



Bortex Global Limited

濠亮環球有限公司*

(incorporated in the Cayman Islands with limited liability)

Stock Code: 8118



SHARE OFFER

Sponsor

AmCap
Ample Capital Limited
豐盛融資有限公司

Sole Global Coordinator,
Joint Bookrunner
and Joint Lead Manager

AmCap
Ample Orient Capital Limited
豐盛東方資本有限公司

Joint Bookrunner
and Joint Lead Manager

 **潮商** 證券有限公司
ChaoShang Securities Limited

* For identification purpose only

IMPORTANT

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



Bortex Global Limited 濠亮環球有限公司*

(incorporated in the Cayman Islands with limited liability)

LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF SHARE OFFER

Number of Offer Shares	: 200,000,000 Shares (subject to the Adjustment Options)
Number of Public Offer Shares	: 20,000,000 Shares (subject to reallocation)
Number of Placing Shares	: 180,000,000 Shares (subject to reallocation and the Adjustment Options)
Offer Price	: Not more than HK\$0.5 per Offer Share and expected to be not less than HK\$0.3 per Offer Share (payable in full upon application, plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund)
Nominal Value	: HK\$0.01 per Share
Stock Code	: 8118

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ChaoShang Securities Limited

Co-Managers

CHKL | 中港通證券
CHINA HONG KONG LINK SECURITIES

 利盟證券有限公司
Grand Partners Securities Limited

 Pacific
Foundation

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong 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 of Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

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

The Offer Price is expected to be determined by the Price Determination Agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on or about Tuesday, 7 November 2017 and, in any event, not later than Monday, 13 November 2017. If, for any reason, the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on or before Monday, 13 November 2017, the Share Offer will not become unconditional and will lapse. The Offer Price will not be more than HK\$0.5 per Offer Share and is expected to be not less than HK\$0.3 per Offer Share, unless otherwise announced. The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, with the consent of our Company, reduce the above indicative Offer Price range at any time prior to the Price Determination Date. In such a case, notice of the reduction in the indicative Offer Price range will be available on the website of the Stock Exchange at www.hkexnews.hk and the website of our Company at www.bortex.com.cn.

Prospective investors of the Offer Shares should note that the Sole Global Coordinator (for itself and on behalf of the Underwriters) may in their absolute discretion, upon giving notice in writing to our Company, terminate the Underwriting Agreement with immediate effect if any of the events set forth under the section headed "Underwriting — Underwriting Arrangements and Expenses — Grounds for termination" in this prospectus occurs at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Should the Sole Global Coordinator (for itself and on behalf of the Underwriters) terminate the Underwriting Agreement in accordance with the terms of the Underwriting Agreement, the Share Offer will not proceed and will lapse.

* For identification purpose only

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspaper. Accordingly, prospective investors should note that they need to have access to the website of the Stock Exchange at www.hkexnews.hk in order to obtain up-to-date information on GEM-listed issuers.

EXPECTED TIMETABLE

If there is any change in the following expected timetable of the Share Offer, we will issue an announcement in Hong Kong to be posted on the website of our Company at www.bortex.com.cn and the website of the Stock Exchange at www.hkexnews.hk.

2017 (Note 1)

Public Offer commences and **WHITE** and **YELLOW**

Application Forms available from 9:00 a.m. on Tuesday, 31 October

Application lists of the Public Offer open (Note 2) 11:45 a.m. on Friday, 3 November

Latest time for lodging **WHITE** and **YELLOW**

Application Forms and to give **electronic**

application instructions to HKSCC (Note 3) 12:00 noon on
Friday, 3 November

Application lists of the Public Offer close (Note 2) 12:00 noon on
Friday, 3 November

Expected Price Determination Date (Note 4) Tuesday, 7 November

Announcement of (i) the final Offer Price; (ii) the indication of levels of
interest in the Placing; (iii) the level of applications in the Public Offer;
(iv) the basis of allotment of the Offer Shares under the Public Offer;
and (v) the number of Offer Shares reallocated, if any,

between the Public Offer and the Placing to be published

on the website of our Company at www.bortex.com.cn (Note 5)

and the website of the Stock Exchange at www.hkexnews.hk Wednesday, 15 November

Results of allocations in the Public Offer will be available

at www.tricor.com.hk/ipo/result with a “search by ID Number/

Business Registration Number” function from Wednesday, 15 November

Despatch/collection of share certificates or deposit of the share certificates

into CCASS in respect of wholly or partially successful applications

pursuant to the Public Offer on or before (Note 6) Wednesday, 15 November

Despatch/collection of refund cheques in respect of wholly

or partially successful applications if the Offer Price is less than

the price payable on application (if applicable) or wholly

or partially unsuccessful applications pursuant

to the Public Offer on or before (Note 7) Wednesday, 15 November

Dealings in the Shares on GEM to commence at 9:00 a.m. on Thursday, 16 November

EXPECTED TIMETABLE

1. All dates and times refer to Hong Kong local dates and times, except as otherwise stated. Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure and Conditions of the Share Offer” in this prospectus. If there is any change in this expected timetable, an announcement will be published on the websites of the Stock Exchange at www.hkexnews.hk and of our Company at www.bortex.com.cn.
2. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 3 November, the application lists will not open or close on that day. Further information is set forth in the paragraph headed “How to Apply for Public Offer Shares — 9. Effect of Bad Weather on the Opening of the Application Lists” in this prospectus. If the application lists do not open and close on Friday, 3 November 2017, the dates mentioned in this section may be affected. An announcement will be made by us in such event.
3. Applicants who apply for the Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed “How to Apply for Public Offer Shares — 5. Applying by giving **electronic application instructions** to HKSCC via CCASS” in this prospectus.
4. Please note that the Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or about Tuesday, 7 November 2017. If, for any reason, the Offer Price is not agreed between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before Monday, 13 November 2017, the Share Offer will not proceed and will lapse. Notwithstanding that the Offer Price may be less than the maximum Offer Price of HK\$0.5 per Offer Share, applicants must pay the maximum Offer Price of HK\$0.5 per Offer Share at the time of application, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, but will be refunded the surplus application monies, without interest, as provided in the section headed “How to Apply for Public Offer Shares” in this prospectus.
5. None of the information contained on any website forms part of this prospectus.
6. Applicants who apply for 1,000,000 Public Offer Shares or more on **WHITE** Application Forms and have provided all information required by their Application Forms may collect share certificates (if applicable) and refund cheques (if applicable) from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited from 9:00 a.m. to 1:00 p.m. on Wednesday, 15 November 2017 or any other date as notified by us.

Applicants being individuals who opt for personal collection must not authorise any other person(s) to make collection on their behalf. Applicants being corporations which opt for personal collection must attend by sending their authorised representative(s) bearing a letter of authorisation from such corporation(s) stamped with the corporation’s chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar.

Applicants who apply for 1,000,000 Public Offer Shares or more on **YELLOW** Application Forms and have provided all required information may collect their refund cheques, if any, in person but may not elect to collect their share certificates personally, which will be deposited into CCASS Investor Participants’ stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Uncollected share certificates and refund cheques, if any, will be despatched by ordinary post to the addresses specified in the relevant Application Form at the applicants’ own risk. Further information is set out in the section headed “How to Apply for Public Offer Shares” in this prospectus.

Share certificates are expected to be issued on Wednesday, 15 November 2017 but will only become valid certificates of title provided that the Share Offer has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

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

Particulars of the structure of the Share Offer, including the conditions thereto, are set out in the section headed “Structure and Conditions of the Share Offer” in this prospectus. Details relating to how to apply for the Public Offer Shares are set out in the section headed “How to Apply for Public Offer Shares” in this prospectus.

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This prospectus is issued by our Company solely in connection with the Share Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares offered by this prospectus pursuant to the Share Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer in any other jurisdiction or in any other circumstances.

You should rely only on the information contained in this prospectus to make your investment decision. Our Company, the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by our Company, the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, and any of our/their respective directors, officers, employees, agents or representatives or any other party involved in the Share Offer. The contents on the website at www.bortex.com.cn which is the official website of our Company do not form part of this prospectus.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole document 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 developing manufacturer and exporter of LED lighting products with a production plant located in Dongguan, Guangdong Province, the PRC. We principally engage in the manufacturing and sale of quality LED lighting products to our customers in North America, Europe and Asia Pacific.

Our LED lighting products are broadly classified into two major series, including (i) LED decorative lighting series — which are mainly used for festive decorations; and (ii) LED luminaire lighting series — which are mainly used for indoor lighting.

The following table sets forth the breakdowns of revenue of our Group by product series and operation model during the Track Record Period:

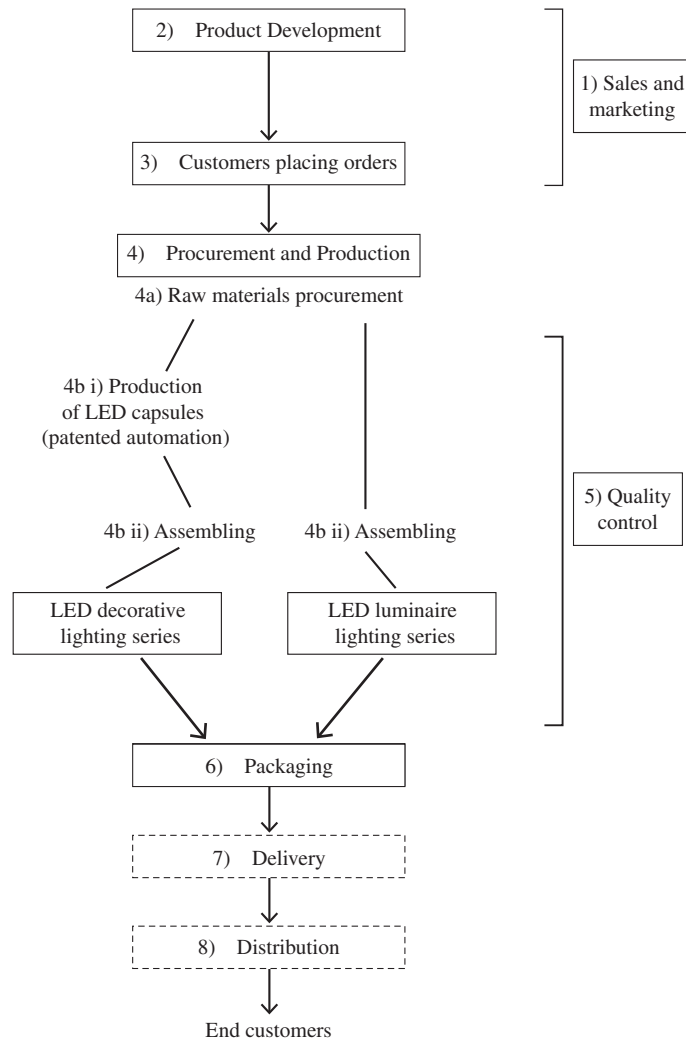
Revenue

	For the year ended 30 April					
	2015		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
LED decorative lighting	138,636	100.0	58,011	47.9	74,499	52.6
LED luminaire lighting	—	—	62,977	52.1	67,168	47.4
Total	<u>138,636</u>	<u>100.0</u>	<u>120,988</u>	<u>100.0</u>	<u>141,667</u>	<u>100.0</u>
	For the year ended 30 April					
	2015		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
ODM	78,783	56.8	80,755	66.7	90,968	64.2
OEM	59,853	43.2	40,233	33.3	50,699	35.8
	<u>138,636</u>	<u>100.0</u>	<u>120,988</u>	<u>100.0</u>	<u>141,667</u>	<u>100.0</u>

SUMMARY

Business Model

The following diagram shows the major stages and processes of our business:



Our Directors are of the view that our Group will continue to focus on both the LED decorative lighting and LED luminaire lighting products. The revenue contribution of each LED lighting series depends on the mix of purchase orders of LED lighting products received and accepted by our Group, which is primarily affected by (i) the market demand and our production capacity for each of our LED lighting products, which are subject to seasonality; (ii) the profitability and terms of the purchase orders placed by our customers; and (iii) our Directors' decision on the allocation of internal resources for handling the purchase orders.

SUMMARY

BUSINESS

Our Products

We provide a wide range of LED lighting products which are broadly classified into (i) LED decorative lighting series; and (ii) LED luminaire lighting series. Our LED decorative lighting products are mainly used for indoor and outdoor festive decorations, particularly Christmas decorations, in places such as theme parks, shopping malls, commercial and residential buildings where our LED decorative lighting products are hung or placed on fixed objects such as windows, roofs, streetlights, trees and floor etc. Our Group uses LED as lighting source for our products due to its high energy efficiency, long life span, great reliability and high luminosity. Our products are able to display different lighting effects and colours with the assistance of electronic devices that are designed by us based on our customers' requirements. In terms of product safety, our Group is required to comply with certain safety standards such as UL and CSA requested by our customers. Our selling price is determined on a cost-plus basis. The profit mark-up refers to the difference between the estimated cost and the selling price. Our annual gross profit margins ranged from approximately 26.1% to 31.1% during the Track Record Period.

The following table sets forth a summary of the sales volume and average selling price of our Group's LED lighting products during the Track Record Period:

	For the year ended 30 April					
	2015		2016		2017	
	(approximately unit '000)	% of total sales volume	(approximately unit '000)	% of total sales volume	(approximately unit '000)	% of total sales volume
Sales volume						
LED decorative lighting	1,678	100	1,202	41.5	1,638	58.7
LED luminaire lighting	—	—	1,692	58.5	1,153	41.3
Total	1,678	100	2,894	100	2,791	100
Average selling price						
	(HK\$/unit)		(HK\$/unit)		(HK\$/unit)	
LED decorative lighting	82.6		48.3		45.5	
LED luminaire lighting	—		37.2		58.3	

Details of the sales volume and average selling price of our Group's LED lighting products during the Track Record Period are set out in the section headed "Financial Information — Discussion on Major Items of the Combined Statements of Profit or Loss and Other Comprehensive Income — Revenue by product series" in this prospectus.

Our Customers

Our customers mainly include (i) retailers which operate chain department stores and warehouse stores and sell our products under their own brand names; (ii) trading companies which further distribute our products to the local and/or overseas consumer market under their own brand names and/or designated names; and (iii) other users which mainly include construction companies which purchase our products for their construction projects. While we derived over 60% of our total revenue during the Track Record Period from our export sales to overseas countries, our sales in Asia mainly including the PRC and Taiwan increased significantly for the two years ended 30 April 2017. For the three years

SUMMARY

ended 30 April 2017, the sales to our five largest group customers amounted to approximately HK\$132.5 million, HK\$103.9 million and HK\$95.3 million, which accounted for approximately 95.6%, 86.1% and 67.3% of our Group's total revenue, respectively.

For the year ended 30 April 2015, our sales of LED decorative lighting series to Customer B accounted for approximately HK\$57.0 million or approximately 41.1% of our overall revenue, who is a US based retailer and ranked the second largest customer for the year ended 30 April 2015. However, our Group did not undertake purchase orders from Customer B for the two years ended 30 April 2017 as a result of (i) the relatively high bargaining power possessed by sizable retail customers which led to relatively unfavourable terms; and (ii) the positive outlook of LED luminaire lighting market. Please refer to the section headed "Business — Customers — Major Customers — Our Relationship with Customer B" for more details. Although our Group did not undertake purchase orders from Customer B for the two years ended 30 April 2017, our Directors are of the view that our Group has been maintaining a good business relationship with Customer B up to the Latest Practicable Date. During the year ended 30 April 2017 and up to the Latest Practicable Date, Customer B has been seeking quotations for our LED decorative lighting products and our Group has also been negotiating with Customer B for better commercial terms going forward. Customer B also physically visited our Group's factory in Dongguan in August 2015 to inspect our Group's production facility. In October 2016, we visited Customer B in the US to introduce our new products.

To the best of knowledge, information and belief of our Directors, Customer C, one of our top five group customers and a trading company, reduced its purchase orders for the year ended 30 April 2016 as it had sufficient inventory for its customers during the year ended 30 April 2016. During the year ended 30 April 2017, our sales of LED decorative lighting products to Customer C amounted to approximately HK\$923,000.

Revenue

The following table sets forth the percentage breakdown of turnover categorised by our customer types during the Track Record Period:

	For the year ended 30 April					
	2015		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
LED decorative lighting						
Retailers	116,198	83.8	35,495	29.3	33,924	23.9
Trading companies	17,590	12.7	10,604	8.8	26,117	18.4
Other users (<i>Note 1</i>)	4,848	3.5	11,912	9.8	14,458	10.3
Subtotal	<u>138,636</u>	<u>100.0</u>	<u>58,011</u>	<u>47.9</u>	<u>74,499</u>	<u>52.6</u>
LED luminaire lighting						
Trading companies	—	—	53,657	44.4	49,901	35.2
Others users (<i>Note 1</i>)	—	—	9,320	7.7	17,267	12.2
Subtotal	<u>—</u>	<u>—</u>	<u>62,977</u>	<u>52.1</u>	<u>67,168</u>	<u>47.4</u>
Total	<u>138,636</u>	<u>100.0</u>	<u>120,988</u>	<u>100.0</u>	<u>141,667</u>	<u>100.0</u>

Note 1: Other users mainly include construction, property development, agricultural companies and hotels.

SUMMARY

The following table sets forth the breakdowns of revenue of our Group by geographical locations of our export sales during the Track Record Period:

	For the year ended 30 April					
	2015		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Canada	101,747	73.4	35,491	29.3	33,891	23.9
The PRC	4,462	3.2	34,614	28.6	48,015	33.9
Taiwan	682	0.5	33,179	27.4	32,707	23.1
The US	9,690	7.0	16,470	13.6	19,594	13.8
Hong Kong	8,801	6.3	1,021	0.8	1,009	0.7
Mexico	7,032	5.1	—	—	—	—
Others*	6,222	4.5	213	0.3	6,451	4.6
Total	138,636	100.0	120,988	100.0	141,667	100.0

* Others include the United Kingdom, Japan, Australia, Thailand, Spain, Italy and Denmark.

During the Track Record Period, we derived a significant portion of our revenue from the sales of LED lighting products in North America comprising Canada, United States and Mexico. Our sales to North America in aggregate amounted to approximately HK\$118.5 million, HK\$52.0 million and HK\$53.5 million, accounting for approximately 85.5%, 42.9% and 37.7% of our revenue for the three years ended 30 April 2017, respectively. The decline in our sales to North America for the year ended 30 April 2016 was mainly attributable to (i) the fact that our Group did not undertake purchase orders from Customer B; and (ii) our strategic product diversification by selling LED luminaire lighting series with gross profit margin of around 31.1% in general to our Asian customers who offered us better terms of purchase orders.

Our sales to Customer B including Canada, the US, Mexico, Asia-Pacific countries and others, which respectively accounted for approximately 30.7%, 1.0%, 5.1%, 1.5% and 2.8% of our Group's revenue for the year ended 30 April 2015. Despite the significant impact on our Group's export sales in North America resulted from not undertaking purchase orders from Customer B, our export sales to the US, mainly LED decorative lighting series, increased from approximately 7.0% to 13.6% of our Group's revenue for the two years ended 30 April 2016 respectively and remained stable at approximately 13.8% for the year ended 30 April 2017. Such increase for the year ended 30 April 2016 was mainly attributable to the sales to Customer D and the then eight new customers, none of which are our Group's top five customers during the Track Record Period. The sales to Customer D, the only top five customer with its headquarter in the US in the two years ended 30 April 2016, accounted for only approximately 5.2%, 5.2% and 3.7% of our Group's revenue for the three years ended 30 April 2017 respectively. Our export sales to the US remained fairly stable for the year ended 30 April 2017 and accounted for approximately 13.8% of our Group's revenue. Our export sales to Taiwan were significantly higher for the two years ended 30 April 2017 as compared to the year ended 30 April 2015. The sales to Taiwan were mainly LED luminaire lighting series while the export sales to North America were mainly LED decorative lighting series.

SUMMARY

Our sales in Asia, mainly including the PRC and Taiwan, increased significantly which accounted for approximately 3.7%, 56.0% and 57.0% of our total sales for the three years ended 30 April 2017 respectively. Such significant increase was driven by the commencement of sales of our LED luminaire lighting products to our PRC and Taiwan customers including Customer G and Customer F during the year ended 30 April 2016 and Customer I during the year ended 30 April 2017. Such increase was partially offset by the decline in our sales of LED decorative lighting products in Hong Kong, where our sales in Hong Kong decreased from approximately HK\$8.8 million for the year ended 30 April 2015 to approximately HK\$1.0 million for the year ended 30 April 2016 and remained stable at approximately HK\$1.0 million for the year ended 30 April 2017.

