CK with details as disclosed in note 22(c).

(d) Key management personnel remuneration

Key management personnel are those persons holding positions with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the Company's directors.

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 6 and certain of the highest paid employees as disclosed in Note 7, is as follows:

	Year ended 31 December		Six months ended 30 June	
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Wages, salaries and other benefits	902	1,108	1,643	1,477
Contributions to defined contribution retirement scheme	21	21	29	18
Share-based payments	—	1,771	1,771	886
	923	2,900	3,443	2,381

The above remuneration to key management personnel is included in "staff costs" (Note 4(b)).

31 Significant accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in condition and assumptions are factors to be considered when reviewing this Financial Information. The principal accounting policies are set forth in Note 1. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of this Financial Information.

(a) Fair value of financial instruments

For other financial assets, the Group determines fair values using discounted cash flow models, as well as other types of valuation model. Assumptions and inputs used in valuation techniques include discount rate and the expected return. Where discounted cash flow techniques are used, estimated cash flows are based on management's best estimates and the discount rate used is estimated based on the risk free interest rate plus credit spread of comparable bonds with similar credit rating, coupons and maturities. Where other pricing models are used, inputs are based on observable market data at each of the reporting period dates.

(b) Depreciation and amortisation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. Intangible assets are amortised on a straight-line basis over the estimated useful lives. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation expenses to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation and amortisation expenses for future periods are adjusted prospectively if there are significant changes from previous estimates.

(c) Impairments

If circumstances indicate that the carrying value of an asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in profit or loss. The carrying amounts of assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount.

The recoverable amount is the greater of the fair value less costs to sell and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume, sales revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, sales revenue and amount of operating costs.

(d) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market conditions and the historical experience of selling products with similar nature. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down made in prior years and affect the Group's net assets value. The Group reassesses these estimates annually.

(e) Impairment of trade and other receivables

The Group estimates the impairment allowances for trade and other receivables by assessing the recoverability based on credit history and prevailing market conditions. This requires the use of estimates and judgements. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, such difference will affect the carrying amounts of trade and other receivables and thus the impairment loss in the period in which such estimate is changed. The Group reassesses the impairment allowances annually.

32 List of auditors of the subsidiaries

The following list contains details of the subsidiaries that are subject to audit during the years 2011, 2012 and 2013, and the names of the respective auditors.

Name of company	Financial period	Statutory auditors
— CK Great China	For the years ended 31 December 2011, 2012 and 2013	EDEN & Co., Certified Public Accountants (Practising)
— Kunshan QT China	For the years ended 31 December 2011, 2012 and 2013	Suzhou Zhongcheng United Certified Public Accounting Firm* 蘇州衆成聯合會計師事務所
— Kunshan QT Hong Kong	For the year ended 31 December 2013	EDEN & Co., Certified Public Accountants (Practising)

* The English translation of the auditors is for reference only. The official name of the auditors is in Chinese.

33 Possible impact of amendments, new standards and interpretations issued but not yet effective for the Relevant Periods

Up to the date of issue of the Financial Information, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the accounting period beginning on 1 January 2014 and which have not been adopted in this Financial Information. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Annual improvements to IFRSs 2010-2012 cycles	1 July 2014
Annual improvements to IFRSs 2010-2013 cycles	1 July 2014
IFRS 9, *Financial instruments*	1 January 2015
Amendments to IFRS 9, *Financial instruments*, and IFRS 7, *Financial instruments: Disclosures-Mandatory transaction disclosure*	1 January 2015
IFRS 15, *Revenue from Contracts with Customers*	1 January 2017

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Financial Information.

34 **Parent and ultimate controlling party**

As at 31 December 2013, the directors consider the ultimate controlling party of the Group to be Mr. He Ningning. With the completion of Reorganisation on 26 June 2014, QT Investment and Mr. He Ningning became the parent and ultimate controlling party of the Group respectively as at 30 June 2014.

35 **Subsequent events**

The following events took place subsequent to 30 June 2014:

Capital injection by the holding company

According to the resolution of the Company's board of directors on 13 August 2014, the Company issued 1 additional ordinary share at HK$ 0.01 each to QT Investment. The newly issued ordinary share was satisfied by cash amounting to USD20,000,000. The excess of nominal value of the newly issued share capital was credited to share premium account.

Capitalisation issue

Pursuant to the written resolution of the Company's shareholders passed on 13 November 2014, conditional upon the crediting of the share premium account of the Company as a result of the issue of shares pursuant to the global offering set out in the section headed "History, Reorganisation and Corporate Structure", the directors had authorised to allot and issue a total of 749,999,997 shares, by way of capitalisation of the sum of HK$7,499,999.97 standing to the credit of the share premium account of the Company, credited as fully paid at par to the shareholders as appearing on the register of members of the Company.

Pre-IPO Share Options

Pursuant to the relevant terms of the Employee Share Option Scheme as described in Note 25, the Employee Share Option Scheme would be converted into share options of the Company with the exercise price and number of employee share option to be adjusted proportionately upon the exchange of the options.

Pursuant to the option exchange letters executed by each of the grantees in favour of the Company and CK Great China on 13 November 2014 (the date of modification), the share options under Employee Share Option Scheme were converted into share options of the Company. Accordingly, 599.35 share options under the Employee Share Option Scheme were converted into 59,935,000 share options of Pre-IPO Share Option Scheme issued by the Company with same terms and conditions, except that the respective exercise prices were adjusted on a proportionate basis.

Increase of authorised share capital

On 13 November 2014, the Company increased its authorised share capital from 38,000,000 shares to 50,000,000,000 shares of HK$0.01 each.

C FINANCIAL INFORMATION OF THE COMPANY

The Company was incorporated in the Cayman Islands on 5 May 2014 with the authorised share capital of HK$38,000 divided into 38,000,000 shares of HK$0.01 each. The Company has not carried on any business since the date of incorporation to 30 June 2014.

	Note	At 30 June 2014
		RMB'000
Non-current assets		
Investment in a subsidiary		66
Current liabilities		
Other payables		451
Amount due to a subsidiary	(a)	41
Net current liabilities		492
Total assets less current liabilities		(426)
CAPITAL AND RESERVES		
Share capital	(b)	—
Reserves	(b)	(426)
TOTAL EQUITY		(426)

(a) Amount due from a subsidiary is unsecured, interest free and repayable upon demand.

(b) Share capital and reserves

	Share capital	Other reserve	Accumulated loss	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000
At 5 May 2014 (date of incorporation)	—	—	—	—
Issue of one ordinary share of HK$0.01 each	—	—	—	—
One share of HK$0.01 issued upon Reorganisation	—	66	—	66
Loss for the period	—	—	(492)	(492)
At 30 June 2014	—	66	(492)	(426)

D SUBSEQUENT FINANCIAL STATEMENTS AND DIVIDENDS

No audited financial statements have been prepared by the Company and its subsidiaries comprising the Group in respect of any period subsequent to 30 June 2014. No dividend or distribution has been declared or made by any companies comprising the Group in respect of any period subsequent to 30 June 2014.

Yours faithfully,

KPMG
Certified Public Accountants
Hong Kong

The information set forth in this appendix does not form part of the Accountants' Report from KPMG, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted net tangible assets attributable to the equity shareholders of our Company has been prepared in accordance with Rule 4.29 of the Listing Rules, and is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets attributable to the equity shareholders of our Company as of 30 June 2014 as if the Global Offering had taken place on 30 June 2014.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as at 30 June 2014 or at any future date.

	Combined net tangible assets attributable to the equity shareholders of the Company as of 30 June 2014[1]	Estimated net proceeds from the Global Offering[2]	Unaudited pro forma adjusted combined net tangible assets attributable to equity shareholders of our Company	Unaudited pro forma adjusted combined net tangible assets per Share attributable to the equity shareholders of the Company	
	RMB'000	RMB'000	RMB'000	RMB[3]	HK$[4]
Based on an Offer Price of HK$2.79 per Share	367,507	515,273	882,780	0.88	1.11
Based on an Offer Price of HK$3.60 per Share	367,507	667,944	1,035,451	1.04	1.31

Note:

1 The combined net tangible assets attributable to the equity shareholders of the Company as of 30 June 2014 is extracted from the Accountants' Report set out in Appendix I to this Prospectus, which is based on the combined net assets attributable to the equity shareholders of the Company as of 30 June 2014 of RMB367,510,000 after deducting intangible assets of RMB3,000.