Suppliers

For the three years ended 30 April 2017, our procurement from our five largest suppliers amounted to approximately HK\$19.3 million, HK\$42.8 million and HK\$40.1 million, which accounted for approximately 41.8%, 61.4% and 48.8% of our total procurement, respectively. Our procurement from our largest supplier amounted to approximately HK\$6.0 million, HK\$15.7 million and HK\$10.0 million, which accounted for approximately 13.1%, 22.5% and 12.1% of our total procurement for the three years ended 30 April 2017, respectively. As at the Latest Practicable Date, there were over 100 suppliers on our list of approved suppliers.

Factory production capacity

Our factory production capacity and utilisation rate after taking into account the factory area for assembling procedures handled by direct labour are summarised as follows:

Products	Estimated maximum capacity			Approximate production unit			Approximate utilisation rate		
	For the year ended 30 April			For the year ended 30 April			For year ended 30 April		
	2015	2016	2017	2015	2016	2017	2015	2016	2017
	units (‘000)	units (‘000)	units (‘000)	units (‘000)	units (‘000)	units (‘000)	%	%	%
LED decorative lighting (Notes 1, 3, 5)	2,400	1,967	1,760	2,615	1,195	1,156	109.0 (Note 5)	60.8	65.7
LED luminaire lighting (Notes 2, 4)	N/A	2,400	2,880	N/A	1,687	1,153	N/A	70.3	40.0

Notes:

- (1) The utilisation rates are calculated by taking the approximate number of LED string lights produced divided by the estimated maximum capacity of LED string lights production in our factory during the three years ended 30 April 2017.
- (2) The utilisation rate is calculated by taking the approximate number of LED tube lights produced divided by the estimated maximum capacity of LED tube light production by our factory during the two years ended 30 April 2017.
- (3) The maximum production capacity of our production plant for LED decorative lighting products is estimated based on the assumption that approximately 4,500 square metres of the factory was allocated for the production of LED decorative lighting products for the year ended 30 April 2015 and for the two months ended 30 June 2015, 4,050 square metres for the three months ended 30 September 2015 and 3,300 square metres for the seven months ended 30 April 2016 and for the year ended 30 April 2017. The maximum production capacity of our production plant for LED decorative lighting is based on the assumption that our production workers work consecutively for eight hours per day for five days per week for the three years ended 30 April 2017.

SUMMARY

- (4) The maximum production capacity of our production plant for LED luminaire lighting products is estimated based on the assumption that approximately 450 square metres of the factory was allocated for the production of LED luminaire lighting products for the ten months ended 30 April 2016 and the year ended 30 April 2017. The maximum production capacity of our production plant for LED luminaire lighting is based on the assumption that our production workers work consecutively for eight hours per day for five days per week for the ten months ended 30 April 2016 and for the year ended 30 April 2017. Ipsos is of the opinion that the assumption is one of the common market practices within the industry and our Directors are of the view that the adoption of the said assumption is based on our Group's employee handbook which stated that manufacturing staff is to work for eight hours per day.
- (5) The utilisation rate for the production of LED decorative lighting products is above 100% since our factory operated additional shifts (i.e. for more than eight hours per day or more than five days per week) in order to meet our customers' demand in cases when delivery schedule is tight.

For detailed explanation on the factory production capacity, please refer to the section headed "Business — 4. Procurement and Production — Machinery and utilisation rate" in this prospectus.

COMPETITIVE STRENGTHS

We believe that the following competitive strengths are the key factors contributing to our success to date and will enable us to increase market share and capture the future growth opportunities in our target markets:

- we have well-established worldwide sales network and capability to broaden our customer base;
- we have varied and flexible product development capability with stringent quality control; and
- we have experienced and dedicated management team.

BUSINESS STRATEGIES AND PROSPECTS

Built on our established business model, our goal is to become one of the leading LED lighting product manufacturers in the PRC and achieve sustainable growth. In order to achieve our goal, which we believe will maximise shareholder value, we intend to adopt the following business strategies:

- upgrading our production facilities;
- expanding our product portfolio and strengthening our product development capability; and
- expanding our sales force and sales channel.

MAJOR RISK FACTORS

We consider that there are risks involved in our business and operations and in connection with the Share Offer:

- we derive a significant portion of our revenue from sales to our major customers. If our major customers were to terminate their respective relationships with us entirely and if we failed to develop new customers, our business would be adversely affected;
- we do not have a publicly recognised brand name and our business depends on perception in the LED lighting product industry and recognition of our products;

SUMMARY

- our Group engages in production and selling LED products mainly to North America and Asia Pacific. Any material deterioration of the market condition for LED lighting products business and financial resources or market failure in these areas may have adverse effect on our Group’s business and financial results;
- our sales volume is sensitive to seasonality and changes in consumer spending patterns;
- we expect fierce price competition from our competitors and we may not be able to lower our price to compete in the future;
- our operation and profitability are subject to fluctuations in the cost of raw materials or stable supply of raw materials;
- our Group recorded negative net operating cash flow for the year ended 30 April 2017 and we may be exposed to liquidity and operational risk if our Group continues to result negative operating cash flow in the future; and
- we have no control over the trading companies.

SUMMARY RESULTS OF OPERATIONS

The following table sets out a summary of the audited financial results of our Group for the three years ended 30 April 2017. For more detailed information, please refer to the Accountants’ Report in Appendix I to this prospectus. The financial information contained herein and in the Accountants’ Report in the Appendix I to this prospectus is prepared in accordance with HKFRS and is presented as if our current group structure had been in existence throughout the years presented.

	For the year ended 30 April		
	2015	2016	2017
	HK\$’000	HK\$’000	HK\$’000
Revenue	138,636	120,988	141,667
Gross Profit	36,168	37,572	42,395
Profit for the year	8,613	11,969	16,061
Total comprehensive income for the year	9,003	11,767	15,257

Revenue

Details of the breakdown of our Group’s revenue are set out in the section headed “Financial Information — Discussion on Major Items of the Combined Statements of Profit or Loss and Other Comprehensive Income — Revenue” in this prospectus.

SUMMARY

Gross profit and gross profit margin

The following table sets forth the gross profit and gross profit margin of our Group during the Track Record Period:

	Year ended 30 April					
	2015	Margin	2016	Margin	2017	Margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%
LED decorative lighting						
Retailers	28,131	24.2	9,924	28.0	9,377	27.6
Trading companies	5,881	33.4	3,809	35.9	7,965	30.5
Other users	2,156	44.5	4,251	35.7	4,321	29.9
Subtotal	<u>36,168</u>	<u>26.1</u>	<u>17,984</u>	<u>31.0</u>	<u>21,663</u>	<u>29.1</u>
LED luminaire lighting						
Trading companies	—	—	16,341	30.5	15,154	30.4
Other users	—	—	3,247	34.8	5,578	32.3
Subtotal	<u>—</u>	<u>—</u>	<u>19,588</u>	<u>31.1</u>	<u>20,732</u>	<u>30.9</u>
Total	<u>36,168</u>	<u>26.1</u>	<u>37,572</u>	<u>31.1</u>	<u>42,395</u>	<u>29.9</u>

Gross profit

Our overall gross profit was approximately HK\$36.2 million and HK\$37.6 million, representing a gross profit margin of approximately 26.1% and 31.1% for the two years ended 30 April 2016, respectively. While our gross profit was solely driven by the sales of our LED decorative lighting series for the year ended 30 April 2015, our gross profit was derived from the sales of both of our LED decorative and luminaire lighting series which accounted for approximately 47.9% and 52.1% of our total gross profit, respectively, for the year ended 30 April 2016. Our overall gross profit further increased to approximately HK\$42.4 million, representing a gross profit margin of approximately 29.9% for the year ended 30 April 2017. In line with the sales of LED decorative lighting series and LED luminaire lighting series for the year ended 30 April 2017, our gross profit derived from LED decorative lighting series increased by approximately 20.6% from approximately HK\$18.0 million for the year ended 30 April 2016 to approximately HK\$21.7 million for the year ended 30 April 2017 whereas our gross profit derived from LED luminaire lighting series increased by approximately 5.6% from approximately HK\$19.6 million for the year ended 30 April 2016 to approximately HK\$20.7 million for the year ended 30 April 2017. Please refer to the section headed “Financial Information — Discussion on Major Items of the Combined Statements of Profit or Loss and Other Comprehensive Income — Gross profit and gross profit margin” in this prospectus for further details.

SUMMARY

Gross profit margin

Analysis of gross profit margin of LED decorative lighting series

The gross profit margin of LED decorative lighting series sold to our retailer customers were generally lower than that of those sold to trading companies and other users. This was mainly attributable to the strong bargaining power of our reputable retailer customers in North America, resulting in less favorable terms and a lower margin for our LED decorative lighting series. Our overall gross profit margin increased from approximately 26.1% to approximately 31.1% for the two years ended 30 April 2016 respectively, mainly as a result of the fact that our Group (i) did not undertake purchase orders from Customer B during the year ended 30 April 2016 (reasons of which are set out in the section headed “Business — Customers — Major Customers — Our Relationship with Customer B” in this prospectus); and (ii) selectively accepted purchases orders from our customers in negotiation of more favourable terms and conditions going forward. Our gross profit margin of LED decorative lighting series slightly decreased to approximately 29.1% for the year ended 30 April 2017, mainly as a result of the effect of (i) the decrease in profit margin for other users mainly due to the relatively lower profit margin for our new PRC customers; and (ii) the decrease in gross profit margin of trading companies mainly caused by the commencement of sales of LED toy light products to Customer H and Customer D, both of them were our top five customers during the Track Record Period. Such products had a relatively lower profit margin as compared to other LED decorative lighting products.

Analysis of gross profit margin of LED luminaire lighting products

We started selling our LED luminaire lighting series during the year ended 30 April 2016 and our total gross profit margin of which was approximately 31.1% and 30.9% for the two years ended 30 April 2017 respectively. The overall relatively high margin of LED luminaire lighting products was mainly driven by the sales to our customers who are categorised as other users. The respective gross profit margin was approximately 34.8% and 32.3% for the two years ended 30 April 2017 respectively. For instance, (i) Customer E, a PRC construction company, which purchased our products for its construction projects for the two years ended 30 April 2017; and (ii) our new PRC customer who purchased our shatter-proof LED tube light products for its property development project for the year ended 30 April 2017. The gross profit margin of our LED luminaire lighting series sold to trading company was approximately 30.5% and 30.4% for the two years ended 30 April 2017 respectively. The slight decrease in the gross profit margin of LED luminaire lighting series during the year ended 30 April 2017 was mainly due to the commencement of sales of our LED light bulb and LED tube light for agricultural use to our new PRC customers, which had a lower gross profit margin but our Directors are of the view that given the relatively large quantity purchased, it was commercially beneficial to offer a reduced price to attract our new customers, which would enable our Group to expand customer base, diversify product range and improve market share.

SUMMARY

Summary combined statements of financial position

	As at 30 April		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Total non-current assets	24,898	26,549	23,248
Net current assets	6,616	6,318	23,934
Total current assets	78,757	53,770	80,027
Total current liabilities	72,141	47,452	56,093
Net assets	28,036	30,303	45,560

Summary combined statements of cash flows

	For the year ended 30 April		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Cash and cash equivalents at the beginning of the year	14,231	39,378	13,485
Net cash generated from/(used in) operating activities	23,758	15,615	(3,086)
Net cash used in investing activities	(4,164)	(4,693)	(408)
Net cash generated from/(used in) financing activities	5,247	(34,531)	(1,593)
Net increase/(decrease) in cash and cash equivalents	24,841	(23,609)	(5,087)
Effect of foreign exchange rate changes on cash and cash equivalents	306	(2,284)	104
Cash and cash equivalents at the end of year	39,378	13,485	8,502
Operating cash flows before working capital changes	19,654	21,197	25,841

Liquidity and capital resources

	For the year ended 30 April		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Operating cash flows before working capital changes	19,654	21,197	25,841

SUMMARY

SELECTED KEY FINANCIAL RATIOS

	As at/For the year ended 30 April		
	2015	2016	2017
Current ratio	1.1 times	1.1 times	1.4 times
Quick ratio	0.7 times	0.6 times	1.0 times
Gearing ratio	2.1 times	0.8 times	0.6 times
Debt to equity ratio	64.8%	38.6%	39.7%
Interest coverage	4.6 times	5.4 times	12.5 times
Return on total assets	8.3%	14.9%	15.6%
Return on equity	30.7%	39.5%	35.3%

Please refer to the section headed “Financial Information — Selected Key Financial Ratios” for more details.

DIVIDEND

For the three years ended 30 April 2017, members of our Group declared dividends of approximately nil, HK\$9.5 million and nil, representing approximately nil, 79.4% and nil of the respective years’ net profit for the year. All the dividends paid by our Group were paid to our Controlling Shareholders.

The interim dividend of approximately HK\$5.5 million for the year ended 30 April 2016 was declared on 30 September 2015 and paid by cash on 24 November 2015, 25 November 2015 and 2 December 2015. The final dividend of approximately HK\$4.0 million for the year ended 30 April 2016 was declared on 30 April 2016 and paid by cash on 1 June 2016. All dividends were funded by our internal resources. Our Directors consider that there is no material adverse impact on our Group’s financial and liquidity position arising from the dividend payment.

We currently do not have any dividend policy. Dividends may be paid out by way of cash or by other means that we consider appropriate. Declaration and payment of any dividends would require the recommendation of our Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to Shareholders’ approval. A decision to declare or to pay any dividend in the future, and the amount of any dividends, depends on a number of factors, including our results of operations, financial condition, the payment by our subsidiaries of cash dividends to us, and other factors our Board may deem relevant. There will be no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of our 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 our Board in the future.

SUMMARY

LISTING EXPENSES

The total expenses for the Listing are estimated to be approximately HK\$31.1 million based on the Offer Price of HK\$0.4 (being the mid-point of the Offer Price range stated in this prospectus) and assuming the Adjustment Options are not exercised. Of the aggregate Listing expenses of approximately HK\$31.1 million, approximately HK\$13.7 million directly attributable to the issue of Offer Shares will be accounted for as a deduction from equity upon Listing. The remaining Listing expenses of approximately HK\$17.4 million of which approximately HK\$1.7 million, HK\$0.2 million, HK\$2.8 million and HK\$4.4 million was charged to our profit or loss accounts for the four years ended 30 April 2017, respectively and approximately HK\$8.3 million is expected to be charged to our profit or loss accounts for the year ending 30 April 2018.

OUR SHAREHOLDERS

Pre-IPO Investment by Multi Tech

On 25 March 2015, Mr. Shiu and Multi Tech entered into a sale and purchase agreement. Details of the investment by Multi Tech are set out in the section headed “History, Reorganisation and Corporate Structure — Pre-IPO investment” in this prospectus.

Our Substantial Shareholders

<u>Name</u>	<u>Capacity and nature of interests</u>	<u>Number of Shares held (Note 1)</u>	<u>Approximate percentage of shareholding</u>
Real Charm (Note 2)	Beneficial owner	234,000,000 (L)	46.8%
Mr. Shiu (Note 2)	Interest in controlled corporation	234,000,000 (L)	46.8%
Ms. Chung Yu Chun (Note 3)	Interest of spouse	234,000,000 (L)	46.8%
Multi Tech (Note 4)	Beneficial owner	66,000,000 (L)	13.2%
Ms. Giang (Note 4)	Interest in controlled corporation	66,000,000 (L)	13.2%
Mr. Yuen (Note 5)	Interest of spouse	66,000,000 (L)	13.2%

Notes:

- (1) The letter “L” denotes a long position in the Shareholders’ interests in the share capital of our Company.
- (2) Real Charm is wholly and beneficially owned by Mr. Shiu. As such, Mr. Shiu is deemed under the SFO to be interested in the 234,000,000 Shares held by Real Charm upon Listing.
- (3) Ms. Chung Yu Chun is the spouse of Mr. Shiu. As such, she is deemed to be interested in the 234,00,000 Shares in which Mr. Shiu is interested for the purpose of the SFO.
- (4) Multi Tech is wholly and beneficially owned by Ms. Giang. As such, Ms. Giang is deemed under the SFO to be interested in the 66,000,000 Shares held by Multi Tech upon Listing.
- (5) Mr. Yuen is the spouse of Ms. Giang. As such, he is deemed to be interested in the 66,000,000 Shares in which Ms. Giang is interested for the purpose of the SFO.

SUMMARY

USE OF PROCEEDS AND REASONS FOR THE SHARE OFFER

We intend to apply the net proceeds from the Share Offer, after deducting related underwriting fees and estimated expenses in connection with the Share Offer and assuming that the Adjustment Options are not exercised at all and an Offer Price of HK\$0.4, being the mid-point of the Offer Price range, of approximately HK\$48.9 million as follows:

- approximately HK\$26.9 million, representing approximately 55% of the estimated net proceeds, for upgrading our production facilities;
- approximately HK\$12.2 million, representing 25% of the estimated net proceeds, for the repayment of short-term borrowings and finance lease;
- approximately HK\$2.4 million, representing approximately 5% of the estimated net proceeds, for expanding our product portfolio and strengthening our product development capability;
- approximately HK\$2.4 million, representing approximately 5% of the estimated net proceeds, for expanding our sales force and sales channel; and
- the balance of approximately HK\$5.0 million, representing approximately 10% of the estimated net proceeds, for working capital of our Group.

The Share Offer will enhance our Group's capital base and provide us with additional funding to implement our future plans. Our Directors are of the view that Listing will bring the following advantages to our Group:

- provide access to additional financing sources;
- capture growth opportunities in the industry; and
- expand our customer base.

LONG TERM COMMITMENT TO OUR GROUP

In order to demonstrate the long term commitment of our Controlling Shareholders to our Group, our Controlling Shareholders voluntarily undertake to our Company, the Sponsor, the Sole Global Coordinator (for itself and on behalf of the Underwriters) that, save as permitted under Rule 13.18 of the GEM Listing Rules, he/it shall not and shall procure the relevant registered holders shall not in the period commencing on the date by reference to which disclosure of the shareholding of the Controlling Shareholder is made in this prospectus and ending on the date which is thirty months from the Listing Date, sell, dispose of, nor enter into any agreement to dispose of or otherwise create any encumbrances in respect of, any of the Shares in respect of which he/it is shown in the prospectus to be the beneficial owner(s). Such lock-up period is beyond the general requirement stated in Rule 13.16A(1)(a) of the GEM Listing Rules. For details, please refer to the section headed "Underwriting — Underwriting Arrangements and Expenses — Undertakings" in this prospectus.

SUMMARY

OFFERING STATISTICS

Market Capitalisation at Listing ^(Note 1) :	HK\$150 million to HK\$250 million
Number of Offer Shares:	200,000,000 Shares
Offer Price:	HK\$0.3 to HK\$0.5
Unaudited pro forma adjusted combined net tangible assets per Share ^(Note 2) :	HK\$0.15 to HK\$0.23

Notes:

- (1) The calculation of the market capitalisation of the Shares is based on the Offer Price of HK\$0.3 and HK\$0.5 each and 500,000,000 Shares in issue immediately after completion of the Share Offer and the Capitalisation Issue but does not take into account of any Shares which may be allotted and issued upon the exercise of the Adjustment Options and options which may be granted under the Share Option Scheme.
- (2) The unaudited pro forma adjusted combined net tangible assets per Share has been arrived at after the adjustments referred to in the sub-section headed “A. Unaudited Pro Forma Adjusted Combined Net Tangible Assets” in Appendix II to this prospectus.

RECENT DEVELOPMENT

According to the unaudited management accounts of our Group, our revenue for the four months ended 31 August 2017 increased slightly on a period-to-period basis. Such increase was mainly attributable to (i) the slight increase in sales of our LED decorative lighting series which was mainly driven by our sales of LED string lights to our new US customer who is a trading company and serves more than 2,000 wholesale customers ranging from large national retail stores to professional decorators/installers to small businesses. It was introduced to our Group by our chief executive officer, Mr. Chow Kwok On and placed its first purchase order with us in early 2017; and (ii) the increase in sales of our LED luminaire lighting series which was mainly driven by the sales of LED luminaire lighting products to five of our new PRC customers who were introduced by our existing customers or Directors and senior management. We solicit our new customers primarily through trade fairs and referrals from our Directors, senior management, existing customers and suppliers. We believe our management team, through their extensive exposure and networking within the LED lighting manufacturing industry, has also been very effective in bringing in new customers to our Company.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in the financial or trading positions or prospect of our Group since 30 April 2017 (being the date of which our Group’s latest audited combined financial statements were made up as set out in the Accountants’ Report in Appendix I to this prospectus) and there had been no event since 30 April 2017 which would materially affect the information shown in the Accountants’ Report in Appendix I to this prospectus.

DEFINITIONS

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

“Acquisition”	the acquisition of Bortex Industry in May 2013, as referred to under the section headed “History, Reorganisation and Corporate Structure — Bortex Industry” in this prospectus
“Adjustment Options”	the Offer Size Adjustment Option and the Over-allotment Option
“Ample Capital” or “Sponsor”	Ample Capital Limited, a licensed corporation to carry on types 4, 6 and 9 regulated activities (advising on securities, advising on corporate finance and asset management) under the SFO, being the sponsor to the Listing
“Application Form(s)”	WHITE Application Form(s) and YELLOW Application Form(s), individually or collectively, as the context may require, relating to the Public Offer
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company adopted on 24 October 2017 to take effect on the Listing Date, a summary of which is set out in Appendix III to this prospectus, and as amended from time to time
“Asia Pacific”	loosely and generally the regions where the PRC, Taiwan, Hong Kong, Thailand, Japan and Australia are located
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Audit Committee”	the audit committee of our Board
“BLR”	the best lending rate
“Board”	the board of Directors
“Bortex Holdings”	Bortex Holdings Limited (濠亮集團有限公司), a company incorporated in Hong Kong with limited liability on 10 November 2011 and an indirect wholly-owned subsidiary of our Group
“Bortex Industry”	Bortex Industry Co., Ltd (東莞市濠亮實業有限公司), a company established in the PRC with limited liability on 29 December 2004 and a direct wholly-owned subsidiary of Bortex Holdings
“Bortex International”	Bortex International Limited (濠亮國際有限公司), a company incorporated in Hong Kong with limited liability on 30 December 2008 and an indirect wholly-owned subsidiary of our Group
“business day”	a day (other than a Saturday or Sunday or Public Holiday) on which licensed banks in Hong Kong are generally open for normal banking business

DEFINITIONS

“BVI”	the British Virgin Islands
“Capitalisation Issue”	the issue of 299,990,000 Shares to be made upon capitalisation of an amount of HK\$2,999,900 standing to the credit of the share premium amount of our Company as referred to in the section headed “Statutory and General Information — A. Further Information about our Company — 3. Written resolutions of our sole Shareholder passed on 24 October 2017” 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 a 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 Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participant”	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
“China”, “Mainland” or “PRC”	the People’s Republic of China, but for the purpose of this prospectus only and except where the context requires otherwise, do not include Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“close associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Companies Law”	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) 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

DEFINITIONS

“Company”	Bortex Global Limited, incorporated in the Cayman Islands on 30 January 2014 as an exempted company with limited liability
“connected person(s)”	has the same meaning ascribed to it under the GEM Listing Rules
“Controlling Shareholders”	the controlling shareholder(s) (having the meaning ascribed to it under the GEM Listing Rules) of our Company, and in the context of this prospectus means Mr. Shiu and Real Charm
“core connected person(s)”	has the same meaning ascribed to it under the GEM Listing Rules
“Deed of Indemnity”	the deed of indemnity dated 24 October 2017 entered into by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of its subsidiaries) regarding certain indemnities, details of which are set out in the section headed “Statutory and General Information — E. Other Information — 1. Indemnity” in Appendix IV to this prospectus
“Deed of Indemnity and Undertaking”	the deed of indemnity and undertaking dated 24 October 2017 entered into by Mr. Yuen, Ms. Giang and Multi Tech in favour of our Company (for itself and as trustee for each of its subsidiaries) regarding certain indemnities and undertakings, details of which are set out in the section headed “History, Reorganisation and Corporate Structure — Indemnity against potential PRC tax liabilities in relation to the indirect transfers of equity interests in Bortex Industry” in this prospectus
“Deed of Non-Competition”	the deed of non-competition dated 24 October 2017 entered into by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of its subsidiaries) regarding certain non-competition undertakings, details of which are set out in the section headed “Relationship with our Controlling Shareholders — Deed of Non-Competition” in this prospectus
“Director(s)”	the director(s) of our Company
“EIT Law”	the PRC Enterprise Income Tax Law
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	Rules Governing the Listing of Securities on GEM (as amended from time to time)
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures

DEFINITIONS

“Group”	our Company together with its subsidiaries and in respect of the period before our Company became the holding company of its present subsidiaries, the companies that are the present subsidiaries of our Company
“Harvest Mount”	Harvest Mount Global Enterprises Limited, a company incorporated in BVI with limited liability on 5 November 2010 and a direct wholly-owned subsidiary of our Company
“HK\$” or “HK dollar(s)” or “HKD” and “cent(s)”	Hong Kong dollar(s) and cent(s) respectively, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited, our Hong Kong branch share registrar and transfer office
“Hong Kong Tax Advisers”	RSM Tax Advisory (Hong Kong) Limited, an independent tax adviser engaged by our Group to advise on the Hong Kong transfer pricing arrangement between Bortex International and Bortex Industry in light of the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations, the provisions in the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) relevant to transfer pricing, and Hong Kong Inland Revenue Department’s published guidelines on transfer pricing
“Independent Third Party(ies)”	party or parties that is or are independent of and not connected with our Company and connected persons of our Company within the meaning of the GEM Listing Rules
“Ipsos”	Ipsos Limited, an Independent Third Party, being a professional market research company
“Ipsos Report”	an industry report prepared by Ipsos which was commissioned by us in relation to, among other things, market landscape and competitive analysis of the LED decorative lighting and LED indoor lighting manufacturing industry in China
“Joint Bookrunners” or “Joint Lead Managers”	Ample Orient Capital Limited and ChaoShang Securities Limited (“Joint Bookrunner” or “Joint Lead Manager” means either of them)
“Latest Practicable Date”	23 October 2017, being the latest practicable date for ascertaining certain information prior to the printing of this prospectus

DEFINITIONS

“Listing”	the listing of the Shares on GEM
“Listing Date”	the date on which dealings in the Shares on the GEM first commence, which is expected to be on Thursday, 16 November 2017
“Listing Division”	the listing division of the Stock Exchange
“Main Board”	the stock market (excluding the option markets) operated by the Stock Exchange which is independent from and operated in parallel with GEM
“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company adopted on 24 October 2017 and as amended from time to time
“MOFCOM”	Ministry of Commerce of the PRC
“Mr. Shiu”	Mr. Shiu Kwok Leung, an executive Director, chairman of our Company and our Controlling Shareholder
“Mr. X.H. Shao”	Mr. Shao Xu Hua, an executive Director
“Mr. Yuen”	Mr. Yuen Lai Him, an executive Director and the spouse of Ms. Giang
“Ms. Giang”	Ms. Giang Maryanne Phung-van, the spouse of Mr. Yuen
“Multi Tech”	Multi Tech Creation Limited, a company incorporated in Hong Kong with limited liability on 7 July 2011 and is wholly and beneficially owned by Ms. Giang
“Nomination Committee”	the nomination committee of our Board
“North America”	loosely and generally the regions where the United States, Canada and Mexico are located
“NTD”	New Taiwan dollars, the lawful currency in Taiwan
“Offer Price”	the final offer price for each Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) which will not be more than HK\$0.5 and is expected to be not less than HK\$0.3, such price to be determined in the manner as further described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Offer Shares”	the Public Offer Shares and the Placing Shares, together where relevant, with any additional Share(s) issue pursuant to any of the Adjustment Options

DEFINITIONS

“Offer Size Adjustment Option”	the option granted by our Company to the Placing Underwriters, exercisable by the Sole Global Coordinator (for itself and on behalf of the Placing Underwriters), at its sole and absolute discretion and with the prior written consent of our Company, whereby our Company may be required to allot and issue up to 30,000,000 additional Placing Shares representing up to 15% of the Offer Shares initially available under the Share Offer, at the Offer Price solely to cover any excess demand in the Placing, subject to the terms of the Placing Underwriting Agreement
“Over-allotment Option”	the option granted by our Company to the Placing Underwriters, exercisable by the Sole Global Coordinator (for itself and on behalf of the Placing Underwriters), at its sole and absolute discretion and with the prior written consent of our Company, whereby our Company may be required to allot and issue up to 30,000,000 additional Placing Shares representing up to 15% of the Offer Shares initially available under the Share Offer, at the Offer Price to cover, among other things, over-allocations in the Placing as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing”	the conditional placing by the Placing Underwriters on behalf of our Company of the Placing Shares at the Offer Price, as further described under the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Shares”	180,000,000 new Shares being offered by our Company for subscription at the Offer Price under the Placing, subject to reallocation and Adjustment Options as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Underwriters”	the underwriters of the Placing, who are expected to enter into the Placing Underwriting Agreement to underwrite the Placing Shares
“Placing Underwriting Agreement”	the conditional placing underwriting agreement relating to the Placing expected to be entered into on or about the Price Determination Date by, among others, our Company, the Sponsor and the Placing Underwriters
“PRC Legal Advisers”	GFE Law Office
“PRC Tax Advisers”	Shenzhen Jiaxinrui Taxation Agency Company Limited, an independent tax adviser to advise on the transfer pricing arrangement of our Company under the PRC laws

DEFINITIONS

“Price Determination Agreement”	the agreement to be entered into between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us on or before the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, which is expected to be on or before Tuesday, 7 November 2017 or such later date as may be agreed between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) but no later than Monday, 13 November 2017), on which the Offer Price is to be fixed
“Public Offer”	the conditional offer to the public in Hong Kong for subscription of the Public Offer Shares at the Offer Price, payable in full on application, and subject to the terms and conditions described in this prospectus and the Application Forms
“Public Offer Shares”	the 20,000,000 Shares being initially offered by our Company for subscription pursuant to the Public Offer, subject to reallocation as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Public Offer Underwriters”	the underwriters of the Public Offer whose names are set forth in the section headed “Underwriting — Public Offer Underwriters” in this prospectus
“Public Offer Underwriting Agreement”	the conditional public offer underwriting agreement dated 30 October 2017 relating to the Public Offer entered into by, among others, our Company, the Sponsor and the Public Offer Underwriters, particulars of which are summarised in the section headed “Underwriting — Underwriting Arrangements and Expenses — Public Offer” in this prospectus
“Real Charm”	Real Charm Corp, a company incorporated in BVI on 29 October 2013 and is wholly and beneficially owned by Mr. Shiu
“Remuneration Committee”	the remuneration committee of our Board
“Reorganisation”	the reorganisation of our Group in preparation for Listing described in the section headed “History, Reorganisation and Corporate Structure — The Reorganisation” in this prospectus
“RMB” or “Renminbi”	Renminbi yuan, the lawful currency of the PRC
“SAFE”	the State Administration of Foreign Exchange of the PRC

DEFINITIONS

“Sale and Purchase Agreement”	the sale and purchase agreement dated 24 October 2017 and entered into among our Company, Mr. Shiu, Multi Tech, Ms. Giang and Real Charm in relation to the acquisition of the entire issued shares of Harvest Mount, further details of which are set out in the section headed “History, Reorganisation and Corporate Structure — The Reorganisation” in this prospectus
“SAT”	the State Administration of Taxation of the PRC
“SFC”	The Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of nominal value of HK\$0.01 each in the share capital of our Company
“Shareholder(s)”	holder(s) of Share(s)
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally adopted by our Company, the principal terms of which are summarised in the section headed “Statutory and General Information — D. Share Option Scheme” in Appendix IV to this prospectus
“Sole Global Coordinator”	Ample Orient Capital Limited
“Stabilising Manager”	Ample Orient Capital Limited
“Stock Borrowing Agreement”	the stock borrowing agreement which may be entered into between Real Charm and the Stabilising Manager on or about the Price Determination Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder(s)”	substantial shareholder(s) of our Company having the meaning ascribed to it under the GEM Listing Rules
“Takeovers Code”	the Code on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the three years ended 30 April 2017
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement

DEFINITIONS

“UK” or the “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“US”, “USA” or “United States”	the United States of America
“USD” or “US dollars”	United States dollars, the lawful currency of the US
“ WHITE Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicant’s or the applicants’ own name(s)
“ YELLOW Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS
“%”	per cent

Unless otherwise specified, for the purpose of this prospectus and for the purpose of illustration only, Hong Kong dollar amounts have been translated using the following rates:

HK\$1.17 = RMB1

HK\$7.75 = US\$1

All figures are converted (where relevant) for the purpose of this prospectus from sq. m. to sq. ft. at 1 sq. m. = 10.764 sq. ft.

No representation is made that any amounts in RMB, HK\$ or US\$ were or could have been converted at the above rates or at 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 an arithmetic aggregation of the figures preceding them.

In this prospectus, if there is any inconsistency between the Chinese names of the titles, entities or enterprises established or used as the case may be in the PRC and their English translations, the Chinese names shall prevail. The English names of PRC and overseas entities or titles mentioned in this prospectus may not be their official names in their respective locality and are used for identification only.

The English translations of the names of the PRC laws, rules and regulations printed in this prospectus are not official names for, and do not form any official part of, such laws, rules and regulations. Translated English names of Chinese natural persons, legal persons, governmental authorities, institutions or other entities for which no official English translation exist are unofficial translations for identification purposes only, and in the event of any inconsistency between the Chinese names of the Chinese natural persons, legal persons, governmental authorities, institutions or other entities mentioned in this prospectus and their English translations, the Chinese names shall prevail.

Unless otherwise specified, all relevant information in this prospectus assumes no exercise of the Adjustment Options.

* For identification purpose only

GLOSSARY OF TECHNICAL TERMS

This glossary contains certain definitions of technical terms used in this prospectus as they relate to our Group and as they are used in this prospectus in connection with our Group's business or our Group. Some of these definitions may not correspond to standard industry definitions.

“Bluetooth”	a wireless technology standard for exchanging data over short distances from fixed and mobile devices, and building personal area networks
“CSA”	The Canadian Standards Association. It is a not-for-profit standards organisation which develops standards in 57 areas such as product safety and performance standards. It is widely recognised by numerous North American and international organisations for providing testing and certification services for a broad range of product categories including electrical, gas-fired, plumbing, personal protective equipment and others
“ERP system”	enterprise resource planning system, a system that can facilitate the flow of information between all business functions inside the boundaries of the organisation
“FOB”	free (or freight) on board
“GDP”	gross domestic product, a market value of all officially recognised final goods and services produced within a country in a given period
“ISO”	an acronym for a series of quality management and quality assurance standards published by International Organization for Standardization, a non-government organization based in Geneva, Switzerland, for assessing the quality systems of business organizations
“ISO 9001”	quality management systems model published by ISO for quality assurance in design, development, production, installation and servicing
“ODM”	original design manufacturer, refers to manufacturer who designs a product and also is responsible for the production of the product. ODMs sell their designed products to distributors/wholesalers but do not sell directly to the end market. Due to the product research and design work, ODMs have a higher value add than OEMs. Products are sold under buyers' brands in both the OEM and ODM business model

GLOSSARY OF TECHNICAL TERMS

“OEM”	original equipment manufacturer, refers to manufacturer who produces components or products that will be bought by a buyer and then sold under the brand name of the buyer
“PCB”	printed circuit board, mechanically supports and electrically connects electric components using conductive tracks, pads and other frames etched from copper sheets laminated into a non-conductive substrate
“PCBA”	printed circuit board assembly
“UL”	Underwriters Laboratories Inc. It is a safety consulting and certification company headquartered in Northbrook, Illinois which provides safety-related certification, validation, testing, inspection, auditing, advising and training services to a wide range of clients, including manufacturers, retailers, policymakers, regulators, service companies, and consumers. It is one of several companies approved to perform safety testing by the US federal agency Occupational Safety and Health Administration

FORWARD-LOOKING STATEMENTS

Our Company has included in this prospectus forward-looking statements that are not historical facts, but relate to its intentions, beliefs, expectations or predictions for future event. These forward-looking statements are contained principally in the sections entitled “Summary”, “Risk Factors”, “Industry Overview”, “Business”, and “Financial Information”, which are, by their nature, subject to risks and uncertainties.

In some cases, our Company uses the words “aim”, “anticipate”, “believe”, “continue”, “could”, “expect”, “intend”, “may”, “ought to”, “plan”, “potential”, “predict”, “project”, “propose”, “seek”, “should”, “will”, “would” and similar expressions or statements to identify forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- its business strategies and plan of operations;
- its capital expenditure and funding plans;
- projects under construction and planning;
- general economic conditions;
- capital market development;
- the trends of industry and technology;
- certain statements in “Financial Information” with respect to trends in prices, volumes, operations;
- margins, overall market trends, risk management and exchange rates;
- the regulatory environment for the LED lighting manufacturing industry in general and the level of policy support; and
- other statements in this prospectus that are not historical fact.

These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond the control of our Company. In addition, these forward-looking statements reflect the current views of our Company with respect to future events and are not a guarantee of future performance.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to those discussed under the section headed “Risk Factors” and elsewhere in this prospectus.

These forward-looking statements are based on current plans and estimates, and speak only as of the date they are made. Our Company undertakes no obligation to update or revise any forward-looking statement in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond the control of our Company. Our Company cautions you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statements.

FORWARD-LOOKING STATEMENTS

Due to these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way our Company expects, or at all. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representation by our Company that its plan, or objective will be achieved. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to these cautionary statements.

RISK FACTORS

An investment in our Shares involves a high degree of risk. You should carefully consider all of the information in this prospectus including the risks and uncertainties described below before making an investment in our Shares. You should pay particular attention to the fact that we conduct part of our operations in the PRC, the legal and regulatory environment of which may differ in some respects from that which prevails in other countries. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks and uncertainties. The trading price of our Shares could decline due to any of these risks, and you may lose all or part of your investment.

In addition to the risk factors described below, other risks and uncertainties not presently known to us, or not expressed or implied below, or that we currently deem immaterial, may also adversely affect our business, financial condition and results of operations in a material respect and the trading price of our Shares could also fall considerably.

We consider that there are risks involved in our business and operations and in connection with the Share Offer. Such risks can be categorized into: (i) risks relating to our business and industry; (ii) risks relating to the PRC; and (iii) risks relating to the Share Offer.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We derive a significant portion of our revenue from sales to our major customers. If our major customers were to terminate their respective relationships with us entirely and if we failed to develop new customers, our business would be adversely affected

Our sales to our five largest group customers represented approximately 95.6%, 86.1% and 67.3% of our total revenue for the three years ended 30 April 2017, respectively while our sales to our largest group customer represented approximately 42.2%, 29.1% and 23.9% of our total revenue for the three years ended 30 April 2017. We did not enter into any long-term agreements with our customers with purchase obligations. Purchases by our customers are typically made on the basis of actual purchase orders received from time to time with no commitment to place future orders with us.

For the two years ended 30 April 2017 we did not undertake purchase order from Customer B, being our major retailer in North American market who accounted for approximately 41.1% of our total revenue for the year ended 30 April 2015. Please refer to the section headed “Business — Customer — Major Customers — Our Relationship with Customer B” in this prospectus for further details. We cannot assure you that we may not terminate our relationship with other major customers or vice versa. If any of our relationship with our other major customers were to be terminated, our results of operations would be adversely affected.

If our customers are not successful or effective in their business, we will be unable to maintain our revenue growth. We are also competing with our competitors for quality customers. Our relationships with our major customers may cease due to competition. Any unplanned loss of any of our major customers in a short period of time may reduce our revenue generation ability, undermine our business image and affect our sales. As our Directors consider the overseas export market, a large and diverse market, and customer needs, local regulations and business practices and demands vary significantly by region, we may not be able to replace our major customers without material disruption of business. We

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cannot assure you that our existing customers including our five largest group companies, will continue to place purchase orders with us in the future at the same quantity and price level as in the current or prior periods, or at all. If there is any other unexpected cessation of, or substantial reduction in the volume of, orders with any of our existing major customers, we cannot assure you that we would be able to obtain replacement in a timely manner or on commercially reasonable terms. Furthermore, the actual volume of our customers' orders could be inconsistent with our expectations at the time we plan our expenditures and as a result, our business operations, financial condition and results of operations could vary from period to period and could fluctuate significantly in the future. If any of our relationships with our major customers were to be so altered and we were unable to obtain replacement orders, our results of operations would be adversely affected.