2 The estimated net proceeds from the Global Offering are based on the indicative Offer Prices of HK$2.79 and HK$3.60, after deduction of the underwriting fees and other related expenses payable by the Company (excluding listing expenses of RMB9,375,000 which has already been charged to statement of profit or loss up to the six months period ended 30 June 2014), without taking into account the exercise of the Over-allotment Option. The estimated net proceeds of the Global Offering have been converted to Renminbi at the PBOC rate of HK$1.00 to RMB0.79221 prevailing on the Latest Practicable Date.

3 The unaudited pro forma adjusted net tangible assets per Share is arrived at by dividing the unaudited pro forma adjusted net tangible assets by 1,000,000,000 Shares, being the number of shares in issue assuming that the Global Offering has been completed on 30 June 2014 but takes no account of the exercise of the options that may be granted under the Pre-IPO Share Option Scheme and the Over-allotment Option.

4 The unaudited pro forma adjusted net tangible assets per Share amounts in RMB are converted to HK$ with the exchange rate at RMB0.79221 to HK$1.0.

B. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this prospectus.

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

20 November 2014

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF Q TECHNOLOGY (GROUP) COMPANY LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of Q Technology (Group) Company Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at 30 June 2014 and related notes as set out in Part A of Appendix II to the prospectus dated 20 November 2014 (the "Prospectus") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the "Global Offering") on the Group's financial position as at 30 June 2014 as if the Global Offering had taken place at 30 June 2014. As part of this process, information about the Group's financial position as at 30 June 2014 has been extracted by the Directors from the Group's historical financial statements included in the Accountants' Report as set out in Appendix I to the Prospectus.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 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" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the 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 ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a prospectus" issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose 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 pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at 30 June 2014 would have been as presented.

A reasonable assurance engagement to report on whether the 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 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 pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Opinion

In our opinion:

a) the 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 pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants
Hong Kong

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 5 May 2014 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 have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 13 November 2014 to take effect upon Listing. 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 20 May 2014.

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 V. 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 GROUP

1. Incorporation

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on 5 May 2014 and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 10 July 2014. We have established a place of business in Hong Kong at 31st Floor, No. 148 Electric Road, North Point, Hong Kong. Mr. Kwok Siu Man who resides at Unit G, 35th Floor, Tower 6, The Belcher's, No. 89 Pokfulam Road, Hong Kong has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the Cayman Companies Law and its constitution comprising the Memorandum and the Articles. A summary of certain provisions of its constitution and relevant aspects of the Cayman Islands company law is set out in Appendix III to this prospectus.

2. Change in share capital

Our authorised share capital as at the date of our incorporation was HK$380,000 divided into 38,000,000 shares of HK$0.01 each. On 5 May 2014, one fully paid Share was allotted and issued to an initial subscriber and such Share was subsequently transferred to QT Investment on the same day. On 26 June 2014, one Share was allotted, issued and credited as fully paid to QT Investment as consideration to acquire the entire issued share capital of CK Great China. On 18 August 2014, one Share was allotted, issued and credited as fully paid to QT Investment at the subscription price of US$20,000,000. On 13 November 2014, our Company increased its authorised share capital to HK$500,000,000 divided into 50,000,000,000 Shares with a par value of HK$0.01 each by the creation of an additional 49,962,000,000 Shares. We allotted and issued an aggregate of 749,999,997 Shares to our then existing Shareholder pursuant to the Capitalisation Issue.

Immediately following completion of the Global Offering and the Capitalisation Issue and taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option and the options which were granted under the Pre-IPO Share Option Scheme or any options which may be granted under the Share Option Scheme, the issued share capital of our Company will be HK$10,000,000 divided into 1,000,000,000 Shares, all fully paid or credited as fully paid and 49,000,000,000 Shares will remain unissued.

Save for the aforesaid and as mentioned in the paragraph headed "A. Further information about our Group — 3. Resolutions in writing of our Shareholders passed on 13 November 2014" below in this Appendix, there has been no alteration in the share capital of our Company since its incorporation.

3. Resolutions in writing of our Shareholders passed on 13 November 2014

Pursuant to the written resolutions passed by our Shareholders on 13 November 2014:

(a) we approved and conditionally adopted the Articles of Association which will become effective upon the Listing Date;

(b) the authorised share capital of our Company was increased from HK$380,000 to HK$500,000,000 by the creation of an additional 49,962,000,000 Shares;

(c) we approved and adopted the Memorandum of Association with immediate effect;

(d) conditional on (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, our Shares in issue, Shares to be issued pursuant to the Capitalisation Issue and our Shares to be issued as mentioned in this prospectus (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options which were granted under the Pre-IPO Share Option Scheme or the options which may be granted under the Share Option Scheme); (ii) the entering into of the agreement on the Offer Price among our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on the Price Determination Date; and (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:

(i) the Global Offering was approved and our Directors were authorised to allot and issue the new Shares pursuant to the Global Offering;

(ii) the Over-allotment Option was approved;

(iii) the rules of the Share Option Scheme and the Pre-IPO Share Option Scheme, the principal terms of which are set out in the paragraphs headed "D. Other information — 1. Share Option Scheme" and "D. Other information — 2. Pre-IPO Share Option Scheme" below in this Appendix, were approved and adopted and our Directors were authorised to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme and the Pre-IPO Share Option Scheme; and

(iv) conditional on the share premium account of our Company being credited as a result of the issue of the Offer Shares by our Company pursuant to the Global Offering, our Directors were authorised to capitalise an amount of HK$7,499,999.97 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 749,999,997 Shares, such Shares to be allotted and issued to our Shareholder(s) as at 13 November 2014 on a pro rata basis.

(e) a general unconditional mandate was given to our Directors to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than pursuant to a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to the grant of options under the Pre-IPO Share Option Scheme and the Share Option Scheme or other similar arrangement or pursuant to a specific authority granted by our Shareholders in general meeting, unissued Shares with a total nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering and Capitalisation Issue (but taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options which were granted under the Pre-IPO Share Option Scheme or the options which may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first;

(f) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase, on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue (but taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options which were granted under the Pre-IPO Share Option Scheme or the options which may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first; and

(g) the general unconditional mandate mentioned in paragraph (e) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted and issued or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (f) above.

4. Corporate reorganisation

The companies comprising our Group underwent the Reorganisation 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, Reorganisation and Corporate Structure" in this prospectus.

5. Changes in share capital of subsidiaries

Our subsidiaries are referred to in the Accountants' Report in Appendix I to this prospectus. Save for the subsidiaries mentioned in the Accountants' Report and in the section headed "History, Reorganisation and Corporate Structure", our Company has no other subsidiaries.

On 25 June 2014, the issued share capital of Kunshan QT Hong Kong was increased from HK$10,000 to HK$459,735,581.35. On 23 September 2014, the registered capital of Kunshan QT China was increased from US$20,000,000 to US$30,000,000.

Save for this change, there has been no alteration in the share capital of our subsidiaries within two years immediately preceding the date of this prospectus.

6. Repurchases of our Shares

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Main Board of Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders' approval

All proposed repurchases of securities on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of its Shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to resolution passed by our Shareholders on 13 November 2014, a general unconditional mandate (the "**Buyback Mandate**") was granted to our Directors authorising the repurchase of shares by our Company on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue and to be issued as mentioned herein, at any time until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by an applicable law or the Articles to be held or when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the laws 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 in effect from time to time.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and its Shareholders for our Directors to have general authority from its Shareholders to enable our Company to repurchase Shares in the market. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit our Company and its members. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and its assets and/or its earnings per Share.

(c) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles and the applicable laws of the Cayman Islands.

It is presently proposed that any repurchase of Shares will be made out of the profits of our Company, the share premium amount of our Company or the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Cayman Companies Law, out of capital and, in the case of any premium payable on the purchase, out of either or both of the profits of our Company or the share premium account of our Company or, subject to the Cayman Companies Law, out of capital.