We do not have a publicly recognised brand name and our business depends on perception in the LED lighting product industry and recognition of our products

We rely on the industry recognition of our products. Our products are normally sold to our customers such as overseas companies which operate department stores, warehouse stores and trading business, and would then be sold in the consumer market under our customers' brand names or other designated names, from which we derived majority of our revenue during the Track Record Period. As we do not retail or sell to the public directly under our own brand name, our Directors believe our business growth is susceptible to our customers' or potential customers' perception of our products and we anticipate that we will continue to rely on the industry's recognition for our future businesses.

If we fail to promote, maintain or enhance our product recognition and awareness among our current and potential customers, or if we are subject to events or negative allegations affecting our corporate image, it may affect our customers' decision to source from us. In such case, our business, operating results and financial conditions may be adversely affected.

Our Group engages in production and selling LED lighting products mainly to North America and Asia Pacific. Any material deterioration of the market condition for LED lighting products business and financial resources or market failure in these areas may have adverse effect on our Group's business and financial results

During the Track Record Period, our Group specialised in producing and selling LED lighting products mainly to North America and Asia Pacific. Should there be any material deterioration to the LED lighting products market due to, amongst others, the factors as mentioned in the paragraph headed "Risks relating to Our Business and Industry" in this section, and our Group may not be able to procure sufficient businesses from other categories of products (if any) in time, the business, results of operations, financial condition and future prospects of our Group could be adversely affected.

During the Track Record Period, approximately HK\$134.2 million, HK\$86.4 million and HK\$93.7 million, or approximately 96.8%, 71.4% and 66.1% of our sales, respectively, was generated from our overseas customers. In the foreseeable future, our Directors expect that the North America and Asia Pacific markets will continue to be the principal markets of our Group. Should there be any material adverse change in the political, economic, legal or social conditions or if there is any change in consumption pattern in LED lighting products in these areas or the demand for our Group's products does not grow as expected or at all in these areas, the business, results of operations, financial condition and future prospects of our Group may be adversely affected.

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Our sales volume is sensitive to seasonality and changes in consumer spending patterns

Our industry is sensitive to seasonality and consumer spending patterns on LED decorative lighting products, which may affect our revenue and operating income. We generally record higher sales on LED decorative lighting products in the third and fourth quarters of each calendar year in anticipation of Halloween and Christmas. Majority of the orders need to be delivered in these periods. As a result, our revenue generated from the third and fourth quarters of the calendar year 2014 accounted for approximately 75.5% of our Group's revenue for the year ended 30 April 2015, solely from the sale of the LED decorative lighting products. Upon the commencement of sale of LED luminaire lighting products in August 2015, our revenue generated from the third and fourth quarters of the calendar years 2015 and 2016 accounted for approximately 65.2% and 59.7% of our Group's revenue for the two years ended 30 April 2017 respectively. For more details on how seasonality affects our Group's financial performance, please refer to the section headed "Financial Information — Principal Factors Affecting the Results of Operations — Seasonality" in this prospectus. Since we operate on a seasonal cycle, if we fail to select the right product mix for a particular season, the sale for that entire season could be affected.

We will need to make occasional estimate on the sales for the season and to procure our inventory and plan our manufacturing work schedule accordingly. If our estimate materially deviate from the actual sales or if our work schedule does not proceed as planned, we may not be able to re-supply our inventory or we may experience increased cost due to extra shift of work.

In addition, due to the seasonality, comparisons of sales and results of operations between different periods within a single financial year, or between different periods in different financial years, are not necessarily meaningful and cannot be relied on as indicators of our performances, and any seasonal fluctuations reported in the future may not match the expectations of investors.

We expect fierce price competition from our competitors and we may not be able to lower our price to compete in the future

The LED lighting product manufacturing market which we operate in has historically been highly fragmented. Price is one of the primary bases of competitiveness. Due to competitive pressures, we have historically adopted pricing strategies to lower our average margin of our products in order to compete for customers' purchase orders and market shares. If we are unable to compete effectively and successfully at reasonable costs against our existing and future competitors in our business segment, our business prospects, financial condition and results of operations could be materially and adversely affected.

Our operation and profitability are subject to fluctuations in the cost of raw materials or stable supply of raw materials

LEDs are our major raw materials which we use during our production of LED lighting products. Our production process is dependent on a reliable supply of certain raw materials at competitive market prices. As we do not execute long-term contract with our suppliers, there is no assurance on the stability of raw material supply. Also, various factors that are beyond our control, such as market shortages, suppliers' business interruptions, government control, weather conditions and overall economic conditions will affect our supply. All of which may have an impact on the respective market prices of

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our raw materials from time to time. Any disruptions in the supply of raw materials may affect our production costs and our ability to deliver products to customers in a timely manner, which may in turn have an adverse effect on our results of operations, prospects and reputation.

The prices of most of our raw materials generally follow the price trends of, and vary with market conditions. According to the Ipsos Report, the average price of LEDs in China presented a decreasing trend from 2010 to 2016. The decrease in the average price of LEDs in China was due to the technological advancement in producing LEDs in recent years. It is predicted that the global average price of LEDs will decrease by over 50% from 2012 to 2021. The price trends of polystyrene and wire in China decrease from 2010 to 2016 with small fluctuations over the period. For further details, please refer to the section headed “Industry Overview — Historical Price Trend of Key Raw Materials” in this prospectus. However, our Group cannot provide any assurance on the stability of raw materials price or the aforesaid price will continue to decrease in the future. In the event that raw material prices increase and we cannot pass such increase to our customers, our financial condition and results of operations would be negatively affected.

Our Group recorded negative net operating cash flow for the year ended 30 April 2017 and we may be exposed to liquidity and operational risk if our Group continues to result negative operating cash flow in the future

We recorded negative net operating cash flow of approximately HK\$3.1 million for the year ended 30 April 2017. For reasons, please refer to the section headed “Financial Information — Liquidity and Capital Resources — Net cash flows generated from or used in operating activities” in this prospectus. We cannot assure you that we will not experience negative operating cash flows in the future. Our future liquidity, the payment of our trade payables, inventories, accruals and other payables, will primarily depend on our ability to maintain adequate cash flows and proceeds from operating cash generated from operations. In the event that we are unable to generate sufficient cash flows to meet the demand from our capital and operating expenditure, our operations will have to be funded from our financing activities, which may or may not be available or at the terms favourable to us. Accordingly, these could negatively affect our liquidity and may materially and adversely affect our businesses, prospects, financial conditions and results of operations.

We have high inventory turnover days and our inventory may be subject to write off if it is not effectively managed

Our average inventory turnover days were approximately 175.1 days, 116.5 days and 88.2 days for the three years ended 30 April 2017, respectively. In particular, we had approximately HK\$1.2 million of inventories aged over 365 days as at 30 April 2016, as compared to nil as at 30 April 2015 and 30 April 2017. Please refer to the section headed “Financial Information — Analysis of Various Items from Our Combined Statements of Financial Position — Inventories” in this prospectus for more details. As a result, we are subject to risks associated with the relatively high inventory turnover days, including, among others, the requirement for additional working capital which may be tied up with our inventory, the increase in our costs relating to holding inventory and the risk that we may have to write off our inventory. We cannot assure you that we can effectively manage our inventory levels or would not have significant levels of obsolete or excessive inventory. In the event we cannot effectively manage our inventory levels or turnover days, our business, financial condition and results of operations could be materially adversely affected.

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We are exposed to credit risk from our customers

As at 30 April 2015, 2016 and 2017, the five largest receivable balance accounted for approximately 99.9%, 99.2% and 68.1% of our trade receivable and the largest trade receivable was approximately HK\$1.7 million, HK\$4.4 million and HK\$7.2 million which was approximately 85.9%, 58.1% and 18.2% of our total trade receivables. We cannot assure you that our customers will pay us on time and that they will be able to fulfil their payment obligations. If we experience any unexpected delays or difficulties in payment from our customers, our operating results and financial condition may be adversely affected. In addition, we may be exposed to further credit risks from new customers and from providing credit to our existing customers. Consequently, we cannot assure you that the risk of default by both our existing and new customers will not occur in the future.

Our operations may be subject to transfer pricing adjustments by competent authorities

During the Track Record Period, we manufactured our products in the PRC through Bortex Industry. When our Hong Kong subsidiary Bortex International received purchase orders, it would place corresponding purchase orders to Bortex Industry for production. Finished goods were sold by Bortex Industry to Bortex International on a cost-plus basis. During the Track Record Period, Bortex Industry had not received a demand or challenge by any PRC authorities for additional tax payment.

There is no assurance that the tax authorities would not subsequently challenge the appropriateness of our Group's transfer pricing arrangement or that the relevant regulations or standards governing such arrangement will not be subject to future changes. If a competent tax authority later finds that the transfer prices and the terms that our Group has applied are not appropriate, such authority may require our Group to re-assess the transfer prices and re-allocate the income or adjust the taxable income. Any such reallocation or adjustment could result in a higher overall tax liability for our Group and may adversely affect the business, financial condition and results of operation of our Group.

Fluctuations in exchange rates could have a material adverse effect on our results of operations and the value of your investment

Our Group has been and is expected to continue to receive operating cash flow mainly in the form of USD while we mainly settle our cost of sales and expenses in the form of RMB. Our Group is exposed to the risks associated with the fluctuation in the currency exchange rate of USD and RMB. According to the Ipsos Report, there was an overall appreciation of RMB against USD from USD0.1477 in 2010 to USD0.1506 in 2016 at a CAGR of about 0.3%.

Should RMB appreciate against other currencies, the value of the proceeds from the Share Offer and any future financings, which are likely to be converted from HKD into RMB, would be reduced and might accordingly hinder the business development of our Group due to the lessened amount of funds raised. Hence, substantial fluctuation in the currency exchange rate of RMB may have a material adverse effect on the business, operations and financial position of our Group and the value of your investment in the Shares.

RISK FACTORS

If our product design effort does not lead to products that meet customers' requirements, our ability to attract and retain customers could be impaired and our competitive position may be harmed

Our competitiveness depends on our ability to acquire up-to-date design know-how and cater for our customers' specifications on design and price. Doing so requires up-to-date industry and market knowledge and investments in designing prototypes. We expect that we will continue to incur costs to design products which meet our customers' expectations. Such expenditures may have an adverse impact on our results of operations.

We cannot assure you that our product design effort will lead to products that are marketable or yield the benefits as we have expected. If we fail to introduce our designs at competitive prices or if our investments in improving product design capability do not result in product enhancements which meet our customers' expectation, our ability to attract and retain customers as well as our ability to maintain the competitiveness of our products would be impaired, which could have a material adverse effect on our revenue and results of operations.

We have no control over the trading companies

During the Track Record Period, our Group's sales to trading companies represented over half of our Group's revenue. For the three years ended 30 April 2017, our revenue generated from trading companies was approximately HK\$17.6 million, HK\$64.3 million and HK\$76.0 million, representing approximately 12.7%, 53.2% and 53.6% respectively. We generally do not enter into sales contracts with the trading companies and they purchase from us on an order-by-order basis. We have not implemented any control over the trading companies. Therefore, they are not obliged in any way to continue placing orders with us and the quantity they order from us depends on the demand from their sales channel. Accordingly, there is no assurance that the trading companies will continue to place orders with us and the number of trading companies may vary significantly from period to period. Should any of the trading companies cease to place orders with us or reduce their purchases from us, our business and profitability could be adversely affected.

Potential product liability claims may materially affect our Group's operation and financial condition

We are exposed to risks associated with product liability claims if the use of our products results in damage or injury. If any of our products is found to be defective, we may be subject to product liability lawsuits and may be liable for any personal or property damages caused by such defective products.

Our products contain various types of components including LEDs, plastic coated copper wires, electronic components, plastics, PCB/PCBA and glass tubes and so on, sourced from suppliers. These components, particularly plastics and glass tubes which are shatterable and electrical wires exposed in open environment, may be subject to potential safety issues. Such components may cause harm due to reasons such as inappropriate use or maintenance by individual consumers that are often not under our control. We may in the future, be claimed by our customers, if they happened to, initiate a recall if any of our products are found to be defective. Such claims would adversely affect our corporate image in our target markets and could adversely affect our business prospects, financial condition and results of operations.

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In the event that our Group is held liable for any damages arising from any product liability claims in which the amount being claimed is in excess of our insurance coverage, the results of operations and financial condition of our Group may be adversely affected.

We closely monitor the latest development of laws and international standards regarding product safety and are also required to invest in research and development to produce products that meet the ever stringent international safety standards. If we fail to comply with the new safety standards, we may face civil and possibly criminal penalties. Moreover, the products we produced prior to the change in regulations will become obsolete. Therefore, our business, financial condition and results of operations could be materially adversely affected. For more information about international safety standards, please refer to the section headed “Industry Overview — Overview of the Christmas Lights Manufacturing Industry in China — Threats to the Christmas Lighting Manufacturing Industry in China — Constant upgrade of international standards” in this prospectus.

Our products may be subject to compensation payments or discounts due to defective goods and delayed delivery

We do not have our own transportation team. During the Track Record Period, we entered into contracts with independent logistic companies and delivery agents for transportation or delivery of our lighting products to the ports in Guangdong Province. Should the logistic companies and delivery agents fail to comply with the terms of our contracts with them or any regulatory requirements, they may fail to transport or deliver our lighting products to the designated ports in Guangdong Province and our customers may, as a result, have to delay their shipment. Upon failure to deliver our products to our customers’ designated ports in a timely manner, we may be subject to compensation, payment or discounts to our customers.

We rely heavily on our executive Directors, senior management and key personnel and the loss of any of their services could adversely affect our business

We believe that our success depends significantly on the continued service of the members of our Board and senior management team. Our continued success also depends on our ability to attract and retain a competent management team in order to manage our existing operations and support our expansion plans. The loss of the services of any of our executive Directors and member of our management team or the failure to recruit suitable or comparable replacements on a timely basis could have a significant impact on our ability to manage our business effectively and may decrease our competitiveness, which may in turn materially and adversely affect our business, financial condition, results of operations and growth prospects.

Our Controlling Shareholders have substantial control over us, and their interests may not be aligned with the interests of our other Shareholders

Our Controlling Shareholders will directly and indirectly together be entitled to exercise or control an aggregate of 46.8% of the voting power at general meetings of our Company after the completion of the Share Offer and the Capitalisation Issue, assuming that the Adjustment Options are not exercised. The interests of our Controlling Shareholders could have significant influence in determining the outcome of any corporate transaction or other matter submitted to our Shareholders for approval, including mergers, consolidations and the sale of all or substantially all of our assets, election of Directors and other significant corporate actions. In cases where their interests are aligned, our

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Controlling Shareholders will also have the power to either prevent or cause a change in control. If the interests of our Controlling Shareholders conflict with the interests of other Shareholders, the interests of other Shareholders may be disadvantaged or harmed.

Our business depends on our ability to maintain a skilled work force, and our business may be adversely affected if we fail to continue to attract, train, and retain skilled personnel

Our business depends on our ability to attract, train and retain skilled personnel. Since our industry has high demand and intense competition for skilled workforce, there can be no assurance that we will be able to attract or retain skilled employees to implement our business strategies and objectives. Our ability to train and integrate new employees into our operations may not meet the growing demands of our business. We may not be able to offer competitive salary package to our employees compared with our competitors or otherwise maintain a good relationship with our employees. If we are unable to attract, train, and retain qualified personnel, our business may be adversely affected.

Expanding overseas sales may subject us to risks that may have a materially adverse impact on our business

Expanding overseas sales is a part of our business operation objective. Overseas sales are subject to various risks, including political and economic instability, the imposition of foreign tariffs and other trade barriers, the impact of foreign government regulations and the effects of income and withholding taxes, governmental expropriation and differences in business practices. Our efforts to expand internationally may not be successful. We may incur increased costs and experience delays or disruptions in product deliveries and payments in connection with international sales that could cause loss of revenue and earnings. Unfavourable changes in the political, regulatory and business climate could have a materially adverse effect on our sales, financial condition, profitability or cash flows.

It may be costly and difficult to enforce our intellectual property rights in the event of infringement of such rights by third parties

We depend, to a large degree, on our intellectual property and other forms of protection afforded under the laws of the PRC, USA and Canada to safeguard the ideas relating to production technology and know-how we develop or possess. We own trademarks, utility model patents (實用新型專利), invention patent (發明專利) and domain name (details as set out in the section headed “Statutory and General Information — B. Further Information about Our Business — 2. Intellectual property rights” in Appendix IV to this prospectus). We cannot guarantee that misappropriation of our intellectual property will not occur, and our competitors may independently develop other equivalent or superior technologies or know-how based on our intellectual property, introduce counterfeits of our products, misappropriate our proprietary information and infringe our patents and trademarks. Furthermore, the legal regime governing intellectual property in the PRC is still evolving and the level of protection of intellectual property rights in the PRC differs from those in other jurisdictions.

In the event of infringement of our intellectual property rights by others, we may need to protect our intellectual property rights through litigation. Litigation may divert our management’s time and attention from our business operations and incur significant expense. The outcome of such litigations is however uncertain. An adverse result may subject us to significant liabilities or require us to seek licenses from third parties on commercially unfavourable terms, if such licenses were to be available at

RISK FACTORS

all, and, consequently, our intellectual property rights may impair the market value and share of our products, damage our reputation and adversely affect our business, financial condition and results of operations.

We do not have nor are we able to obtain full knowledge as to the ownership of intellectual property rights in relation to our products, in particular intellectual property rights overseas. As such, we are unable to determine whether any of our products, technologies, inventions and improvement and other related matters infringe upon the rights of others.

If we are subject to claims relating to infringement of intellectual property rights, a third party may force us to pay a licence fee for the use of its patented technology, claim us for patent infringement and/or challenge the validity of our patents. In such case, we would need to defend ourselves and we could become involved in litigation. Even if we are successful for defending against these claims, litigation could result in substantial costs and divert the attention of our management from our business operations. If we fail to defend such claims, we may be required to pay monetary damages or lose valuable intellectual property rights.

We may be exposed to risk of intellectual property infringement

Our products and production technology are associated with certain degree of intellectual property rights. Prior to the Track Record Period, our Group was involved in an alleged patent infringement dispute and lawsuit concerning a patent dispute regarding jacketed LED assemblies and light strings, further details of which are set out in the section headed “Business — Litigation” in this prospectus. Accordingly, we cannot ensure all material issues regarding intellectual property rights have been dealt with, in particular we sold to various overseas markets.

As at the Latest Practicable Date, we had nine utility model patents and one invention patent in the PRC, one patent in the United States and one patent in Canada respectively. For details about information relating to our intellectual property rights, please refer to the section headed “Business — Intellectual Property” in this prospectus. Our competitors may independently develop proprietary technology similar to ours, introduce counterfeits of our products, misappropriate our proprietary information or processes, infringe on our patents, brand name and trademarks, or produce similar products that do not infringe on our patents or successfully challenge our patents. Our efforts to defend our patents, trademarks and other intellectual property rights may be unsuccessful against competitors or other violating entities, we may be unable to identify any unauthorised use of our patents, trademarks and other intellectual property rights and may not be afforded adequate remedies for any breach. In particular, in the event that our registered patents and our applications do not adequately describe, enable or otherwise provide coverage of our technologies, samples and products, we would not be able to exclude others from developing or commercialising these technologies, samples and products. In the event that any misappropriation or infringement of our intellectual property occurs in the future, we may need to protect our intellectual property or other proprietary rights through litigation.

We can make no guarantee that lawsuit or threatened lawsuit will not materialised in future and be resolved in our favour. If any future case (whether instituted in the PRC, Hong Kong or in the North America) is determined against us and we are required to account for our profits or pay any damages as demanded or we lose any of our intellectual property rights, our business, financial condition, results of operations, prospects and reputation could be materially and adversely affected.

RISK FACTORS

Disruptions to our production facilities will affect our business and operations

We operate with a single integrated production base in Dongguan, Guangdong Province, the PRC and our business may be affected by disruptions to our production facilities from natural disasters such as typhoons and earthquakes, unexpected machine down-time, break-down power failures or power surges at the production facilities, which would result in damage to our production equipment and facilities or cause a production halt or delay in our production process. As we have only one production base, any major disruption to it could prevent us from meeting our customer orders timely, increase our costs of production or require us to make unplanned capital expenditures, each of which could have a material adverse effect on the results of our operations.