Our Directors do not propose to exercise the Buyback Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company.

(d) Share capital

Exercise in full of the Buyback Mandate, on the basis of 1,000,000,000 Shares in issue immediately after the listing of our Shares (but not taking into account our Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options which were granted under the Pre-IPO Share Option Scheme or the options may be granted under the Share Option Scheme), could accordingly result in up to 100,000,000 Shares being repurchased by our Company during the period until:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles to be held; or

(iii) the date on which the Buyback Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first.

(e) General

None of our Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their respective close associates (as defined in the Listing Rules), has any present intention to sell any Shares to us or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buyback Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

No core connected person (as defined in the Listing Rules) has notified us that he/she/it has a present intention to sell Shares to us, or has undertaken not to do so, if the Buyback Mandate is exercised.

If as a result of a securities repurchase pursuant to the Buyback Mandate, a shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a shareholder, or a group of Shareholders acting in concert, depending on the level of increase of the shareholder's interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Code as a result of any such increase. Our Directors are not aware of any other consequences which may arise under the Code if the Buyback Mandate is exercised.

If the Buyback Mandate is fully exercised immediately following completion of the Global Offering and the Capitalisation Issue (but not taking into account our Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options which were granted under the Pre-IPO Share Option Scheme or the options which may be granted under the Share Option Scheme), the total number of Shares which will be repurchased pursuant to the Buyback Mandate shall be 100,000,000 Shares, being 10% of the issued share capital of our Company based on the aforesaid assumptions. The percentage shareholding of our Controlling Shareholders will be increased to approximately 83.3% of the issued share capital of our Company immediately following the full exercise of the Buyback Mandate. Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of our Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public float under Rule 8.08 of the Listing Rules. However, our Directors have no present intention to exercise the Buyback Mandate to such an extent that, in the circumstances, there is insufficient public float as prescribed under the Listing Rules.

B. INFORMATION ABOUT THE BUSINESS

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by us or any of our subsidiaries within the two years preceding the date of this prospectus and are or may be material:

(a) an equity transfer agreement dated 8 December 2013 entered into between CK Great China as transferor and Gentec Investment Limited (先科投資有限公司) as transferee regarding the transfer of 16.15% equity interest in Kunshan Technology Limited (昆山西鈦微電子科技有限公司) at a consideration of US$13,268,600;

(b) an equity transfer agreement dated 19 June 2014 signed by CK Great China as transferor, Kunshan QT Hong Kong as transferee and Kunshan QT China as target company regarding the transfer of 100% equity interest in Kunshan QT China at a consideration of RMB365,877,900;

(c) an instrument of transfer dated 26 June 2014 between Mr. He Ningning as transferor and our Company as transferee regarding the transfer of 10,000 shares, representing the entire issued share capital of CK Great China at a consideration of US$10,000;

(d) the deed of indemnity dated 13 November 2014 entered into by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of its present subsidiaries) in respect of, amongst others, taxation and property matters referred to in the paragraph headed "D. Other information — Tax and other indemnities" in this Appendix;

(e) the Deed of Non-competition;

(f) a cornerstone investment agreement dated 14 November 2014 entered into between our Company, Pan Hou Capital Management Limited (磐厚資本管理有限公司), Li Liming, CITIC Securities Corporate Finance (HK) Limited and CLSA Limited pursuant to which Pan Hou Capital Management Limited (磐厚資本管理有限公司) agreed to subscribe at the Offer Price such number of Offer Shares as may be purchased with an amount of US$10,000,000;

(g) a cornerstone investment agreement dated 14 November 2014 entered into between our Company, Samart I-Mobile Public Company Limited, CITIC Securities Corporate Finance (HK) Limited and CLSA Limited pursuant to which Samart I-Mobile Public Company Limited agreed to subscribe at the Offer Price for 14,000,000 Offer Shares; and

(h) the Hong Kong Underwriting Agreement.

2. Intellectual property rights of our Group

(a) Patents

As of the Latest Practicable Date, our Group was the registered proprietor of the following patents, which, in opinion of our Directors, are material to our business:

Title	Patent No.	Type	Place of registration	Expiry Date
Stepped optical lens assembly (台階式光學鏡頭組件)	ZL200810194758.8	Invention	PRC	19 October 2028
Stepped optical zoom module structure with prisms (帶棱鏡的台階式光學變焦模組結構)	ZL200810023549.7	Invention	PRC	2 April 2028
Substrate-pressing jig (壓板治具)	ZL200910183300.7	Invention	PRC	19 July 2029
VCM motor performance test system (VCM馬達性能測試系統)	ZL201220739302.7	Utility	PRC	27 December 2022
Camera module OTP recording device (攝像頭模組OTP燒錄裝置)	ZL201220741699.3	Utility	PRC	27 December 2022
CMOS chip automatic openshort system (CMOS芯片自動開短路測試系統)	ZL201220741698.9	Utility	PRC	27 December 2022
Semi-automatic preheating roasting machine station (半自動預熱烘烤機台)	ZL201120463169.2	Utility	PRC	20 November 2021

Title	Patent No.	Type	Place of registration	Expiry Date
High pixel camera module programmable automation controllers (高像素攝像模組的可編程自動控制)	ZL201120388244.3	Utility	PRC	12 October 2021
Classifier die machine (分粒沖模機台)	ZL201120272588.8	Utility	PRC	28 July 2021
Modified structure of semi-automatic tin paste welding device (半自動錫膏焊接裝置的改良結構)	ZL201120341098.9	Utility	PRC	12 September 2021
Optical cameral module dust proof structure (光學攝像模組的防塵結構)	ZL201120341099.3	Utility	PRC	12 September 2021
Semi teleconverter fixture (半自動增距鏡治具)	ZL201120272596.2	Utility	PRC	28 July 2021
Optical cameral module with shielding case (具有屏蔽罩的光學攝像頭模組)	ZL201120272835.4	Utility	PRC	28 July 2021
Semi-automatic assembly fixture (半自動組裝治具)	ZL200920284942.1	Utility	PRC	27 December 2019
USB 3.0 camera product testing device (基於USB3.0接口的攝像頭產品測試裝置)	ZL201420021854.3	Utility	PRC	13 January 2024
PCI-E camera image transmission device (基於PCI-E接口的攝像頭圖像傳輸裝置)	ZL201420021903.3	Utility	PRC	13 January 2024
Camera module automatic functions testing machine (攝像頭模組自動功能測試機)	ZL201320889539.8	Utility	PRC	30 December 2023
Inverted camera module OTP speed recording devices (倒置式攝像頭模組OTP高速燒錄裝置)	ZL201320890429.3	Utility	PRC	30 December 2023
Camera testing system (攝像頭測試系統)	ZL201320373928.5	Utility	PRC	25 June 2023
Performance testing system for camera VCM motor (攝像頭用VCM馬達的性能測試系統)	ZL201320374104.X	Utility	PRC	25 June 2023

As of the Latest Practicable Date, our Group had applied for the registration of the following patents which, in opinion of our Directors, are material to our business:

Patent	Application No.	Type	Name of Applicant	Place of Application	Date of Application
USB 3.0 camera product testing device and test methods (基於USB3.0接口的攝像頭產品測試裝置及其測試方法)	201410016371.9	Invention	Kunshan QT China	PRC	14 January 2014
FOV-based camera module fast adjustment methods (基於FOV的攝像頭模組快速調節方法)	201410016070.6	Invention	Kunshan QT China	PRC	14 January 2014
PCI-E camera image transmission device and transmission control methods (基於PCI-E接口的攝像頭圖像傳輸裝置及其傳輸控制方法)	201410016236.4	Invention	Kunshan QT China	PRC	14 January 2014
Camera module automatic functions testing machine (攝像頭模組自動功能測試機)	201310751306.6	Invention	Kunshan QT China	PRC	31 December 2013
Inverted camera module OTP speed recording devices (倒置式攝像頭模組OTP高速燒錄裝置)	201310751307.0	Invention	Kunshan QT China	PRC	31 December 2013
Camera module test equipment tilt evaluation system and evaluation methods (攝像頭模組測試設備傾斜度評價系統及評價方法)	201310751376.1	Invention	Kunshan QT China	PRC	31 December 2013
VCM motor performance test system and test methods (VCM 馬達性能測試系統及測試方法)	201210585948.9	Invention	Kunshan QT China	PRC	28 December 2012