We have limited insurance coverage and may incur significant losses resulting from business disruption

We do not maintain business interruption insurance. Our ability to meet the demand of and our contractual obligations to our customers as well as our ability to grow our business are all heavily dependent on the efficient, proper and uninterrupted operations of our facilities. Unforeseeable events or accidents such as power failures or disruptions, the breakdown, failure or substandard performance of equipment, the destruction of buildings and other facilities due to fire or natural disasters such as hurricanes, severe storms, flood, droughts or earthquakes can severely affect us or our suppliers' operation, which in turn will affect our ability to continue the proper and uninterrupted operations of our facilities. In such case, it could result in substantial financial loss and a diversion of resources, which would have an adverse effect on our business and results of operations.

Our export sales may fluctuate and may be restricted by anti-dumping measures or the imposition of together technical standards by the governments of our export destinations abroad

A significant portion of our Group's revenue is generated from our export sales to North America, comprising Canada, the United States and Mexico. For the three years ended 30 April 2017, our sales to North America in aggregate was approximately HK\$118.5 million, HK\$52.0 million and HK\$53.5 million, accounting for approximately 85.5%, 42.9% and 37.7% of our revenue, respectively. Our products are subject to the respective laws, regulations and industry standards in the jurisdictions where they are exported to. Some countries in North America may impose anti-dumping duties on products exported from another country to protect their local industry if such exported products are being sold (i) at less than the producer's sale prices in home market or (ii) at prices that are lower than its production costs. There is no assurance that anti-dumping measures will not be adopted or that standards affecting our exports products will not be tightened in the future. To the best knowledge of our Directors, our Group has not been charged from this kind of duty. Nevertheless, there is still no assurance that our products will not be subject to any anti-dumping measures in the future and duties in any of the countries where our Group's products are or will be exported to. Should any of such events occur, our export sales may drop substantially and hence our financial condition, results of operations and prospects may be adversely affected.

RISK FACTORS

Our failure or inability to obtain, retain and renew required permits, licences, registration and certificates for our business operations could materially and adversely affect our business, financial condition and results of operations

We are required to maintain approvals, licences and registrations issued by the relevant government authorities in the PRC. We cannot guarantee that we will be able to renew our existing approvals, licences and registrations or that we will be able to successfully obtain, retain or renew future approvals, licences and registrations in a timely manner, or at all, or that such approval, licences and registrations will not be revoked by the relevant authorities. Failure to obtain or renew such approval, licences and registrations as planned may cause us to experience delays or suspension in the manufacturing and sales of our products or our expansion plans, thereby adversely affecting our business, financial condition and results of operations.

Any catastrophe, including outbreaks of health pandemics and other extraordinary events, could severely disrupt our business operations

Our operations are vulnerable to interruption and damage from natural and other types of catastrophes, including earthquakes, tsunami, fire, floods, hail, windstorms, severe winter weather (including snow, freezing water, ice storms and blizzards), environmental accidents, power loss, communications failures, explosions, man-made events such as terrorist attacks, and similar events. Due to their nature, we cannot predict the incidence, timing and severity of catastrophes. In addition, changing climate conditions, primarily rising global temperatures, may be increasing, or may in the future increase, the frequency and severity of natural catastrophes. If any such catastrophe or extraordinary event were to occur in the future, our ability to operate our business could be seriously impaired. Such events could make it difficult or impossible for us to deliver our products and services to our customers and could decrease demand for our products. Our national footprint may expose us to potential catastrophes of all types in a broad geographic area in China. Our financial position and operating results could be materially and adversely affected in the event of any major catastrophic event.

In addition, our business could be materially and adversely affected by the outbreak of influenza such as “swine flu”, “avian flu”, severe acute respiratory syndrome, Ebola virus disease or other pandemics. Any occurrence of these pandemic diseases or other adverse public health developments in the PRC could severely disrupt our staffing and otherwise reduce the activity levels of our work force, causing a material and adverse effect on our business operations.

RISKS RELATING TO THE PRC

Our PRC subsidiary will be exposed to environmental liabilities and may have to incur significant capital expenditure if additional or stricter laws and regulations are passed in relation to environmental protection

Under the relevant PRC environmental laws and regulations, we are subject to environmental assessment and inspection by the environmental protection authorities from time to time. If we fail to comply with present or future applicable environmental regulations, we may be required to pay substantial fines, suspend production or cease operations. Any failure by us to control the use or to restrict adequately the discharge of hazardous substances could cause potentially significant monetary damages and fines or suspensions in our business operations, which would have a material adverse effect on our business and results of operations.

RISK FACTORS

If any of our manufacturing facilities are adjudged to have violated the relevant environmental laws, we may be required to implement remedial measures, pay substantial fines, suspend production or cease operations, which may materially and adversely affect our business operations, financial results and prospects.

Changes in legal, political and economic policies in the PRC may have a negative impact on our operations

A major part of our business operations and assets is located in the PRC. We heavily rely on our PRC manufacturing facilities to supply products for our international distribution. Our results of operations and prospects will be affected, to a significant degree, by economic, political and legal developments in the PRC. The economy of the PRC differs from the economies of most developed countries in many respect, including the extent of government involvement in allocation of resources, capital investment, level of development, growth rate and control of foreign exchange.

A variety of policies and other measures that could be taken by the PRC government to regulate the economy could have a negative impact on our business. We cannot assure you that the PRC government will not discontinue any of the existing industry policies favourable to LED lighting manufactures or will not adopt policies that would adversely affect the industry. Nor can we assure you that unfavourable changes in government policy will not materially and adversely affect our business, results of operations and business prospects.

Our Group cannot predict the future development of the PRC legal system, including any promulgation of new laws, change to existing laws or the interpretation or enforcement thereof, or the pre-emption of local regulations by national laws, and the effect it may have on our Group. These uncertainties could limit the legal protections available to us and investors. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of our resources and management attention.

RISKS RELATING TO THE SHARE OFFER

There has been no prior public market for our Shares, and the liquidity, market price and trading volume of our Shares may be volatile

Prior to the Share Offer, there was no public market for our Shares. The Offer Price was the result of negotiations between the Sole Global Coordinator and our Company, and the Offer Price may differ significantly from the market price for our Shares following the Share Offer.

We have applied to list and deal in our Shares on GEM. However, even if approved, being listed on GEM does not guarantee that an active trading market for our Shares will develop following the listing or that our Shares will always be listed and traded on GEM. We cannot assure that an active trading market will develop or be maintained following the listing, or that the market price of our Shares will not decline below the Offer Price.

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Our Controlling Shareholders have undertaken that any disposal of our Shares held by them will be subject to constraints for a period longer than that required under the GEM Listing Rules. However, there is no assurance that such undertaking will not be waived and such waiver can be granted without recommendations of the independent committee of our Board and/or the approval of our independent Shareholders

Each of our Controlling Shareholders has undertaken to our Company, the Sponsor and the Sole Global Coordinator (for itself and on behalf of the Underwriters) that, in the period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholders is made in this prospectus and ending on the date which is thirty months from the Listing Date, save as permitted under Rule 13.18 of the GEM Listing Rules, he/it shall not and shall procure that the relevant registered holders shall not, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares in respect of which he/it is shown in this prospectus to be the beneficial owner(s). Such lock-up period is beyond the requirement under Rule 13.16A(1)(a) of the GEM Listing Rules.

Such undertaking can be waived as agreed between our Company, the Sponsor and the Sole Global Coordinator (for itself and on behalf of the Underwriters) without recommendations of the independent committee of our Board comprising independent non-executive Directors and/or the approval of our independent Shareholders. Should the undertaking be waived, there is no assurance that our Controlling Shareholders will not dispose of their Shares. For details of the undertaking, please refer to the section headed “Underwriting — Underwriting Arrangements and Expenses — Undertakings” in this prospectus.

Future sales of a substantial number of our Shares by our current Shareholders could negatively impact the market price of our Shares and our ability to raise equity capital in the future at a time and price that we deem appropriate. While we are not aware of any intentions of our Controlling Shareholders to dispose of significant amounts of their Shares after the expiration of the lock-up periods, we are not in a position to give any assurance that they will not dispose of any Shares they may own now or in the future.

Shareholders’ interest in our Company may be diluted in the future

We may need to raise additional funds in the future to finance our business expansion, whether related to existing operations or new acquisitions. 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 our existing Shareholders, then (i) the percentage ownership of those existing Shareholders may be reduced, and they may experience subsequent dilution; and/or (ii) such newly issued securities may have rights, preferences or privileges superior to those of the Shares of our existing Shareholders.

Certain industry statistics contained in this prospectus are derived from third party report and publicly available official sources which may not be accurate or reliable

This prospectus, particularly the section headed “Industry Overview” in this prospectus, contains information and statistics, including information and statistics relating to the PRC and the LED lightings markets. Certain facts and statistics in this prospectus related to the PRC, its economy and the industries in which we operate within the PRC are derived from official government publications and a third party report commissioned by us. We believe that the sources of these facts and statistics are appropriate

RISK FACTORS

sources for such information and have taken reasonable care in extracting and reproducing such information. These facts and statistics have not been independently verified by us, the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Share Offer and therefore we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside the PRC and may not be complete or up-to-date. 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 from period to period or to statistics produced for other economies and should not be unduly relied upon. Further, we cannot assure you that they are stated with the same degree of accuracy as may exist elsewhere. In all cases, investors should give consideration as to how much weight or importance they should place on all such facts and statistics.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V, the Laws of Hong Kong), the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the GEM Listing Rules for the purpose of giving information with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, (a) the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive; (b) there are no other matters the omission of which would make any statement in this prospectus misleading; and (c) all opinion expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

OFFER SHARES ARE FULLY UNDERWRITTEN

This prospectus and the Application Forms contain the terms and conditions of the Share Offer. This prospectus is published solely in connection with the Share Offer, which is sponsored by the Sponsor and managed by the Sole Global Coordinator and is fully underwritten by the Underwriters (subject to the terms and conditions of the Underwriting Agreements). Further information about the Underwriters and the underwriting arrangement is contained in the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON OFFER OF THE OFFER SHARES

Each person acquiring the Offer Shares will be required to confirm, or by his or her acquisition of the Offer Shares be deemed to confirm, that he or she is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus and/or the related Application Forms and that he or she is not acquiring, and has not been offered, any such shares in circumstances that contravenes any such restriction. Prospective investors for the Offer Shares should consult their financial advisers and take legal advice as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction.

As at the Latest Practicable Date, no action has been taken in any jurisdiction other than Hong Kong to permit the offering of the Offer Shares or the distribution of this prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus and/or the related Application Forms may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstance in which such offer or invitation is not authorised or to any person to whom it is unlawful to make an unauthorised offer or invitation.

The distribution of this prospectus and/or the related Application Forms and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable laws or any applicable rules and regulations of such jurisdictions pursuant to registration with or authorisation by the relevant regulatory authorities as an exemption therefrom. In particular, the Offer Shares have not been offered and sold, and will not be offered or sold, directly or indirectly in the US, except in compliance with the relevant laws and regulations of such jurisdiction.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

The Offer Shares are offered for subscription solely on the basis of the information contained, and the representations made in this prospectus. No person is authorised in connection with the Share Offer to give any information, 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 our Company, the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or employees or any other persons involved in the Share Offer.

Prospective applicants for the Offer Shares should inform themselves as to the relevant legal requirements of applying for the Offer Shares and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

APPLICATION FOR LISTING ON GEM

Application has been made to the Listing Division of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer (including any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option or the Over-allotment Option and any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme).

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

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, if the permission for the Shares offered under this prospectus to be listed on GEM has been refused before the expiration of three weeks from the date of the closing of the Share Offer or such longer period not exceeding six weeks as may, within the said three weeks, be notified to our Company for permission by or on behalf of the Listing Division, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void.

A total of 200,000,000 Shares, representing 40% of the enlarged issued share capital of our Company immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option or Over-allotment Option and any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), will be made available under the Share Offer.

Only securities registered on the branch register of members of our Company kept in Hong Kong may be traded on GEM unless the Stock Exchange otherwise agrees.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of Listing and at all times thereafter, our Company must maintain the “minimum prescribed percentage” of 25% of the issued share capital of our Company in the hands of the public.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

PROFESSIONAL TAX ADVICE RECOMMENDED

Investors for the Offer Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of the subscription for, holding, purchase, disposal of or dealing in the Shares or exercising their rights thereunder. It is emphasised that none of our Company, our Directors, the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and their respective directors or employees or any other persons involved in the Share Offer accepts responsibility for any tax effects on, or liability of, holders of Shares resulting from the subscription for, holding, purchase, disposal of or dealing in the Shares.

REGISTRATION AND STAMP DUTY

All Offer Shares issued pursuant to applications made in the Public Offer will be registered on the Hong Kong branch register of members to be maintained by Tricor Investor Services Limited. Dealings in the Shares registered on our Company's branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty. Dealings in the Shares registered on the principal register of members of our Company maintained by Conyers Trust Company (Cayman) Limited in the Cayman Islands will not be subject to the Cayman Islands stamp duty.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on GEM and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date, or on 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. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

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 the Shares to be admitted into CCASS.

ADJUSTMENT OPTIONS

Details of the Offer Size Adjustment Option and the Over-allotment Option are set out in the section headed "Structure and Conditions of the Share Offer" in this prospectus.

COMMENCEMENT OF DEALING IN THE SHARES

Dealing in the Shares on GEM is expected to commence on Thursday, 16 November 2017 under the GEM stock code 8118. Shares will be traded in board lot of 8,000 Shares each.

Our Company will not issue any temporary document of title.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Further information on the structure and conditions of the Share Offer are set out in the section headed “Structure and Conditions of the Share Offer” in this prospectus.

ROUNDING

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

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 and regulations, governmental authorities, departments, entities, institutions, natural persons, facilities, certificates, titles and the like included in this prospectus are unofficial translations for identification purposes only. In the event of any inconsistency, the Chinese name prevails.

EXCHANGE RATES CONVERSION

For exchange rates translations throughout this prospectus (if any), we make no representation and none should be construed as being made, that any of the HK\$, RMB or US\$ amounts contained in this prospectus could have been or could be converted into amounts of any other currency at any particular rate or at all on such date or any other date.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Residential address	Nationality
<i>Executive Directors</i>		
Mr. Shiu Kwok Leung (邵國樑)	Flat 6, 32/F Block L, Kam Man House 33 Ning Tai Road, Phase 2 Kam Tai Court Ma On Shan, New Territories Hong Kong	Chinese
Mr. Shao Xu Hua (邵旭華)	No.1 South Second Street Qiao Guang Avenue Qiao Tou Town Dongguan, Guangdong China	Chinese
Mr. Yuen Lai Him (袁禮謙)	Flat A, 13/F, Block 2 The Leighton Hill 2B Broadwood Road Happy Valley Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Mr. Wong Ting Kon (黃定幹)	Flat B, 38/F Block 2, Phase 3 Belvedere Garden 625 Castle Peak Road Tsuen Wan New Territories Hong Kong	Chinese
Ms. Lo Ching Yee (盧靜兒)	Room 1C, Venice Garden 91-93 Blue Pool Road Happy Valley Hong Kong	Chinese
Mr. Cheng Hok Ming Albert (鄭鶴鳴)	Flat H, 25/F, Tower 5 Metro City Phase I Tseung Kwan O New Territories Hong Kong	Chinese

Further information about our Directors and other senior management members are set out in the section headed “Directors and Senior Management” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED IN THE SHARE OFFER

Sponsor

Ample Capital Limited

Unit A, 14th Floor
Two Chinachem Plaza
135 Des Voeux Road Central
Central
Hong Kong

(A licensed corporation carrying on type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO)

Sole Global Coordinator

Ample Orient Capital Limited

Room A, 17/F, Fortune House
61 Connaught Road Central
Central
Hong Kong

(A licensed corporation carrying on type 1 (dealing in securities) regulated activity as defined under the SFO)

Joint Bookrunners and Joint Lead Managers

Ample Orient Capital Limited

Room A, 17/F, Fortune House
61 Connaught Road Central
Central
Hong Kong

(A licensed corporation carrying on type 1 (dealing in securities) regulated activity as defined under the SFO)

ChaoShang Securities Limited

Rooms 4001–4002, 40/F
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

(A licensed corporation carrying on type 1 (dealing in securities) and type 2 (dealing in futures contracts) regulated activities as defined under the SFO)

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Co-Managers

China-Hong Kong Link Securities Company Limited

19/F, 80 Gloucester Road

Wan Chai

Hong Kong

(A licensed corporation carrying on type 1 (dealing in securities) regulated activity as defined under the SFO)

Grand Partners Securities Limited

9/F, Connaught Harbourfront House

35–36 Connaught Road West

Hong Kong

(A licensed corporation carrying on type 1 (dealing in securities) regulated activity as defined under the SFO)

Pacific Foundation Securities Limited

11/F, New World Tower II

16–18 Queen's Road Central

Hong Kong

(A licensed corporation carrying on type 1 (dealing in securities) and Type 9 (asset management) regulated activities as defined under the SFO)

Legal advisers to our Company

As to Hong Kong law:

Vincent T.K. Cheung, Yap & Co.

11/F, Central Building

1–3 Pedder Street, Central

Hong Kong

As to PRC law:

GFE Law Office

Units 3409–3412

Guangzhou CTF Finance Center

No. 6 Zhujiang Road East

Zhujiang New Town

Guangzhou, PRC

As to Cayman Islands law:

Conyers Dill & Pearman

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER
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**Legal advisers to the Sponsor
and the Underwriters
as to Hong Kong law**

Addleshaw Goddard (Hong Kong) LLP
802–804 Champion Tower
3 Garden Road
Central
Hong Kong

Auditors and reporting accountants

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31/F, Gloucester Tower, The Landmark
11 Pedder Street
Central, Hong Kong

Industry consultant

Ipsos Limited
22nd Floor, Leighton Centre
77 Leighton Road
Causeway Bay
Hong Kong

Receiving bank

DBS Bank (Hong Kong) Limited
16th Floor, The Center
99 Queen’s Road Central
Hong Kong

Compliance adviser

Ample Capital Limited
Unit A, 14/F
Two Chinachem Plaza
135 Des Voeux Road Central
Central
Hong Kong

**Tax adviser to our Company as to
Hong Kong tax**

RSM Tax Advisory (Hong Kong) Limited
29th Floor, Lee Garden Two
28 Yun Ping Road
Causeway Bay, Hong Kong

**Tax adviser to our Company
as to PRC tax**

**Shenzhen Jiaxinrui Taxation Agency Company
Limited**
Room 2509, Tower B, Jiahe Huaqiang Building
Shennan Zhong Road, Futian District
Shenzhen, China
(a registered tax advisory firm in the PRC)

CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head office and principal place of business in Hong Kong under Part 16 of the Companies Ordinance	Flat H, 7/F King Palace Plaza 55 King Yip Street Kwun Tong Kowloon Hong Kong
Authorised representatives	Mr. Shiu Kwok Leung Flat 6, 32/F Block L, Kam Man House 33 Ning Tai Road Phase 2, Kam Tai Court Ma On Shan, New Territories Hong Kong Mr. Shao Xu Hua No. 1 South Second Street Qiao Guang Avenue Qiao Tou Town Dongguan, Guangdong China
Company secretary	Ms. Wong Mun Yan, <i>HKICPA</i> Flat E, 45/F Block 1 Sorrento 1 Austin Road Tsim Sha Tsui, Kowloon Hong Kong
Compliance officer	Mr. Shiu Kwok Leung Flat 6, 32/F Block L, Kam Man House 33 Ning Tai Road Phase 2, Kam Tai Court Ma On Shan, New Territories Hong Kong
Audit committee	Mr. Wong Ting Kon (<i>Chairman</i>) Mr. Cheng Hok Ming Albert Ms. Lo Ching Yee

CORPORATE INFORMATION

Remuneration committee	Mr. Cheng Hok Ming Albert (<i>Chairman</i>) Mr. Wong Ting Kon Mr. Yuen Lai Him
Nomination committee	Mr. Shiu Kwok Leung (<i>Chairman</i>) Mr. Wong Ting Kon Mr. Cheng Hok Ming Albert
Principal share registrar and transfer office in the Cayman Islands	Conyers Trust Company (Cayman) Limited Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited Level 22 Hopewell Centre 183 Queen's Road East Hong Kong
Principal banker	The Hongkong and Shanghai Banking Corporation Limited 8/F, Tower 2 HSBC Centre 1 Sham Mong Road Tai Kok Tsui Kowloon Hong Kong
Website of our Company	<u>www.bortex.com.cn</u> <i>(information contained in this website does not form part of this prospectus)</i>

INDUSTRY OVERVIEW

Certain facts, statistics and data presented in this section and elsewhere in this prospectus have been derived, in part, from government official publications that we believe to be reliable and appropriate for such information. However, we cannot guarantee the quality or reliability of such source materials. 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 is false or misleading. Whilst our Directors have taken all reasonable care to ensure that the relevant facts and statistics are accurately reproduced from the government official publications, such facts and statistics have not been independently verified by us, the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective affiliates, directors and advisers or any other parties involved in the Share Offer, and none of them makes any representation as to the accuracy or completeness of such information, which may not be consistent with other information available and may not be accurate and should not unduly relied upon.