Patent	Application No.	Type	Name of Applicant	Place of Application	Date of Application
CMOS chip automatic openshort test system and test methods (CMOS芯片自動開短路測試系統及測試方法)	201210585947.4	Invention	Kunshan QT China	PRC	28 December 2012
Camera module OTP recording photo source coefficient remedying and controlling methods (攝像頭模組OTP燒錄光源系數彌補及管控辦法)	201210585224.4	Invention	Kunshan QT China	PRC	28 December 2012
Camera module OTP recording device (攝像頭模組OTP燒錄裝置)	201210585950.6	Invention	Kunshan QT China	PRC	28 December 2012

(b) Trademarks

As of the Latest Practicable Date, our Group was the registered proprietor of the following trademarks which, in the opinion of our Directors, are material to our business:

Trademark	Registration No.	Class	Name of Registered Proprietor	Place of Registration	Date of Registration	Expiry Date
Q Tech	302880504	9	Kunshan QT China	Hong Kong	27 January 2014	26 January 2024
Q Tech	302880496	9	Kunshan QT China	Hong Kong	27 January 2014	26 January 2024
丘钛	302880487	9	Kunshan QT China	Hong Kong	27 January 2014	26 January 2024

As of the Latest Practicable Date, our Group had applied for the registration of the following trademarks which, in opinion of our Directors, are material to our business:

Trademark	Application No.	Class	Name of Applicant	Place of Application	Date of Application
Q Tech	14004366	9	Kunshan QT China	PRC	7 February 2014
丘钛	14004362	9	Kunshan QT China	PRC	7 February 2014
Q Tech	14990496	9	Kunshan QT China	PRC	25 June 2014

(c) Domain names

As of the Latest Practicable Date, our Group was the registered proprietor of the following domain names which, in opinion of our Directors, are material to our business:

Domain name	Name of Registered Proprietor	Date of Registration	Expiry Date
qtechglobal.com	Kunshan QT China	12 June 2007	12 June 2015

C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) Disclosure of Interests - interests and short positions of our Directors and the chief executive of our Company in the shares, underlying shares and debentures of our Company and its associated corporations

Immediately following completion of the Global Offering and the Capitalisation Issue and assuming that the Over-allotment Option is not exercised and without taking into account Shares to be allotted and issued upon the exercise of any options which were granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme, the interests or short positions of our Directors or chief executives of our Company in the shares, underlying shares and debentures of our Company or its associated corporations (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, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to our Company and the Stock Exchange, once our Shares are listed will be as follows:

(i) Interests in our Company

Name	Nature of interest	Interests in Shares (1)	Approximate percentage shareholding
Mr. He Ningning	Interest of a controlled corporation(2)	750,000,000(L)	75%

Notes:

(1) The letter "L" denotes the person's long position in our Shares.

(2) Mr. He Ningning beneficially owns the entire issued share capital of QT Investment. By virtue of the SFO, Mr. He Ningning is deemed to be interested in 750,000,000 Shares held by QT Investment.

(ii) Interests in the underlying Shares of our Company

Name	Nature of interest	Number of Shares in our Company subject to options granted under the Pre-IPO Share Option scheme	Approximate percentage shareholding of shareholding after the Global Offering and the Capitalisation Issue and upon the exercise of the options granted under the Pre-IPO Share Option Scheme
Mr. Wang Jianqiang	Beneficial owner	10,000,000	0.9%
Mr. Yang Peikun	Beneficial owner	20,000,000	1.9%

(iii) Interests in associated corporations of our Company

Name	Name of associated corporation	Nature of interest	Interests in shares	Approximate percentage shareholding
Mr. He Ningning	QT Investment	Beneficial owner	2	100%

(b) Particulars of service contracts

Each of our executive Directors has entered into a service contract with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than one months' notice in writing served by either party on the other.

Each of the independent non-executive Directors has signed a letter of appointment with our Company for a term of three years with effect from the Listing Date.

(c) Directors' remuneration

Each of our executive Directors, is entitled to a director's fee and shall be paid a remuneration on the basis of a twelve-month year. The current annual remuneration (including salaries, contributions to pension schemes, housing allowances, other allowances and benefits in kind) of Mr. He Ningning, Mr. Wang Jianqiang and Mr. Yang Peikun for the year ended 31 December 2013 (excluding any discretionary bonuses which may be paid to our executive Directors) are as follows:

Name	**Annual Director's remuneration**
	(RMB'000)
Mr. He Ningning	264
Mr. Wang Jianqiang	151
Mr. Yang Peikun	216

In addition, we also recognised approximately RMB1,357,000 and RMB1,357,000 of share-based payment expenses in 2012 and 2013 in connection with the share options granted by CK Great China to two executive Directors, namely Mr. Wang Jianqiang and Mr. Yang Peikun.

Our independent non-executive Directors have been appointed for a term of three years. We intend to pay a director's fee of HK$100,200 per annum to each of Ms. Chen Jun, Mr. Ng Sui Yin and Mr. Chu Chia-Hsiang, our independent non-executive Directors, respectively.

Under the arrangement currently in force, the aggregate remuneration (including salaries, contributions to pension scheme, housing allowances and other allowances and benefit in kind) of our Directors for the year ending 31 December 2014 is estimated to be no more than RMB0.8 million.

Further details of the terms of the abovementioned service contracts are set out in the paragraph headed "C. Further information about Directors and substantial Shareholders — 1. Directors — (b) Particulars of service contracts" above in this Appendix.

2. Substantial Shareholders

So far as is known to our Directors as of the Latest Practicable Date, immediately following the completion of the Global Offering and the Capitalisation Issue assuming that the Over-allotment Option is not exercised and taking no account of any Shares that may be issued pursuant to the exercise of options which were granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme, the following persons (other than our Directors and chief executives of our Company) will have or be deemed or taken to have an interest and/or short position in our Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO:

Name of Shareholder	Nature of Interest	Number of Shares(1)	Approximate percentage of interest in our Company immediately following the completion of the Global Offering and the Capitalisation Issue
QT Investment	Beneficial owner	750,000,000(L)	75%

Note: The letter "L" denotes the person's long position in our Shares.

3. Agency fees or commissions received

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms were granted in connection with the issue or sale of any capital of any member of our Group within the two years preceding the date of this prospectus.

4. Disclaimers

Save as disclosed herein:

(a) none of our Directors or chief executives of our Company has any interest or short position in our 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 our Shares are listed;

(b) none of our Directors or experts referred to under the paragraph headed "D. Other information — 10. Consents 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;

(c) 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;

(d) 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));

(e) taking no account of Shares which may be taken up under the Global Offering, 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 Global Offering, have an interest or short position in our 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;

(f) none of the experts referred to under the paragraph headed "D. Other information — 10. Consents 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

(g) so far as is known to our Directors as of the Latest Practicable Date, 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. OTHER INFORMATION

1. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the written resolutions of our Shareholders passed on 13 November 2014.

(a) Purpose

The Share Option Scheme is a share incentive scheme prepared in accordance with Chapter 17 of the Listing Rules and is established to recognise and acknowledge the contributions that the Eligible Participants (as defined in paragraph (b) below) had or may have made to our Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

(i) motivate the Eligible Participants to optimise their performance efficiency for the benefit of our Group; and

(ii) attract and retain or otherwise maintain an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

(b) Who may join

The Board may, at its discretion, offer to grant an option to the following persons (collectively the "**Eligible Participants**") to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (f) below:

(i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;

(ii) any directors (including independent non-executive directors) of our Company or any of its subsidiaries; and

(iii) any advisers, consultants, suppliers, customers, distributors and such other persons who in the sole opinion of the Board will contribute or have contributed to our Company or any of its subsidiaries.

Upon acceptance of the option, the grantee shall pay HK$1.00 to our Company by way of consideration for the grant. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot of dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting the acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

(c) Acceptance of an offer of Options

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptances of the options duly signed by the grantee, together with a remittance in favour of our Company of HK$1.00 by way of consideration for the grant thereof, is received by our Company on or before the relevant acceptance date. Such payment shall in no circumstances be refundable. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

Subject to paragraphs (l), (m), (n), (o) and (p), an Option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for dealing in Shares on the Stock Exchange for the time being, by the grantee by giving notice in writing to our Company stating that the Option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the Exercise Price for our Shares in respect of which the notice is given. Within 21 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate by the auditors to our Company or the approved independent financial adviser as the case may be pursuant to paragraph (r), our Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the Grantee certificates in respect of our Shares so allotted.

The exercise of any Option shall be subject to our Shareholders in general meeting approving any necessary increase in the authorised share capital of our Company.

(d) Maximum number of Shares

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Global Offering, being 100,000,000 Shares, excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company). Subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

(i) renew this limit at any time to 10% of our Shares in issue as at the date of the approval by our Shareholders in general meeting; and/or

(ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board. The circular issued by our Company to our Shareholders 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) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

Notwithstanding the foregoing and subject to paragraph (r) below, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of our Shares in issue from time to time. No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (r) below whether by way of consolidation, capitalisation issue, rights issue, sub-division or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

(e) Maximum number of options to any one individual

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of our Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

(i) the issue of a circular by our Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant), the information as required under Rules 17.02(2)(d) and the disclaimer required under 17.02(4) of the Listing Rules; and

(ii) the approval of our 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 (as defined in the Listing Rules) (or his/her associates if the Eligible Participant is a connected person) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before our 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 for the purpose of calculating the subscription price of our Shares. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine (or, alternatively, documents accompanying the offer document which state), among others:

(aa) the Eligible Participant's name, address and occupation;

(bb) the date on which an Option is offered to an Eligible Participant which must be a date on which the Stock Exchange is open for the business of dealing in securities;

(cc) the date upon which an offer for an Option must be accepted;

(dd) the date upon which an Option is deemed to be granted and accepted in accordance with paragraph (c);

(ee) the number of Shares in respect of which the Option is offered;

(ff) the subscription price and the manner of payment of such price for our Shares on and in consequence of the exercise of the Option;

(gg) the date of the notice given by the grantee in respect of the exercise of the Option; and

(hh) the method of acceptance of the Option which shall, unless the Board otherwise determines, be as set out in paragraph (c).

(f) Price of Shares

Subject to any adjustments made as described in paragraph (r) below, the subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the higher of:

(i) the official closing price of our Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

(ii) the average of the official closing prices of our Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a Share.

(g) Granting options to connected persons

Any grant of options to a director, chief executive or substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options). If the Board proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective associates (as defined in the Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of 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% or such other percentage as may be from time to time provided under the Listing Rules of our Shares in issue; and

(ii) having an aggregate value in excess of HK$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the official closing price of our Shares at the date of each grant, such further grant of options will be subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting on a poll at which the grantee, his/her associates and all core connected persons (as defined in the Listing Rules) of our Company shall abstain from voting in favour, and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by our Company to our Shareholders pursuant to the above paragraph shall contain the following information:

(i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant which must be fixed before our Shareholders' meeting and the date of Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;

(ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent Shareholders as to voting;

(iii) the information required under Rule 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and

(iv) the information required under Rule 2.17 of the Listing Rules.

(h) Restrictions on the times of grant of Options

A grant of options may not be made after a price sensitive event has occurred or after inside information has come to the knowledge of our Company until it has been published pursuant to the requirements of the Listing Rules and the Inside Information Provisions of Part XIVA of the SFO. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

(i) the date of the Board meeting (as such date to first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's annual results half-year, quarterly or other interim period (whether or not required under the Listing Rules); and

(ii) the deadline for our Company to publish an announcement of its annual results or half-year, or quarterly or other interim period (whether or not required under the Listing Rules)

and ending on the date of actual publication of the results announcement, and where an option is granted to a Director:

(iii) no options shall be granted during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(iv) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(i) Rights are personal to grantee

An option is personal to the grantee and may be exercised or treated as exercised, as the case may be, in whole or in part. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt so to do (save that the grantee may nominate a nominee in whose name our Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding options or any part thereof granted to such grantee.

(j) Time of exercise of Option and duration of the Share Option Scheme

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

(k) Performance target

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

(l) Rights on ceasing employment or death

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries

(i) by any reason other than death or termination of his employment on the grounds specified in paragraph (m) below, the grantee may exercise the option up to the entitlement of the grantee as at the date of cessation (to the extent not already exercised) within a period of one month from such cessation; or

(ii) by reason of death, his personal representative(s) may exercise the option within a period of 12 months from such cessation, which date shall be the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse.

(m) Rights on dismissal

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries on the grounds that he has been guilty of serious misconduct, or in relation to an employee of our Group (if so determined by the Board) on any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, or has been convicted of any criminal offense involving his integrity or honesty, his option will lapse and not be exercisable after the date of termination of his employment.

(n) Rights on takeover

If a general offer is made to all our Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Codes)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(o) Rights on winding-up

In the event a notice is given by our 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 our Company, our Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company referred to above by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid and register the grantee as holder thereof.

(p) Rights on compromise or arrangement between our Company and its members or creditors

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the laws of jurisdictions in which our Company was incorporated, our Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a scheme or arrangement and any grantee may by notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given (such notice to be received by our Company not later than two business days prior to the proposed meeting), exercise the option to its full extent or to the extent specified in the notice and our Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise of the option credited as fully paid and register the grantee as holder thereof.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

(q) Ranking of Shares

Our Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank pari passu in all respects 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.

(r) Effect of alterations to capital

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalisation issue, rights issue, open offer, consolidation, sub-division or reduction of share capital of our Company, or otherwise howsoever, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to any options so far as unexercised and/or the subscription price per Share of each outstanding option as the auditors of our Company or an independent financial adviser shall certify in writing to the Board to be in their/his opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance issued by the Stock Exchange on 5 September 2005 and any future guidance and interpretation of the Listing Rules issued by the Stock Exchange from time to time and the note thereto. The capacity of the auditors of our Company or the approval independent financial adviser, as the case may be, in this paragraph is that of experts and not arbitrations and their certificate shall, in absence of manifest error, be final and conclusive and binding on our Company and the grantees.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of our Company for which any grantee of an Option is entitled to subscribe pursuant to the Options held by him before such alteration and the aggregate subscription price payable on full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(s) Expiry of option

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

(i) the date of expiry of the option as may be determined by the Board;

(ii) the expiry of any of the periods referred to in paragraphs (l), (m), (n), (o) or (p);

(iii) the date on which the scheme of arrangement of our Company referred to in paragraph (p) becomes effective;

(iv) subject to paragraph (o), the date of commencement of the winding-up of our Company;

(v) the date on which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment of our Company or any of its subsidiaries or the termination of his or her employment or contract on any one or more of the grounds that he or she has been guilty of serious misconduct, or has been convicted of any criminal offense involving his or her integrity or honesty, or in relation to an employee of our Group (if so determined by the Board), or has been insolvent, bankrupt or has made compositions with his/her creditors generally or any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group. A resolution of the Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or

(vi) the date on which the Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph (i) above or the options are cancelled in accordance with paragraph (u) below.

(t) 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 grantees 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 our Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme. The amended terms of the Share Option Scheme shall still comply with Chapter 17 of the Listing Rules and 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.

(u) Cancellation of Options

Subject to paragraph (i) above, any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event any Option is cancelled pursuant to paragraph (m).

(v) Termination of the Share Option Scheme

Our Company may by resolution in general meeting or the Board at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option 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.

(w) Administration of the Board

The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(x) Condition of the Share Option Scheme

The Share Option Scheme is conditional on:

(i) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in our Shares which may fall to be issued pursuant to the exercise of options to be granted under the Share Option Scheme;

(ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s)) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise;

(iii) the commencement of dealings in our Shares on the Stock Exchange.