Certain information and statistics are extracted from the Ipsos Report. The information extracted from the Ipsos Report reflects an estimate of market conditions based on Ipsos's research and analysis. The information extracted from the Ipsos Report should not be viewed as a basis for investments provided by Ipsos and references to the Ipsos Report should not be considered as Ipsos's opinion as to the value of any security or the advisability of investing in our Company. While reasonable care has been taken in the extraction, compilation and reproduction of such information and statistics by us, neither we, the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective affiliates, directors or advisers, nor any party involved in the Share Offer have independently verified such information and statistics directly or indirectly derived from official government publications, and such parties do not make any representation as to their accuracy. The information and statistics may not be consistent with other information and statistics compiled by other parties.

REPORT CONDUCTED BY IPSOS

We commissioned Ipsos to conduct an analysis of, and to report on, the industry development and competitive landscape of Christmas lighting and LED indoor lighting manufacturing industry in China for the period from 2010 to 2021. The information and analysis contained in the Ipsos Report was assessed independently by Ipsos, including all its subsidiaries, divisions and units, is not connected to our Group in any way. Ipsos charged us a total fee of HK\$1,192,500 for the preparation and the use of the Ipsos Report, which our Directors consider to reflect market rates.

Ipsos, being one of the worldwide offices of the Ipsos Group, is specialised in conducting researches across all industrial sectors including tourism, financial services, cosmetics, regional luxury and high net worth research.

The following assumptions are used in the Ipsos Report:

The global supply and demand of Christmas lights provided by the Christmas lights manufacturing industry and LED indoor lights provided by the LED indoor lighting manufacturing industry are assumed to be stable and without shortage over the forecast period.

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It is assumed that there is no external shocks such as financial crises or natural disasters will affect the demand and supply of the Christmas lights manufacturing and LED indoor lighting industry over the forecast period.

The following parameters are considered in the marketing sizing and forecast model of the Ipsos Report:

- GDP and GDP growth rates in China, the US, Canada and Taiwan from 2010 to 2021
- Average annual household disposable income and consumption expenditure in China, the US, Canada and Taiwan from 2010 to 2021
- Private consumption per head in China, US, Canada and Taiwan from 2010 to 2021
- Historical growth rate of the LED indoor lighting manufacturing industry in China

Our Director confirm that, to the best of their knowledge, after taking reasonable care, there is no material adverse change in the market information since the date of the Ipsos Report which may qualify, contradict or have an impact on the information in this section.

Types of manufacturers

The Christmas lighting industry and LED indoor lighting industry consist of four main types of manufacturers including general OBMs, specialized OBMs, ODMs/OEMs and micro-enterprises.

General Original Brand Manufacturers (OBMs): general OBMs have ownership of their production facilities (factories) and brand. They sell their own branded products that are either the entire products or component parts produced by a second company. They sell the products under their own brand name to add value. General OBMs are generally responsible for many stages of the value chain including the production and development, supply chain, delivery and marketing.

Specialized OBMs: specialized OBMs also own both production facilities and brands, however they only manufacture products specific to a particular customer segment. A key example is Comely Lighting, which specializes only on interior decorative lighting.

Original Design Manufacturers (ODMs): ODM refers to manufacturers who design a product and also are responsible for the production of the product. ODMs sell their designed products to distributors/wholesalers but do not sell directly to the end market. Due to the product research and design work, ODMs have a higher value add than OEMs. Products are sold under buyers' brands in both the OEM and ODM business model.

Original Equipment Manufacturers (OEMs): OEMs manufacture the components or the products that will be bought by a company and then sold under the brand name of the buyer.

Micro-enterprises: micro-enterprises are the companies that manufacture LED indoor lighting products for small companies through the imitation of technology or the supply chain process.




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Companies may engage in both the ODM and OEM businesses if they engage in product design other than solely providing a manufacturing service based on customers' designs and specifications. Our Group operates on a mix of ODM and OEM bases as our Group and our customers communicate and exchange ideas for developing new product designs which will adhere to our customers' specification.








Safety Standards

In general, the sales of LED lighting products are required to comply with the required safety standards set by certain testing laboratories which is subject to where the products will be sold at. It is observed that the certifications issued by UL and CSA are the most recognised testing standards worldwide. While the standards set by UL and CSA are considered to be among the most stringent within the industry, a product that is certified by any of which could be considered as an assurance of its overall soundness and safety, thus making it easier for such product to meet the relevant regional safety standards required by other countries, such as European countries, Japan and Australia. It is a practice for the importers/buyers to understand the relevant regional safety standards (e.g. UL and/or CSA or other countries' own standards) and instruct the manufacturers to produce LED lighting products in accordance to their specifications so as to obtain the necessary documentation and certification for importing and sales purpose. In the course of obtaining the relevant documentation and certifications, product samples and its production statistics will be provided to the testing laboratories for application. After ascertaining that the product samples meet the relevant safety requirements, the importers/buyers will then notify the manufacturers to commence mass production by way of placing purchase orders. In circumstances when the products to be manufactured are popular products which are produced regularly or the purchase order of which is in a large scale, some manufacturers will obtain the certification themselves which will be considered as a competitive edge since the products would have already been certified before delivery, saving the processing time for the importers/buyers.

Below are the highlights of the commonly recognised safety standard logos in the selected countries:

Country	Commonly recognised safety standard
Canada	
The PRC	
Taiwan	 BSMI 標準檢驗局

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Country	Commonly recognised safety standard
The US	  
Hong Kong	  
Mexico	

Definition of Lighting products

Christmas Lighting

Christmas lights refer to a type of decorative lighting, formed on strings or assembled in patterns, that are put up during the Christmas period for decoration purposes. Christmas lights come in an array of configurations and colors. They include home decorations, Christmas tree lights and large scale displays in public venues. Christmas lights can include both LED and incandescent lighting. These lights are majorly used as Christmas lights but may also include other decorative lighting sets that can be used for decorative purposes or for other holidays/celebrations in addition to Christmas.

LED Christmas Lighting

LED Christmas lighting (or LED decorative lighting) refers to LED lighting used during Christmas for decorations, which are being increasingly encouraged due to their higher energy efficiency. Compared to incandescent bulbs, they have lower energy usage, longer lifetime and low maintenance. There are two types of LED Christmas lights: white LEDs and colored LEDs.

Our Directors are of the view that Christmas lights manufacturing industry in China largely represents our Group's LED decorative lighting products segment for the following reasons:

- (i) the Ipsos Report defined Christmas lighting as a type of decorative lighting which includes both LED and incandescent bulbs. The data on the revenue of the Christmas lighting manufacturing industry refers to 'lighting sets of a kind used for Christmas trees' (i.e. string lights, etc.) which also includes decorative lighting used for other purposes besides solely at Christmas (please also refer to the paragraph headed "Industry Overview — Definition of Lighting products");
- (ii) our Group's LED decorative products, which are mainly used for indoor and outdoor festive decorations, are particularly used in Christmas decorations, and they were the key driver of our revenue since the commencement of our business and are produced in our production plant in Dongguan China; and

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- (iii) according to the Ipsos Report, with the advancement of technology, the average price of LEDs in China is decreasing from 2010 to 2016 and there is wider adoption of LEDs in the decorative lighting products, a large portion of the Christmas lights are LED Christmas lights in recent years.

OVERVIEW OF THE CHRISTMAS LIGHTS MANUFACTURING INDUSTRY IN CHINA

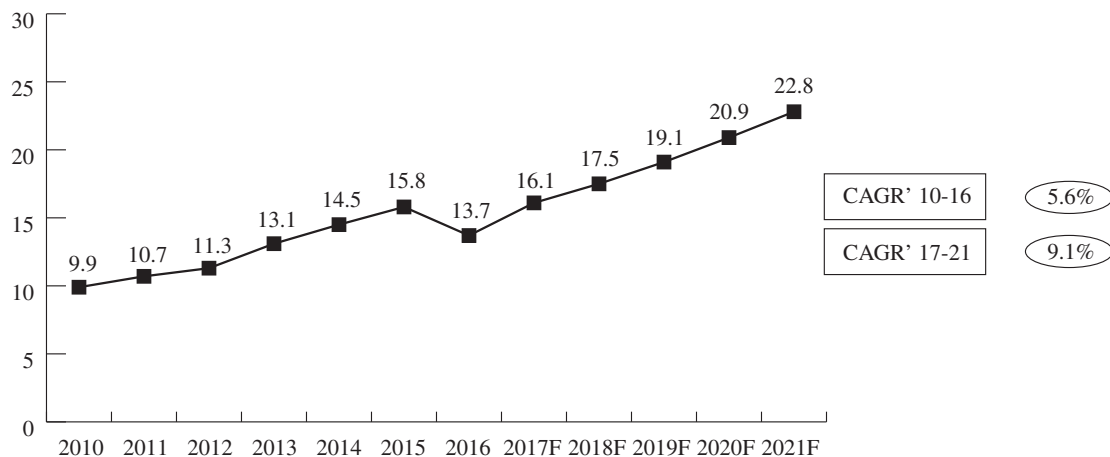
The overseas demand for Christmas lights has increased considerably over the years, mainly driven by product innovation both functionally and aesthetically. The new functions and new appearances of Christmas lights generally have higher profit margins. Therefore, production innovation has led to increasing demand and has hence spurred the growth of the Christmas light manufacturing industry in China.

Increasing Total Revenue of the Christmas Lighting Manufacturing Industry in China

The total revenue of the Christmas lighting manufacturing industry in China is forecasted to increase consistently at a CAGR of approximately 9.1% from 2017 to 2021.

**Total Revenue of the Christmas Lighting Manufacturing Industry
in China from 2010 to 2021**

Unit: RMB billion



Sources: Ipsos Research and Analysis

Note: The data refers to the HS code – 940530, referring to lighting sets of a kind used for Christmas trees.

The total revenue of the Christmas lighting manufacturing industry in China rose from RMB9.9 billion in 2010 to RMB13.7 billion in 2016, at a CAGR of approximately 5.6%.

Apart from the increasing demand from traditional markets in the US, Europe and Canada, emerging markets in the Middle East, Africa and South America also supported the demand for Christmas lighting products from China. As nearly 90% of the world's Christmas lights originate from China, the expansion of the emerging markets since 2010 has led to the increased demand for Christmas lights in China, leading to the consistent growth in the total revenue of the Christmas lighting manufacturing industry.

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Looking ahead to 2021, the total revenue of Christmas lighting manufacturing industry in China is estimated to reach RMB22.8 billion from RMB16.1 billion in 2017, rising at a CAGR of approximately 9.1%.

The positive outlook of Christmas lighting manufacturing industry in China is attributed to the growing domestic demand for Christmas lights and the continual improving features of Christmas lights.

The expected improvement in living standards in China along with the growing popularity of Christmas are expected to buoy the demand for Christmas lighting and other festive lighting products in China in upcoming years. Meanwhile, the emergence of LED Christmas lights with increasing advanced features such as the wider range of colors provided, higher durability and sensor functions are considered to be favorable to raise the demand for the Christmas lighting manufacturing industry in China.

Target customers of the Christmas lighting manufacturing industry

As the main customers of the Christmas lighting industry in China are foreign companies, this sector is export oriented. The two main types of customers are retailers and trading companies. Most of the customers are retailers of seasonal decorations, electronic and household products.

China was the top import destination of Christmas lighting products to the US and Canada in 2016, accounting for a share of approximately 88.2% and 97.2%.

Top 10 Import Destinations of Christmas Lighting Products

2016

Rank	Name of Country		Export Value in 2016		Market Share	
	(to US)	(to Canada)	(to US)	(to Canada)	(to US)	(to Canada)
			(US\$'000)	(US\$'000)	%	%
1	China	China	486,144.4	28,409.7	88.2	97.2
2	Cambodia	USA	25,699.0	276.0	4.7	0.9
3	Philippines	Indonesia	24,520.2	240.7	4.5	0.8
4	Indonesia	Slovakia	7,437.4	186.1	1.4	0.6
5	Mexico	Hong Kong	3,821.0	72.5	0.7	0.3
6	Vietnam	Germany	2,303.0	14.8	0.4	0.05
7	Hong Kong	France	814.8	12.7	0.2	0.04
8	Taiwan	Taiwan	474.0	6.2	0.1	0.02
9	Canada	Italy	41.5	5.8	0.01	0.02
10	France	Spain	41.0	4.7	0.01	0.02
Others			150.3	10.3	0.03	0.04
			551,446.6	29,239.6	100.0	100.0

Source: Ipsos Research and Analysis

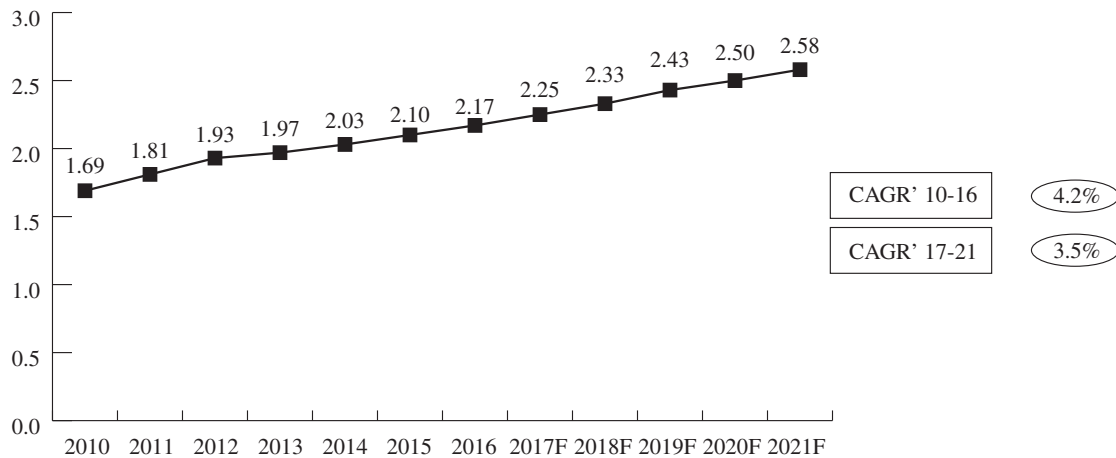
Note: Percentages may not total 100% due to rounding.

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In 2016, the top three import destinations of Christmas lighting products accounted for over 97.3% and 98.9% of the total import value in both the US and Canada respectively. China is a large manufacturer of Christmas lighting products and has long been the key import destination to the US, Canada as well as European countries. In 2016, there were approximately 1,000 Christmas lighting product manufacturers in China.

Total Sales Revenue of the Christmas Lighting Products in the US from 2010 to 2021

Unit: US\$ billion



Source: Ipsos Research and Analysis

The total sales revenue of Christmas lighting products in the US rose consistently from 2010 to 2016, with a CAGR of approximately 4.2%, from US\$1.69 billion in 2010 to US\$2.17 billion in 2016.

The consistent increase in sales revenue of Christmas lighting products in the US was attributed to the growing popularity of LED lights. The introduction of LED lights in the late 2000's offers benefits such as small size, long lifespan as well as low heat output. These advantages are particularly favorable to the Christmas lighting end users, leading to the moderate increase during the years.

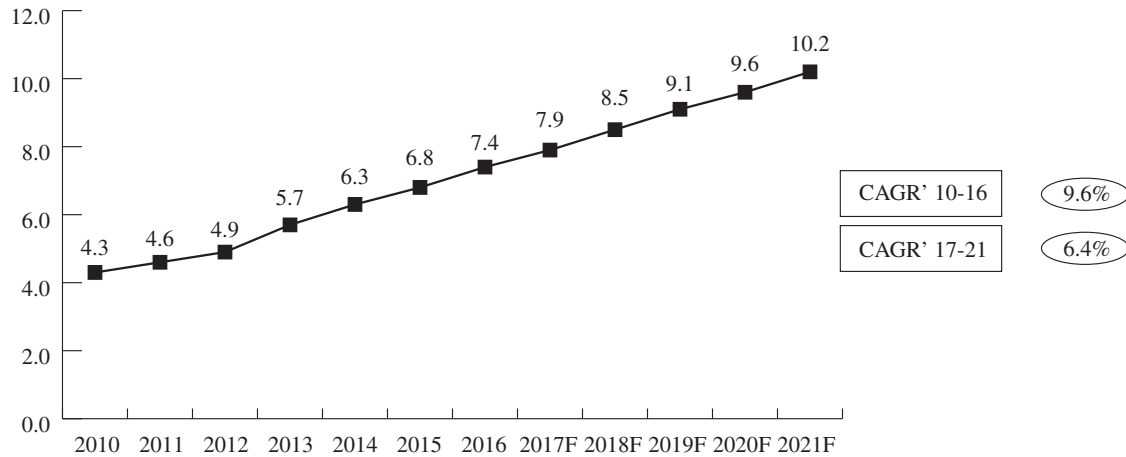
Forecasting to 2021, the total sales revenue of Christmas lighting products in the US is expected to increase consistently at a CAGR of approximately 3.5%, from US\$2.25 billion in 2017 to US\$2.58 billion in 2021.

The positive outlook of the Christmas lighting market in the US is likely to be driven by the emergence of high brightness LEDs as well as the improving features of Christmas lights. For instance, the long life span, higher efficiency and the wider spectrum of colors available are considered to be the major factors propelling the retail market of Christmas lighting in the US over the coming years.

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Total Sales Revenue of the Christmas Lighting Products in China from 2010 to 2021

Unit: RMB billion



Source: Ipsos Research and Analysis

The total sales revenue of Christmas lighting products in China increased from RMB4.3 billion in 2010 to RMB7.4 billion in 2016, at a CAGR of approximately 9.6%. The increase could be attributed to growing domestic demand for Christmas lighting products in China. As China's economy and disposable income per capita continue to increase, Chinese consumer's spending on decorative lighting products, including for Christmas lighting products, increased. Consequently, this expanded the Christmas lighting product's retail market in China in the historical period. Moreover, an increasing number of Chinese consumers have been exposed to Christmas festive culture, the demand for Christmas-related decorations, which include Christmas lighting products, have increased gradually in the historical period.

During the forecast period, it is expected that the total sales revenue of Christmas lighting products in China will increase with a slower growth rate from RMB7.9 billion in 2017 to RMB10.2 billion in 2021, at a CAGR of about 6.4%. Given the positive outlook in China's economy and the continuous growth in demand for Christmas lighting products, it can be anticipated that the growth in retail sales market for Christmas lighting products in China will continue in the forecast period.

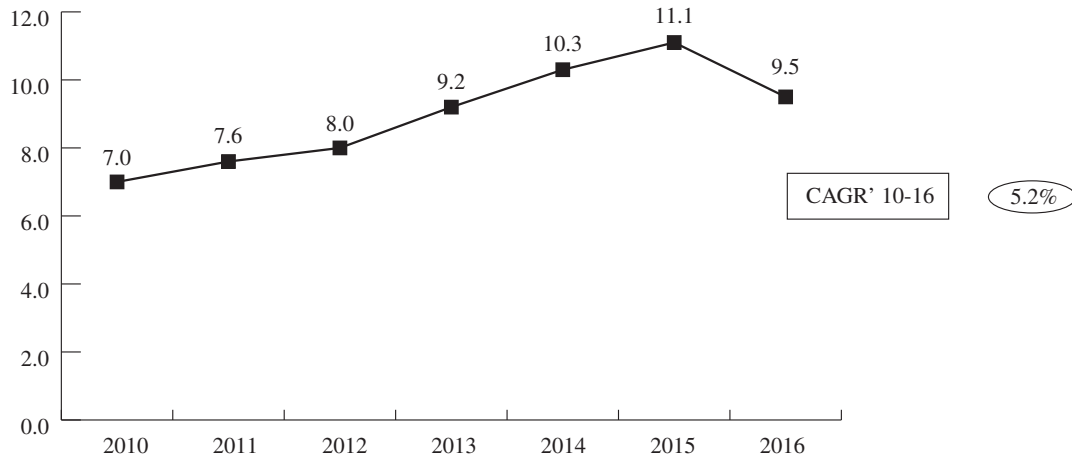
INDUSTRY OVERVIEW

Increasing Total Export Value of Christmas Lighting Products from China

The increasing demand from the US, Canada and Europe supported the growth of the total export value of Christmas lighting products from China from 2010 to 2016.