If the conditions in paragraph (x) above are not satisfied within two calendar months from the Adoption Date:

(i) the Share Option Scheme shall forthwith determine;

(ii) any option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect; and

(iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any option granted thereunder.

(y) Disclosure in annual and interim reports

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

(z) Present status of the Share Option Scheme

As of 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 the listing of and permission to deal in our Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme, being 100,000,000 Shares in total.

2. Pre-IPO Share Option Scheme

(a) Summary of terms

These options represent share options originally granted by CK Great China to the grantees on 1 January 2012, 1 January 2013 and 1 January 2014 which were exchanged into the Pre-IPO share options in respect of the Shares in our Company, on 13 November 2014. The purpose of the Pre-IPO Share Option Scheme is to recognise the contribution of certain employees or executive officers of our Group made or may have been made to the growth of our Group. The principal terms of the Pre-IPO Share Option Scheme, which were confirmed and approved by resolutions in writing of all of our Shareholders passed on 13 November 2014, are substantially the same as the terms of the Share Option Scheme except that:

(i) the exercise price per Share is RMB0.4;

(ii) the total number of Shares subject to the Pre-IPO Share Option Scheme is 59,935,000 Shares, representing 5.9935% of the issued share capital of our Company immediately upon completion of the Global Offering and the Capitalisation Issue, but without taking into account all Shares which may fall to be issued upon the exercise of options granted or to be granted under the Share Option Scheme, the Pre-IPO Share Option Scheme and the Over-allotment Option;

(iii) eligible participants under the Pre-IPO Share Option Scheme are full-time, key employees of our Group who, in the sole opinion of the Board, have contributed to our Company and/or any of our subsidiaries (the "**Eligible Participants**");

(iv) save for the options which have been granted under the Pre-IPO Share Option Scheme, no further options will be offered or granted under the Pre-IPO Share Option Scheme, as the right to do so will terminate upon the Listing.

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares which may be issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme.

(b) Outstanding options

As at the date of this prospectus, options to subscribe for an aggregate of 59,935,000 Shares at an exercise price per Share equivalent to RMB0.4 have been conditionally granted by our Company under the Pre-IPO Share Option Scheme. A total of 47 Eligible Participants have been granted options under the Pre-IPO Share Option Scheme. Two of our executive Directors have been granted options under the Pre-IPO Share Option Scheme to subscribe for a total of 30,000,000 Shares, representing approximately 3% of the issued share capital of our Company upon completion of the Global Offering and the Capitalisation Issue, but excluding all Shares which may be issued upon the exercise of the Over-allotment Option and the options which were granted under the Pre-IPO Share Option Scheme or any options which may be granted under the Share Option Scheme.

Below is a list of grantees who have been granted the options under the Pre-IPO Share Option Scheme:

Grantee and position	Address	Number of Shares subject to the options	Approximate percentage of shareholding after completion of the Global Offering and the Capitalisation Issue
Executive Directors			
Wang Jianqiang (王健強)	7D Block S Swan Castle Phase 2 Portofino Overseas Chinese Town Nanshan District Shenzhen PRC	10,000,000	1.000%
Yang Peikun (楊培坤)	D404, Block CD Dijingyuan Phase 2 No. 6 Keji M. No. 1 Road Nanshan District Shenzhen PRC	20,000,000	2.000%
Senior management and other employees of our Group			
Hu Sanmu (胡三木)	Room 3A6, Block 5 Lvhai Mingdu Qianhai Road Nanshan District Shenzhen PRC	1,493,000	0.1493%
Chen Bingqing (陳丙青)	22-504 No.188 Xueshi Road Zhangpu Town Kunshan Jiangsu Province PRC	1,792,000	0.1792%
Liu Tongquan (劉統權)	16-302 Louyi New Village Yushan Town Kunshan Jiangsu Province PRC	2,000,000	0.2%

Grantee and position	Address	Number of Shares subject to the options	Approximate percentage of shareholding after completion of the Global Offering and the Capitalisation Issue
Sun Wei (孫偉)	3-1505 Tianlai Garden Kunshan Jiangsu Province PRC	1,610,000	0.1610%
Le Yanfang (樂燕芳)	6-301 Shandong International Garden Development District Kunshan Jiangsu Province PRC	756,000	0.0756%
Fan Fuqiang (范富强)	Room 704, Block C2 No. 340 Chang'an Road Yuancheng District Heyuan Guangdong Province PRC	1,500,000	0.15%
Yang Yinhua (楊銀華)	702# Hongyi Building No.2158 Wanyuan Road Minhang District Shanghai PRC	300,000	0.03%
Deng Zhifeng (鄧志鋒)	15-8 Shuangting East District Yijiang Town Yiyang County Shangrao Jiangxi Province PRC	574,000	0.0574%
Zhu Qihui (朱其會)	3-307 Youth Station Home Zhoushi Town Kunshan Jiangsu Province PRC	767,000	0.0767%

Grantee and position	Address	Number of Shares subject to the options	Approximate percentage of shareholding after completion of the Global Offering and the Capitalisation Issue
Wang Manlong (王滿龍)	25-1405 The Urban Huiyuan Zizhu Road Kunshan Jiangsu Province PRC	567,000	0.0567%
Li Cheng (李成)	203-C7, Yangguang Xingtiandi Garden 1888# Huayuan Road Songling Town Wujiang City Jiangsu Province PRC	1,417,000	0.1417%
Zhang Yueling (張月玲)	404-21, Changjiang Lvdaokangyuan Zhoushi Town Kunshan Jiangsu Province PRC	596,000	0.0596%
Bao Juanjuan (鮑娟娟)	5-303 Yiyuan Villa Garden Yushan Kunshan Jiangsu Province PRC	627,000	0.0627%
Yu Honglin (余紅林)	28-402 Rongsheng Garden Yushan Town Kunshan Jiangsu Province PRC	1,132,000	0.1132%
Xue Tianchi (薛天池)	25-505 No.188 Xueshi Road Zhangpu Town Kunshan Jiangsu Province PRC	748,000	0.0748%

Grantee and position	Address	Number of Shares subject to the options	Approximate percentage of shareholding after completion of the Global Offering and the Capitalisation Issue
Gao Guangyao (高光耀)	39-401 British Honour Mansion No.999 Shangyang Road Zhangpu Town Kunshan Jiangsu Province PRC	777,000	0.0777%
Li Jun (李軍)	18-1 Mincheng International Square Shenhui Road Longgang District Shenzhen PRC	942,000	0.0942%
Deng Aiguo (鄧愛國)	Changmutang Village Yitang Town Lengshuitan District Yongzhou Hunan PRC	521,000	0.0521%
Ding Xu (丁旭)	42-1405 Xinhua Building Yushan Town Kunshan Jiangsu Province PRC	574,000	0.0574%
Wang Shengsu (王聖蘇)	1# 3-1103 Yijing New Town Feng County Jiangsu Province PRC	630,000	0.0630%
Chen Jingwei (陳敬偉)	39-506 British Honour Mansion No.999 Shangyang Road Zhangpu Town Kunshan Jiangsu Province PRC	669,000	0.0669%

Grantee and position	Address	Number of Shares subject to the options	Approximate percentage of shareholding after completion of the Global Offering and the Capitalisation Issue
Gong Cheng (龔成)	45-406 Era Culture Home Yushan Town Kunshan Jiangsu Province PRC	486,000	0.0486%
Zhong Yueliang (鐘岳良)	No.9 Laoshan Road Yushan Town Kunshan Jiangsu Province PRC	1,443,000	0.1443%
Cao Zhengqu (曹爭取)	No.14 Caokeng Village Zhuzai Town Pei County Jiangsu Province PRC	928,000	0.0928%
Yan Zanxiang (顏贊湘)	No.2 Building Kunbei Apartment Kunshan Jiangsu Province PRC	510,000	0.0510%
Fu Guowang (付國旺)	4-321 Happy Apartment Development District Kunshan Jiangsu Province PRC	538,000	0.0538%
Guo Wuzhen (郭五珍)	22-304 The New City Garden Yushan Town, Kunshan Jiangsu Province PRC	425,000	0.0425%
Ding Bobing (丁伯兵)	41-508 Rose Court Zhangpu Town Kunshan Jiangsu Province PRC	443,000	0.0443%

Grantee and position	Address	Number of Shares subject to the options	Approximate percentage of shareholding after completion of the Global Offering and the Capitalisation Issue
Tang Xun (唐勛)	Luoping Courtyard Luoping Town Shimen County Hunan PRC	280,000	0.0280%
Jin Yuanbin (金元斌)	Room 1201, 1st Unit Block 48 Fengqingshuian Garden Suzhou PRC	1,083,000	0.1083%
Chen Junxiang (陳俊祥)	No.38 Yaoqian Village Paishang Town Pingxiang Jiangxi Province PRC	309,000	0.0309%
Chen Kelong (陳克龍)	10-405 Dangui Yuan Rugao Jiangsu Province PRC	285,000	0.0285%
Fu Haijian (符海建)	6-301 Yinlu New Town Zhangpu Town Kunshan Jiangsu Province PRC	186,000	0.0186%
Du Rongbo (杜榮波)	72-1002, Xingchengyu Garden Yushan Town Kunshan Jiangsu Province PRC	232,000	0.0232%
Li Guogang (李國剛)	Building 100, Administrative Villages Li Lou Linpu Town Juancheng County Shandong PRC	234,000	0.0234%

Grantee and position	Address	Number of Shares subject to the options	Approximate percentage of shareholding after completion of the Global Offering and the Capitalisation Issue
Zhang Yinfeng (張銀鳳)	2003 Ji Xueshen No. 1 Shida Road Yanta District Xi'an PRC	255,000	0.0255%
Lin Hao (林浩)	No. 63 Chenglin Road Hedong District Tianjin PRC	460,000	0.0460%
Yang Wenping (楊文平)	18# Nature Village Wanfu Town Jian County Jian City Jiangxi PRC	181,000	0.0181%
Xu Keliang (許克亮)	No. 348 Shuyuan Road Tianxin District Changsha City PRC	435,000	0.04350%
Jiao Jianwei (焦建偉)	Kouma Village Huimeng Town Mengjin County Henan PRC	40,000	0.004%
Zhu Jianjun (朱建軍)	4-803 Haiyu Shanlin 28# Kuizheng West Road Longgang District Shenzhen PRC	250,000	0.025%
Yang Zheng (楊鄭)	87-504 Minjing Court Yushan Town Kunshan Jiangsu Province PRC	46,000	0.0046%

Grantee and position	Address	Number of Shares subject to the options	Approximate percentage of shareholding after completion of the Global Offering and the Capitalisation Issue
Xu Yangliu (許楊柳)	Dormitory Sanhexiangzhixin Street Jia'an District Huainan City Anhui PRC	127,000	0.0127%
Zeng Xiangxu (曾相許)	No.282 Fangzhuang Village Rangdong Town Zhengzhou Henan PRC	17,000	0.0017%
Wu Jiefeng (鄔杰鋒)	2-B-1701 Hongxiang Garden 68#Songyuan Road Luohu District Shenzhen Guangdong PRC	750,000	0.0750%
	Total	59,935,000	5.9935%

Except as set out above, no other options have been granted or agreed to be granted by us under the Pre-IPO Share Option Scheme.

Immediately after completion of the Global Offering and the Capitalisation Issue but before the exercise of the options granted under the Pre-IPO Share Option Scheme, none of the grantees under the Pre-IPO Share Option Scheme are interested in the Shares. Assuming the Over-allotment Option is not exercised, the shareholding structure of our Company after the full exercise of all the options granted under the Pre-IPO Share Option Scheme will be as follows:

Shareholders	Shareholding structure immediately after completion of the Global Offering and the Capitalisation Issue but before the exercise of the options granted under the Pre-IPO Share Option Scheme		Shareholding structure immediately after completion of the Global Offering and the Capitalisation Issue and full exercise of the options granted under the Pre-IPO Share Option Scheme	
	Shares	%	Shares	%
QT Investment	750,000,000	75.0%	750,000,000	70.8%
Grantees under the Pre-IPO Share Option Schemes as non-connected persons	—	—	29,935,000	2.8%
Grantees under the Pre-IPO Share Option Schemes as connected persons	—	—	30,000,000	2.8%
Public Shareholders	250,000,000	25.0%	250,000,000	23.6%
	1,000,000,000	100%	1,059,935,000	100%

We will not permit the exercise of any options granted under the Pre-IPO Share Option Scheme by any of our connected persons if, upon such exercise, we would not be able to attain the minimum public float requirement under the Listing Rules.

(c) Valuation of the options granted under the Pre-IPO Share Option Scheme

The valuation of options granted under the Pre-IPO Share Option Scheme was based on the valuation of 628.60 share options originally granted by CK Great China to the grantees, which was conducted based on the black-scholes model with the following assumptions:

	Share options granted by CK Great China on		
	1 January 2012	1 January 2013	1 January 2014
Spot Price(Note 1)	RMB35,394.46	RMB50,772.55	RMB123,604.19
Exercise price per option	RMB40,000	RMB40,000	RMB40,000
Expected volatility(Note 2)	53.8%	51.3%	47.9%
Option life(Note 3)	4.88	3.88	2.88
Expected dividends(Note 4)	Nil	Nil	Nil
Risk-free interest rate(Note 5)	3.27%	3.25%	4.42%

Notes:

1. Spot price was estimated based on the fair value of 100% equity interest of CK Great China as at the respective measurable dates, adjusted for dilution of newly issued share options.

2. Expected volatility was estimated based on the historical stock price volatility of comparable companies over a period comparable to the expected life of the options.
3. Option life was estimated by assuming the share options will be exercised in the middle point between the vesting dates and the maturity date.
4. Expected dividends were estimated based on the CK Great China's past dividend policy.
5. Risk-free interest rate was estimated based on China Government Bond yield data from Bloomberg as of the measurable dates.

Pursuant to the option exchange letters executed by each of the grantees in favour of CK Great China on 13 November 2014, 599.35 share options originally granted by CK Great China were exchanged into 59,935,000 Pre-IPO share options of our Company on 13 November 2014. As such, the exercise price would be adjusted on a proportionate basis. 29.25 share options originally granted by CK Great China to certain grantees have lapsed as such grantees have ceased to be employees of our Group.

The result of the black-scholes model can be materially affected by changes in the aforesaid assumptions so an option's actual value may be differ from the estimated fair value of the options due to the inherent uncertainties. All options forfeited before expiry of the Pre-IPO Share Option Scheme will be treated as lapsed and will not be added back to the number of shares available to be issued under the Pre-IPO Share Option Scheme.

(d) Effect on the earnings per Share as a result of the Pre-IPO Share Options

Assuming that all the options granted under the Pre-IPO Share Option Scheme had been exercised in full during the year ending 31 December 2014 and that 1,059,935,000 Shares, comprising 1,000,000,000 Shares to be in issue immediately after the Global Offering and 59,935,000 Shares to be issued upon the exercise of all the options granted under the Pre-IPO Share Option Scheme, but not taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option, this would not have material dilutive effect on our unaudited forecast basic earnings per Share.

(e) Summary of the main terms of the Pre-IPO Share Option Scheme

(i) Purpose

The Pre-IPO Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions that the Eligible Participants (as defined in paragraph (a)(iii) above) have or may have made to our Group. The Pre-IPO Share Option Scheme will provide the Eligible Participants with an opportunity to have a personal stake in our Company with a view to achieving the following purposes:

1) motivate the Eligible Participants to optimise their performance efficiency for the benefit of our Group; and

2) attract and retain or otherwise maintain relationships with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

(ii) Who may join

The Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as the Board may determine to the Eligible Participants at an exercise price set out in paragraph (iv) below.

(iii) Maximum number of Shares

The maximum number of Shares in respect of which options may be granted under the Pre-IPO Share Option Scheme is 59,935,000 Shares.

(iv) Price of Shares

The exercise price per Share in respect of any particular option granted under the Pre-IPO Share Option Scheme shall be a price of RMB0.4 per share.

(v) Rights are personal to grantee

An option is personal to the grantee and may be exercised in whole or in part. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt so to do.