Total Export Value of the Christmas Lighting Products from China from 2010 to 2016

Unit: RMB billion



Sources: Ipsos Research and Analysis

The total export value of Christmas lighting from China has shown an overall increasing trend from 2010 to 2016. The total export value increased at a CAGR of approximately 5.2%, from approximately RMB7.0 billion in 2010 to approximately RMB9.5 billion in 2016.

Enhanced consumer spending sentiment with the global economic recovery supported the growth of consumption expenditure in many countries. Consumers in the US, Canada and Europe have increased spending on various items, including the Christmas lighting products. As a result, the demand for Christmas lighting products exported from China increased, resulting in the growth of the export value during the period 2010 to 2015.

Affected by the sluggish global economic growth, the export value and volume of Christmas lighting products reverted its past growing trend and experienced negative growth for the first time in 2016. The export value to Brazil, Russia and India, which are amongst the top 20 key exporting destinations for Chinese Christmas lighting manufacturers, fell most significantly, respectively falling at 70.8%, 59.4% and 46.5%.

The US and Europe (EU-27) have been the top export destinations of Christmas lighting products from China, accounting for approximately 37.3% and 34.8% of the total export value respectively in 2016. It is expected that the demand for Christmas lighting products from these countries will continue to support the export growth. However, in addition to these established markets, China's Christmas lighting product manufacturers are beginning to expand their markets to the Middle-East, Africa and South America.

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Average Export Price of Christmas Lighting Products from China

The average export price of Christmas lighting products from China fluctuated and experienced an overall decrease from 2010 to 2016. The price dropped from approximately RMB17.3 per piece in 2010 to approximately RMB15.9 per piece in 2016, representing a CAGR of approximately -1.4% .

The average export price decreased to RMB15.9 per piece in 2016, representing a 9% drop from 2015 prices. The drop in average export price in 2016 could be explained by the heightened competition from Cambodia and other emerging markets and the sluggish global economy, which subsequently decreased the overall demand for Christmas lighting products from China.

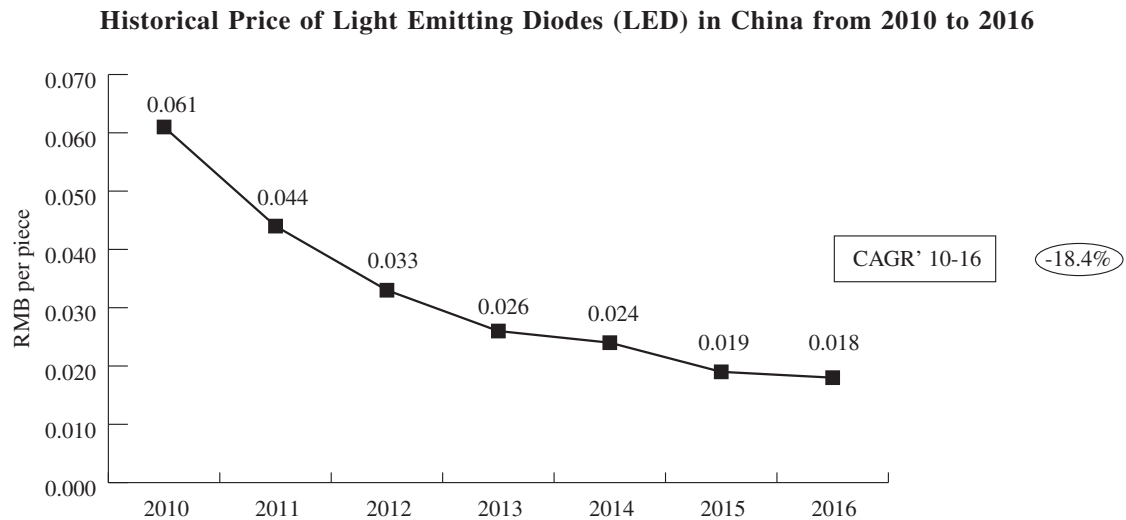
Historical Average Wage Trend of Workers in the Manufacturing Sector in China

From 2010 to 2016, the average wage of workers in the manufacturing sector rose at a CAGR of approximately 11.3%.

The average annual wage of workers in the manufacturing sector in China increased from about RMB30,916.0 per year in 2010 to about RMB58,643.4 per year in 2016, representing a CAGR of about 11.3%. Several economic factors such as inflation, labor supply shortages and the revision of the Labor Contract Law have been the major factors propelling the increase in the average wage for workers in manufacturing sector in China from 2010 to 2016.

Historical Price Trend of Key Raw Materials

Due to the technological advancement of production, the price of LEDs in China decreased remarkably at a CAGR of approximately -18.4% .



Source: Ipsos Research and Analysis

Note: Data of Light Emitting Diodes (LED) refers to the HS code: 85414010, covering LED

The average price of LEDs in China presented a decreasing trend from 2010 to 2016. It decreased from approximately RMB0.061 per piece in 2010 to approximately RMB0.018 per piece in 2016, representing a CAGR of approximately -18.4% .

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The decrease in the average price of LEDs in China was due to the technological advancement in producing LEDs in recent years. Innovation in areas such as thermal management, LED drivers and optics have contributed to the two thirds fall of the price of LEDs. It is predicted that the global average price of LEDs will decrease by over 50% from 2012 to 2021.

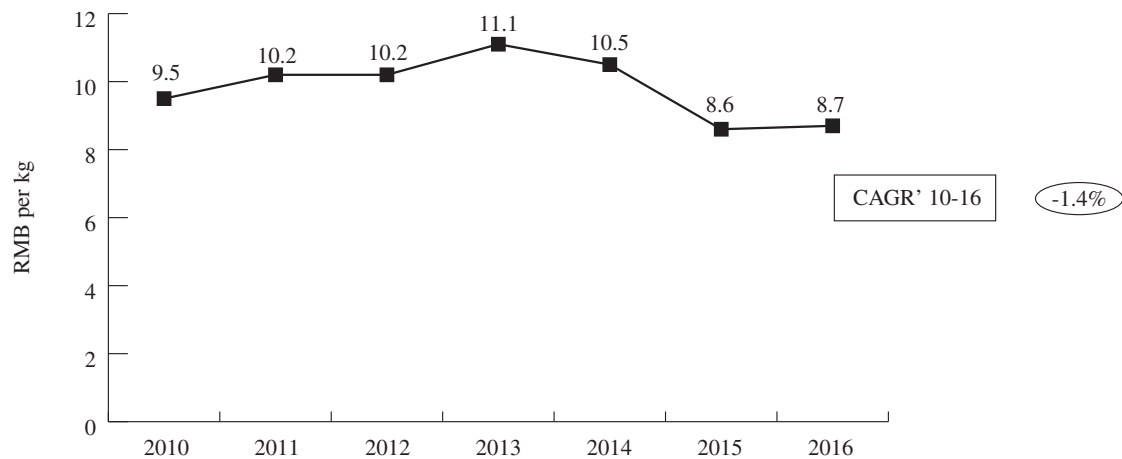
The overall costs for LED chips are expected to decline which results in lower raw material costs for LED lighting producers.

All other things being equal, such reductions in the cost of LED chips may result in higher profit margins for the industry. A decrease in the cost of LED chips will only increase the profitability of the industry if other fixed and variable costs do not increase to a point where they offset the saving from decreasing LED chip prices. The effect of a price reduction of the LED chip is limited since the relative share of the LED chip to the total production cost has declined over the past years, and such decline is expected to continue in the near future.

Other factors influencing the profitability of the industry include the level of competition in the industry and the strength of consumer demand.

Cost factors such as the cost of labour depend on the degree of automation that the producer has attained in its manufacturing process. Early adopters of automation enjoy a competitive advantage with more advanced production lines of LED lighting products that allow them to be more profitable and/or offer their products at more competitive prices to customers.

Historical Price of Polystyrene in China from 2010 to 2016



Source: Ipsos Research and Analysis

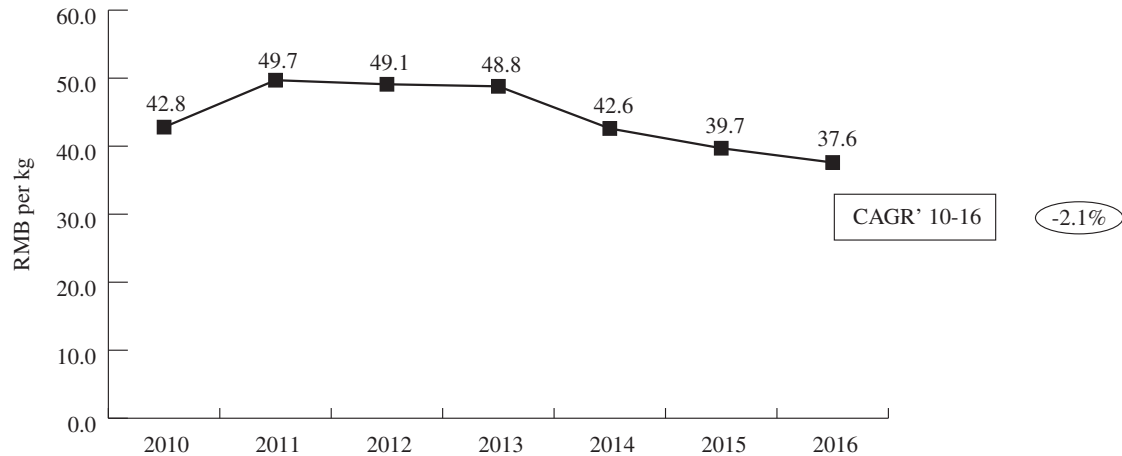
Note: Data of polystyrene refers to the HS code: 39031990, which includes polystyrene, nesoi, in primary forms.

From 2010 to 2016, the average price of polystyrene per kg in China decreased moderately at a CAGR of approximately -1.4% , from RMB9.5 per kg to RMB8.7 per kg. The consistent increase from 2010 to 2013 in the price of polystyrene can be explained by the rise in the price of oil. The continual political instability and conflicts between countries in the Middle East has raised the price of crude oil from 2010 to 2013, with the price of Brent crude oil reaching USD108.6 per barrel in 2013 from approximately USD79.6 per barrel in 2010, at a CAGR of approximately 10.9% . However, the growth of global oil supply in 2014 and 2015 has lowered the price of crude oil, which led to a reduction in price

INDUSTRY OVERVIEW

of polystyrene in 2014 and 2015. The 1.3% increase in the price of polystyrene in 2016 from 2015 could be explained by the depreciation of RMB in 2016, which negatively affected the import price of Brent crude oil.

Historical Price of Wire in China from 2010 to 2016



Source: Ipsos Research and Analysis

Note: Data of wire refers to the HS code: 85444929, which includes electric conductors, not fitted with connector, insulated, for a voltage exceeding 80V but not exceeding 1,000V.

The average price of wire in China decreased from 2010 to 2016. The trend is mainly attributed to the declining price of constituent materials (i.e., aluminum and copper).

The average price of wire per kg slightly decreased from RMB42.8 in 2010 to RMB37.6 in 2016, at a CAGR of approximately -2.1% .

As copper and aluminum are the raw materials for producing wire. The moderate decline in the price of wire in China from 2010 to 2016 was largely attributed to the slight decrease in the price of copper and aluminum. The global price of aluminum per metric ton dropped from RMB15,099.0 in 2010 to RMB10,653.4 in 2016, at a CAGR of approximately -5.6% .

Requirements on trade

Christmas lights exported to North America are required to reach the required safety standards.

According to 'CSA C22.2 No.37' (General Instruction for Christmas Trees and Other Decorative Lighting Outfits) published by the Canadian Standards Association, in relation to the use of Christmas tree and other decorative lighting outfits (connection to circuits of 125 voltage or less), the use of materials for Christmas lights exported to Canada such as aluminum, LED and wire need to reach defined safety standards in order to obtain the abovementioned certificate. This standard applies to indoor or outdoor outfits for illuminating Christmas trees and similar decorative items.

Imported Christmas string lights must be certified by an Occupational Safety and Health Administration Nationally Recognized Testing Laboratories such as UL (The Underwriters Laboratories Inc.) for its compliance with the applicable safety requirements. The safety certificates include UL 588 (Standard for seasonal and holiday decorative products) in the US.

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The International Electrotechnical Commission (IEC) standard (60598-2-20: 2014) in relation to incandescent lamps for use either indoors or outdoors on supply voltages not exceeding 250 Volts, specifies the requirements and related tests including: classification, marking, mechanical construction, electrical construction and photo-biological safety. All exported Christmas lights to North America are required to comply with these standards.

Impact of the Appreciation of the RMB against the US Dollar and the Canadian Dollar

RMB against US Dollar

An overall appreciation of the Chinese RMB against the US Dollar was seen in the currency exchange market, appreciating from USD0.1477 in 2010 to USD0.1506 in 2016 at a CAGR of about 0.3%. From 2010 to 2014, the Chinese RMB appreciated against the US dollar, reducing the attractiveness of China's exports.

The appreciation of the RMB raised the price of exports from China. Since the US is the top destination for exports from the Christmas lighting industry in China, this had an adverse effect on the revenue of manufacturers. Even though most of the imports came from China, the imports from Indonesia and Philippines to the US during 2011 and 2012 grew at a faster rate than those imported from China. In order to reduce market risks, China's Christmas lighting industry attempted to expand in other areas such as the Middle East, Africa, South America and other emerging markets.

In August 2015, the People's Bank of China devalued the RMB leading to a four year low against the US dollar. This devaluation has the effect of increasing the competitiveness of China's exports to the US, which may have a positive effect on the Christmas lighting manufacturing industry.

RMB against Canadian Dollar

Between 2010 and 2016, the exchange rate of the Chinese RMB against the Canadian Dollar appreciated from CAD0.1522 to CAD0.1996, at a CAGR of about 4.6%.

Canada is among the top ten export destinations for Christmas lighting manufactured in China. Therefore, the appreciation in RMB raised the cost of China's exports and reduced their competitiveness in the Canadian market. The growth in export value to Canada fell from 36.8% in 2011 to -5.6% in 2014 and -2.4% in 2015. Some manufacturers are switching to automated equipment for labor-intensive processes in order to increase productivity.

In August 2015, China's currency devaluation also caused a fall in the exchange rate between the RMB against the Canadian Dollar, which improves the prospects for Chinese exports to Canada.

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Future Prospect

In general, the appreciation of the RMB against the US dollar and the Canadian dollar raises the price of exports from China in the US market and Canadian market respectively, thereby decreasing the competitiveness of China's exports.

If the Chinese RMB continues to strengthen against both the US and Canadian dollar, several measures can be taken by manufacturers to lower market risks:

- (a) Manufacturers in China can diversify their customer base. Manufacturers can also attract potential customers through setting up online business websites and accounts through websites such as Ali Baba. Reaching out to other customers can reduce the negative impacts caused by the decreased competitiveness of Chinese exports in the US and Canadian markets.
- (b) Manufacturers can reduce labor costs to compensate for the rise in the price of China's exports in overseas markets. Alternatively, manufacturers can switch to automated equipment for labor-intensive processes in order to increase productivity. The transfer of labor-intensive production processes to regions with lower labor costs and the increase in productivity through the use of automated equipment can widen the profit margin effectively.

However, a depreciation in the Chinese RMB with respect to major currencies occurred since 2015. If the People's Bank of China continues to devalue the currency as a way to increase export-led economic growth, the competitiveness of China's exports will increase. This is likely to have positive effect on the Christmas lighting manufacturing industry.

Overview of the Competitive Landscape of the Christmas Lighting Manufacturing Industry in China

The Christmas lighting manufacturing industry in China is fragmented with no dominant player

The Christmas lighting manufacturing industry in China is fragmented, with the top five industry players only accounting for approximately a 14.5% share of the total industry revenue in 2016.

The Top Five Christmas Lighting Manufacturers in China in 2016 (Ranked by Revenue)

Rank	Name of the Company	Headquarter Location	Type of Company	Revenue in 2016 (RMB million)	Share of Total Industry Revenue (%)	Major Service Scope
1	Competitor A	Taiwan	ODM/OEM	784.9	5.7%	Manufacturing Christmas lighting products and other related accessories
2	Competitor B	Taiwan	ODM/OEM	447.9	3.3%	Manufacturing Christmas and entertainment lighting products
3	Competitor C	Taiwan	ODM/OEM	296.0	2.2%	Manufacturing Christmas lighting products and Christmas trees
4	Competitor D	Taiwan	ODM/OEM	248.1	1.8%	Manufacturing LED Christmas lighting products
5	Competitor E	Hong Kong	ODM/OEM	202.5	1.5%	Manufacturing LED Christmas lighting products and related accessories
Others				<u>11,702.0</u>	<u>85.5%</u>	
Total				<u><u>13,681.4</u></u>	<u><u>100.0%</u></u>	

INDUSTRY OVERVIEW

Source: Ipsos Research and Analysis

Notes:

1. Percentages may not total 100% due to rounding.
2. Some totals may not correspond with the sum of the separate figures due to rounding.
3. Revenue of the company represents revenue generated for the year ended 30 April 2016.

In 2016, there were approximately 1,000 Christmas lighting manufacturers in China. The Christmas lighting manufacturing industry in China is highly competitive and fragmented, with no dominant player in the industry. In general, most of the Christmas lighting manufacturers provide OEM services to the customers. Given that the major sales of Christmas lighting products in China rely on exports, the product designs and technical specifications of Christmas lighting products would be mainly decided by the foreign customers such as Customer A, Customer B, Customer D and Walmart. Therefore, pricing would be the main strategy for the manufacturers to differentiate themselves. The manufacturers who are able to provide good quality of Christmas lighting products with reasonable prices are more competitive in the market. From 2010 to 2016, the total industry revenue of the Christmas lighting manufacturing industry in China increased from RMB9.9 billion to RMB13.7 billion. It can be concluded that this industry is a growing market, growing at a CAGR of approximately 5.6% in the past seven years and it is expected to grow at a CAGR of approximately 9.1% from 2017 to 2021.

Chinese manufacturers have been the largest manufacturers of Christmas lighting products, accounting for approximately 88.2% share of the total export value to the US in 2016. Since the 1970s, Chinese manufacturers have been the key suppliers of Christmas lighting products to the US, Canada and other European countries due to several factors such as extensive logistics, low production and labor costs.

As of 2016, our Group recorded approximately RMB49.6 million of revenue from Christmas lighting manufacturing, accounting for an approximate 0.4% share of total industry revenue in China.

Taiwanese and Hong Kong companies as top players in the Christmas lighting manufacturing industry

Companies from Taiwan and Hong Kong have established their presence in the Christmas lighting manufacturing industry in China since the 1980s, building strong connections and reputations. Being a major player in the global information technology market, Taiwan has become a top manufacturer of Christmas lighting products and other electronic components.

Hong Kong is known for being an international market due to its high level of exposure to western cultures. In addition, Christmas lighting companies in Hong Kong generally hold trade exhibitions to promote their products and to extend their customer network. As a result, Hong Kong companies have a deeper understanding of the preferences of Western markets and can establish better deals with foreign companies.

Since large-scale US retailers such as Customer B and Walmart tend to have long term business relationships with the existing suppliers, and they tend not to change suppliers unless there are any major negative incidents, Taiwanese and Hong Kong companies have become the top players in the Christmas lighting manufacturing industry.

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Trend of automation

Among the various forms of Christmas lighting products available in the market, Christmas string lights are the most common. As technology has become more advanced, processes in the production of Christmas lighting products have been automated which reduces the reliance on labor. For example, the production of Christmas lighting products involves connecting individual light bulbs using external wires, and this process has already been automated. A fully automated equipment can assemble a unit string lights from scratch, and products produced using machines are of better quality as the measurements and pressures applied by them are precise and accurate. Production of Christmas lighting products are expected to be mostly automated in the future as this can reduce the use of labor, therefore decreasing costs and improving productivity.

Drivers of Demand

The Christmas light manufacturing industry in China is export oriented, with cheap labor cost being the main attraction for foreign companies.

Strength in product development

As competition in the Christmas lighting manufacturing industry is intense, manufacturer's strength in research and development is part of the customers' selection criteria. Companies are likely to look for manufacturers who can differentiate their products amongst their competitors and have invested in product development.