(vi) Time of exercise of option

The options granted are exercisable within the period as notified by the Board to each grantee and in accordance with the following manner:

1) up to 50% of our Shares that are subject to the option so granted to him/her (rounded down to the nearest whole number) at any time during the year commencing from 1 January 2015 and ending on 31 December 2017;

2) up to 75% of our Shares that are subject to the option so granted to him/her less the number of Shares in respect of which the option has been exercised or lapsed (rounded down to the nearest whole number) at any time during the year commencing from 1 January 2016 and ending on 31 December 2017; and

3) up to 100% of our Shares that are subject to the option so granted to him/her less the number of Shares in respect of which the option has been exercised or lapsed (rounded down to the nearest whole number) at any time during the year commencing from 1 January 2017 and ending on 31 December 2017.

Each options granted under the Pre-IPO Share Option Scheme is exercisable within during the years when such option becomes vested.

(vii) Ranking of Shares

Our Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank pari passu 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.

(viii) Effect of alterations to capital

In the event of capitalisation issue, rights issue, open offer, consolidation, subdivision or reduction of share capital of our Company, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to any options so far as unexercised and/or the price per Share of each outstanding option and/or the method of exercise of the option as the auditors of our Company or an independent financial adviser shall certify in writing to our Board to be in their/his opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to pre-IPO share option schemes (the "**Supplemental Guidance**"). Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of our Company (as interpreted in accordance with the Supplementary Guidance) for which any grantee of an option is entitled to subscribe pursuant to the options held by him before such alteration and the aggregate subscription price payable on the full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations. Any adjustment to be made will comply with the Listing Rules, the Supplemental Guidance and any future guidance/interpretation of the Listing Rules issued by the Stock Exchange from time to time.

(ix) Expiry of option

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

1) the date of expiry of the option as may be determined by our Board;

2) the expiry of the respective stated exercise period in the Pre-IPO Share Option Scheme;

3) the expiry of 14 days after the date on which a general offer made to all the holders of Shares becomes or is declared unconditional or the expiry of the period of not later than two business days prior to the proposed general meeting of the Company 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;

4) the date of commencement of the winding-up of our Company in accordance with the Cayman Companies Law;

5) the date on which the grantee ceases to be an Eligible Participant for any reason. A resolution of the Broad to the effect that the employment of a grantee has or has not been terminated shall be conclusive; or

6) the date on which our Board shall exercise our Company's right to cancel the option in accordance with paragraph (xi) below.

(x) Alteration of the Pre-IPO Share Option Scheme

The Pre-IPO Share Option Scheme may be altered in any respect by resolution of our Board except that any material alteration to the terms and conditions of the Pre-IPO Share Option Scheme or any change to the terms of options granted or any alteration for the advantage of the grantees of the options or the Eligible Participants in respect of the definition of eligible participants, expiry date, grantee and exercise period, shall first be approved by our Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Pre-IPO Share Option Scheme.

(xi) Cancellation of Options

Any cancellation of options granted but not exercised must be approved by the grantees of the relevant options.

(xii) Termination of the Pre-IPO Share Option Scheme

Our Company may by resolution in general meeting or our Board at any time terminate the Pre-IPO Share Option Scheme and in such event no further option shall be offered but the provisions of the Pre-IPO Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Pre-IPO 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 Pre-IPO Share Option Scheme.

(xiii) Administration of our Board

The Pre-IPO Share Option Scheme shall be subject to the administration of our Board whose decision as to all matters arising in relation to the Pre-IPO Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(xiv) Disclosure in annual and interim reports

Our Company will disclose details of the Pre-IPO Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

3. Tax and other indemnities

Our Controlling Shareholders entered into a deed of indemnity with and in favour of our Company (for itself and as trustee for each of its present subsidiaries) (being the contract referred to in the paragraph headed "B. Information about the business — 1. Summary of material contracts" in this Appendix) to provide indemnities on a joint and several basis in respect of, among other matters, taxation resulting from income, profits or gains earned, accrued or received as well as any property claim to which any member of our Group may be subject and payable on or before the date when the Global Offering becomes unconditional.

4. Litigation

As of the Latest Practicable Date, save as disclosed in this prospectus, no member of our Group was engaged in any litigation or arbitration of material importance and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of our Group.

5. Sole Sponsor

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, all our Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may be issued upon the exercise of the Over-allotment Option or options which may be granted under the Share Option Scheme).

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

The Sole Sponsor's fees are US$800,000 and are payable by our Company.

6. Preliminary expenses

The estimated preliminary expenses incurred and paid by our Company were approximately US$5,460.

7. Promoter

Our Company has no promoter for the purposes of the Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

8. Taxation of holders of Shares

(a) Hong Kong

The sale, purchase and transfer of Shares registered with our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration of, if higher, of the fair value of our Shares being sold or transferred. Profits from dealings in our Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. Our Directors have been advised that no material liability for estate duty under the laws of China or Hong Kong would be likely to fall upon any member of our Group.

(b) Cayman Islands

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of Shares.

(c) Consultation with professional advisers

Intending holders of our Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares. It is emphasised that none of our Company, our Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

9. Qualification of experts

The following are the qualifications of the experts who have given their opinion or advice which are contained in, or referred to in this prospectus:

Name	Qualifications
CITIC Securities Corporate Finance (HK) Limited	Licensed to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Conyers Dill & Pearman (Cayman) Limited	Cayman Islands attorneys-at-law
KPMG	Certified Public Accountants
King & Wood Mallesons	PRC legal adviser
CCID Consulting Company Limited	Industry Consultants

10. Consents of experts

Each of the experts named in paragraph 9 of this Appendix has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

11. Interests of experts in our Company

None of the persons named in paragraph 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 of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

13. Miscellaneous

(a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:

(i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;

(iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries;

(b) save as disclosed in this prospectus, there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;

(c) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2013 (being the date to which the latest audited consolidated financial statements of our Group were made up);

(d) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;

(e) the principal register of members of our Company will be maintained in the Cayman Islands by Codan Trust Company (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Computershare Hong Kong Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company's share register in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable our Shares to be admitted to CCASS;

(f) no company within our Group is presently listed on any stock exchange or traded on any trading system;

(g) our Directors have been advised that under the Cayman Companies Law the use of a Chinese name by our Company does not contravene the Cayman Companies Law; and

(h) save as disclosed in this prospectus, our Company has no outstanding convertible debt securities or debentures.

14. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of each of the **WHITE**, **YELLOW** and **GREEN** Application Forms;

(b) the written consents referred to in the section headed "Statutory and General Information — D. Other information — 10. Consents of experts" in Appendix IV of this prospectus; and

(c) a copy of each of the material contracts referred to in the section headed "Statutory and General Information — B. Information about the business — 1. Summary of material contracts" in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Sidley Austin at 39/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the amended and restated Memorandum and Articles of Association;

(b) the Accountants' Report from KPMG, the text of which is set out in Appendix I to this prospectus;

(c) the report from KPMG in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;

(d) the audited consolidated financial statements of our Group for the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014;

(e) the legal opinions issued by King & Wood Mallesons, our PRC legal advisers in respect of our Group's business operations and property interests in the PRC;

(f) the letter of advice from Conyers Dill & Pearman (Cayman) Limited, our Cayman Islands legal advisers, summarising the constitution of our Company and certain aspects of Cayman company law referred to the section headed "Summary of the Constitution of Our Company and Cayman Islands Company Law" in Appendix III to this prospectus;

(g) the Cayman Companies Law;

(h) material contracts referred to in the section headed "Statutory and General Information — B. Information about the business — 1. Summary of material contracts" in Appendix IV to this prospectus;

(i) service contracts with each of our Directors referred to in the section headed "Statutory and General Information — C. Further information about Directors and substantial Shareholders — 1. Directors — (b) Particulars of service contracts" in Appendix IV to this prospectus;

(j) the written consents referred to in the section headed "Statutory and General Information — D. Other information — 10. Consents of experts" in Appendix IV to this prospectus;

(k) the rules of the Share Option Scheme;

(l) the rules of the Pre-IPO Share Option Scheme; and

(m) the CCID Report.