Price and quality of products

Companies choose manufacturers according to two other main factors of their products: price and quality. Since companies are looking to widen their profit margins, they source from manufacturers who produce cheap goods. In general, the factory price of a commodity produced in China is only 10% of the retail price in western countries. However, safety regulations and technological standards are tightening, and vendors who sell products that fail to meet certain requirements will be penalised. Customers are also now increasingly focused on the quality of the products.

Availability of cheap labour

Christmas lighting manufacturing industry is considered as a labor-intensive industry. Although automation is a future trend for the industry, the investment on machine to carry out automation is very high, creating a barrier for manufacturers which have limited capital. The manufacturers in the Christmas lighting industry would still rely largely on labor force to maintain their business. Hence, the presence of adequate amount of cheap labor can be one of the demand drivers to the Christmas lighting manufacturing industry as retail companies tends to source products at competitive prices.

It is also known that the production of certain types of products, such as tree decorative lighting, cannot be carried out by machine, in order to maintain a higher quality and lifelike feature of the products. Thus, automation can be viewed as an assistant tool instead of a replacement of labor force in the Christmas lighting manufacturing industry.

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It can be concluded that labor force still plays a very important role in the industry, but it can also be observed that the driving effect of “availability of cheap labor” in the PRC has been diminishing, due to the rising labor cost and availability of cheaper labors in other countries such as Cambodia, Vietnam and Mexico.

Entry Barriers of the Christmas Lighting Manufacturing Industry in China

Competitive markets, high initial costs and the rise in labour wages are the main barriers for new entrants in China.

Intense competition

Due to the tightening of regulations and fast technological advancements, the Christmas lighting manufacturing industry is highly competitive. Chinese manufacturers compete with both domestic and overseas manufacturers in terms of product quality, reliability, performance, product development, customer service, safety standards, distribution capability and pricing. New market entrants would have to develop strong capacities in these areas in order to successfully enter the market.

High initial costs

Large capital commitment, environmental issues, research and development requirements, technical know-how and the ability to produce a large number of products within a short period of time are significant barriers to entry for new entrants. Consequently, the decorative lighting industry is characterized by a limited number of sizable manufacturers.

Rising labor wages

According to the Ministry of Human Resources and Social Security of the PRC, the average minimum monthly wage across all provinces increased from RMB1,022.2 in 2011 to RMB1,611.1 in 2016, at a CAGR of approximately 9.5%. The rise in labor costs also contributes to initial costs as Christmas lighting manufacturing industry is a labour intensive industry, manufacturers may be required to turn to automated equipment to increase productivity.

Threats to the Christmas Lighting Manufacturing Industry in China

The main threats of the Christmas lighting manufacturing industry in China include the seasonal and reusable nature of Christmas lights and the change in regulations.

Demand fluctuations due to the seasonal nature of the business

As Christmas lights are used for decorations during the festive season, vendors can only expect sales of Christmas lighting products prior to December. Revenue would also be affected by the costs of warehousing during off-seasons.

Reusability of Christmas lights

As Christmas lights are only used during the time around December, households tend to reuse their decorative items each year. This leads to more pressure on Christmas lighting manufacturers in China to strengthen their research and development in order to create new products to attract potential customers to buy new products.

Constant upgrade of international standards

With the ever stringent safety standards for seasonal lighting products, manufacturers are required to upgrade their products to remain competitive and to avoid penalties. For example, the Consumer Safety Product Commission in the US has issued a rule (Substantial Product Hazard List: Seasonal and Decorative Lighting Products) in 2015 concerning seasonal lighting products. Manufacturers or retailers who fail to comply to the regulations can face civil and possibly criminal penalties. Manufacturers are required have to investment in research and development to produce products that meet the new standards. Moreover, the products produced prior to the change in regulations will be obsolete.

Opportunities of the Christmas Lighting Manufacturing Industry in China

Increase in research and development

As the average household consumption expenditure in the US and Canada increases, the strengthened consumer spending drives the demand for high quality decorative products. End-users demand a variety of colors and styles from vendors, or even personalized products. The rise in consumer expectations propels manufacturers to invest in research and development in order to create innovative products that would attract customers.

Growing potential of the domestic market

As celebrating Christmas in China is becoming increasingly prevalent, a greater number of Chinese are celebrating Christmas and decorate their homes with festive items. Along with the rise in consumption expenditure in China, manufacturers can leverage the growing domestic demand to produce innovative products to attract potential customers in the domestic market. This provides momentum for manufacturers to shift from fully exporting to selling producing within China.

Expansion in emerging markets

Exporting to emerging markets other than the US and Canada only can help reduce market risks and grow the industry revenue. Examples of emerging markets include South Korea and Thailand. In many countries not traditionally considered Christian, Christmas is being celebrated and increasingly commercialized. Large consumption growth rates can be expected in emerging markets, presenting opportunities for the Christmas lighting manufacturing industry in China to export to more destinations.

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FUTURE TRENDS AND DEVELOPMENTS OF THE CHRISTMAS LIGHTING MARKET

'Smart Christmas lights' are defined as Christmas decorative lights that can be customized, scheduled and controlled remotely, especially via connection to smart phone applications. With the integration of Wi-Fi and Bluetooth systems, smart Christmas lights can be controlled and programmed via a mobile app or home/building automation hub.

Major smart Christmas lighting products include electronic Christmas trees and light sets such as icicle lights, string lights, color changing lights and net lights. Light sets are integrated with components such as Bluetooth or Wi-Fi systems in order for the light set to connect with compatible devices such as smartphones, tablets and computers.

This technology enables users to customize Christmas lighting fixtures. This can include customization of the type of lighting effect, flash speed and color. In addition, smart Christmas lighting can integrate the ability to play games and visualize music. Smart lighting systems solutions can also include smart lights that are capable of switching on when someone enters a house or certain room.

Consumer demand

Smart Christmas lighting is a technology developing since approximately 2013 that offers users the flexibility to customize their Christmas lighting. Similar to other new technologies, smart Christmas lighting is yet to be widely used among households, but the market is forecasted to grow along with the development of home automation industry. The home automation industry is forecasted to grow at a CAGR of approximately 11.3% from 2017 to 2022. Currently, home automation attracts attention from modern households who are relatively open-minded to new technologies. Consumer demand for smart Christmas lighting is expected to be driven by this population in the future. The smart Christmas lighting may further drive growth of industry revenue in the near future.

Competitive landscape

Lighting companies tend to engage in the development of smart Christmas lighting. International brands either produce smart Christmas lighting in their in-house factories or outsource to contract producers and the manufacturing for international lighting companies is often undertaken by third party manufacturers in countries such as China. Although the smart Christmas lighting, a sub-segment of the Christmas lighting market, is not as mature as the traditional Christmas lighting market, it is expected that the competitive landscape follows a similar trend as the traditional Christmas lighting market. The smart Christmas lighting manufacturing industry in China is likely to become increasingly competitive as more manufacturers move into the production of smart Christmas lighting in response to consumer demand. Chinese manufacturers have been the largest manufacturers of Christmas lighting products and these Chinese manufacturers will be able to benefit from their existing business relationships with the international brands and extend to produce smart Christmas lighting in response to consumer demand. Similar to traditional Christmas light manufacturers, smart Christmas lighting companies are likely to compete on price, quality as well as technological innovation.

Our Group has been engaging in the production of some of the major brands in the smart Christmas lighting market including brands owned by Customer D and the end customer of our new Italian customer.

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Supply

Smart Christmas lights manufacturing is often undertaken in countries such as China. Some traditional lighting manufacturers have incorporated certain technologies to assist with this growing trend.

Major markets

The major markets of the smart Christmas lights are similar to the traditional Christmas lighting market and major retailers such as Customer B, Walmart, HomeDepot and Kroger offer smart Christmas lighting to respond to consumer demand.

Future trends

In the US and Canada, smart lighting is among the most immediately successful offering in the growing trend of home automation. As part of the home automation trend, smart lighting is widely expected to lead the industry growth of home automation. Changing consumer preference towards Christmas lights includes the expectation of color variety and the ability to customize lighting effects. App-enabled lighting is being adopted by traditional light brands and home automation solution providers. It is likely to be more commonly seen in the market with more providers offering such services and products.

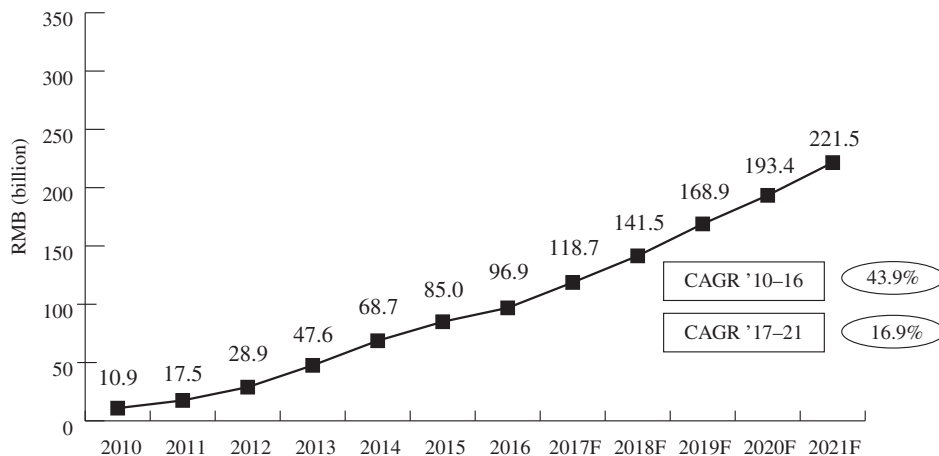
OVERVIEW OF THE LED INDOOR LIGHTING MANUFACTURING INDUSTRY IN CHINA

LED indoor lighting

LED indoor lighting refer to LED lights used in an indoor setting, including a vast majority of LED luminaire lighting products as disclosed in other sections of the prospectus. LED indoor lighting products can be segmented into LED luminaires and LED lamps. LED luminaires such as LED downlight, LED spotlight and LED panel light are the products consist of LED light module/lamp, control gear and fixture, in order to form a complete lighting system. On the other hand, LED lamps, such as LED tube light and LED light bulb, are the products which can be used in existing lighting fixtures to replace other types of traditional light bulb, especially fluorescent tubes and incandescent bulbs.

INDUSTRY OVERVIEW

Total Revenue of the LED Indoor Lighting Manufacturing Industry in the China from 2010 to 2021



Sources: Ipsos Research and Analysis

The total revenue of the LED indoor lighting manufacturing industry in China rose to RMB96.9 billion in 2016 from RMB10.9 billion in 2010, at a CAGR of approximately 43.9%. In 2021, the total revenue of the LED indoor lighting manufacturing industry in China is estimated to increase to RMB221.5 billion from RMB118.7 billion in 2017, at a CAGR of approximately 16.9%.

With the advancement of white-light LED technology, LED lighting was applied to more fields and became a new generation of general lighting source. This accelerated replacement of traditional lighting by LED lighting, which in turn stimulated the market demand for LED lighting. Moreover, the scale of LED indoor lighting industry is continuously increasing, making it possible for companies to enjoy economies of scale and reduce the production cost.

The increase in the number of green buildings provides an opportunity for higher sale of indoor lights including LED lights. A rising population and increasing urbanisation have led to the need for more buildings. According to the 2012 Commercial Building Energy Consumption Survey conducted by the US Energy Information Administration, the number of commercial buildings in the US has increased from 3.8 million in 1979 to 5.6 million in 2012.

Technological advances boost the production and overall design of LED lighting, which reduces manufacturing costs. As a result, the global average retail price of LED light bulb has declined to US\$12.0 in 2016 from approximately US\$21.5 in 2013.

Advantages of LED indoor lighting

LED indoor lighting products are not substitutes for LED decorative lighting. The former often serve as permanent and main light sources whilst the latter often serve as temporary and decorative light sources. LED indoor lighting products are required to deliver stable performance for lighting, while decorative lighting products are required to have attractive appearance and generally be water-proof to withstand outdoor weather conditions. In other words, LED indoor lighting products are not directly competing with LED decorative lighting products as their different purposes serve different occasions. Below are the advantages of LED indoor lighting comparing to traditional incandescent lighting products.

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Energy efficient

LED indoor lighting products are known for their low power consumption, leading to significant energy savings that often drive consumption of LED indoor lighting product consumption. In fact, according to the US Department of Energy, LED indoor lighting products could use 80% less energy than traditional incandescent lighting products.

Longer product life

According to Consumer Reports, LED indoor lighting products can operate up to 50,000 hours, which is about five times longer than other available products, such as compact florescent lightbulbs and incandescent lightbulbs. Though priced slightly higher than compact florescent lightbulbs and incandescent lightbulbs, LED indoor lighting product's longer claimed life often attracts consumers looking to save energy and money. In addition, LED indoor lighting product's significant product lifetime and energy efficiency distinguishes them from other available alternatives in the market, making them more attractive to customers.

Environmentally friendly

It is known that compact florescent lightbulbs contain a small amount of mercury, which is hazardous to the environment and humans. In contrast, LED indoor lighting products may be more attractive to customers whom are concerned with safety.

LED Indoor Lighting Sales Market

Main Customer Segments

The LED indoor lighting market has three customer segments: (i) residential, (ii) commercial, and (iii) industrial. Residential applications for LED indoor lighting include kitchen, hallways, dining rooms and bathrooms. Commercial users are further sub-segmented into users purchasing LED indoor lighting for office buildings, hotels, restaurants, retail shops and educational institutes. Industrial users refer to users purchasing LED indoor lighting industrial facilities such as warehouses, storage units and functional areas.

Sales Channels

The main sales channels for LED indoor lighting in the US are large multinational retailers, and a small number of local retailers. Large multinationals have strong global presence and more resources to acquire strong brand images in both the offline and online market. Hence, the market can be considered as highly competitive. Key multinational retailers include Customer B, Home Depot Inc., Lowe's Companies Inc., Sears Holdings Corp., and Target Corp. On the other hand, Amazon is a dominant e-retailer. Taiwan's LED indoor lighting market consists of a large number of multinationals, as well as local retailers.

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Buying Criteria

In the LED indoor lighting market there are five key general buying criteria: (i) Compatibility, (ii) Cost, (iii) Durability, (iv) Efficiency, and (v) Reliability. Compatibility refers to the ability to work with products from third-party platforms and technologies. Cost of the products should be low. Durability refers to the duration for which LED lighting products deliver their output at full potential. Efficiency of LED indoor lighting is considered high when the lighting lasts for a long time by consuming optimum electricity, resulting in reduction of operational costs. Lastly, reliability refers to the ability of products to maintain a consistent level of output regardless of external conditions.

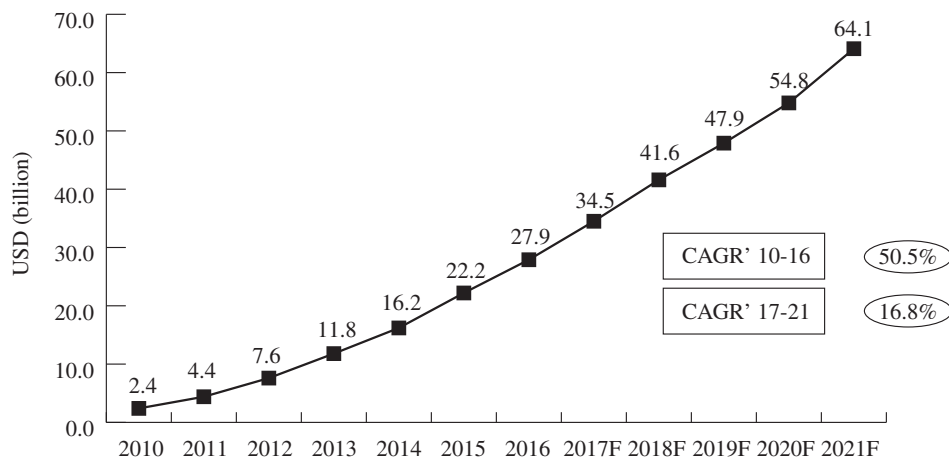
Market Trends

The outlook for the LED indoor lighting market remains strong regardless of fluctuations in the economy. Some of the major trends in the US include increased adoption of high-power LEDs, shift to large-diameter sapphire wafers, and increased adoption of eco-friendly lighting solutions. More affordable price and increasing awareness of LED indoor lighting imply a potential growth in the demand for LED indoor lighting.

Total Global Sales Value of LED Indoor Lighting

The global sales value of LED indoor lighting has seen continuous growth from 2010 to 2016 and has forecasted continuous growth from 2017 to 2021.

Total Global Sales Revenue of LED Indoor Lighting from 2010 to 2021



Sources: Ipsos Research and Analysis

The total global sales revenue of LED indoor lighting rose to US\$27.9 billion in 2016 from US\$2.4 billion in 2010, at a CAGR of approximately 50.5%. The high growth rate is due to the increased environmental awareness among the public, and the incentives from across the globe. In 2021, the total global sales revenue of LED indoor lighting industry is forecasted to increase to US\$64.1 billion from US\$34.5 billion in 2017, at a CAGR of approximately 16.8%.

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The positive outlook of the LED indoor lighting market is attributed to some major global trends including increased adoption of high-power LEDs, lowering manufacturing costs, and rising environmental awareness among the public. The CAGR is expected to slow down due to a lower replacement rate of LED indoor lighting and continuous decrease in selling price.

Overview of the Competitive Landscape of the LED Indoor Manufacturing Industry in China

The indoor lighting manufacturing industry in China is fragmented with no dominant player

The top five LED indoor lighting manufacturers had a combined market share of approximately 15.8% of the total LED indoor lighting manufacturing industry in 2016, while our Group is estimated to have a market share of approximately 0.06% in the LED indoor lighting manufacturing industry in 2016 based on its revenue for the year ended 30 April 2016.

The Top Five LED Indoor Lighting Manufacturers in China in 2016 (Ranked by Revenue)

Rank	Name of the Company	Headquarter Location	Revenue in 2016 (RMB million)	Share of Total Industry Revenue (%)	Major Service Scope
1	Competitor F	Shanghai	4,080.0	4.2%	Indoor LED luminaires (bulbs, lamp cups, beads, candle bulbs, etc.), LED lighting tubes and lamp frames
2	Competitor G	Zhejiang/Shaoxing	3,674.0	3.8%	Fluorescent lamps, LED lighting products and special lighting devices
3	Competitor H	Fujian/Zhangzhou	2,838.0	2.9%	Electronic energy-saving lamps and LED lighting products
4	Competitor I	Huizhou	2,696.9	2.8%	Fluorescent lamps, HID lamps, halogen lamps and LED lamps
5	Competitor J	Foshan	2,045.7	2.1%	LED lighting, traditional lighting
Others			81,602.2	84.2%	
Total			96,936.8	100.0%	

Notes:

1. Percentages may not total to 100% due to rounding.
2. Some totals may not correspond to the sum of the separate figures due to rounding.

Sources: Ipsos Research and Analysis

Drivers of Demand

The demand for LED indoor lighting products has been increasing internationally and domestically in China. This demand growth is mainly driven by the following factors:

Phasing out of incandescent light

The LED market is no longer niche and is emerging into a mass market. LED lighting products are becoming more prevalent in the indoor spheres for multiple applications. The increasing demand for the products is attributed to the international promotion of LED lighting, phasing out of incandescent light in various countries, dramatic price decline for LED lighting products, and product competitiveness including longer life span, energy efficiency and lower overall costs.

Many countries have stopped incandescent light production and sales. As a result, LED indoor lighting is likely to take over the market share of incandescent lighting. This will create a long-term effect that will help sustain the growth of global LED indoor lighting market.

Public regulation and promotional measures in many countries underline the development of the LED lighting industry. For instance, the Chinese government has strongly supported the local LED lighting manufacturing industry. As of 2015, the government provided subsidies to the upstream market manufacturers such as LED chip providers and LED packaging companies. In addition, the China-ASEAN community (中國-東盟命運共同體) played a vital role in the growth of trading between South East Asia and China. The community has implemented policies such as the 2+7 Cooperation Framework (2+7合作框架), the Asian Infrastructure Investment Bank and Silk Road Fund.

Declining price trend of LED indoor lighting products

Apart from the government support and phasing out of incandescent light, the other demand driver is likely to be the declining price trend of LED indoor lighting products, which makes it more affordable to residential users, and more economical to industrial and commercial users. In January 2016, the global average retail price of an LED light bulb was US\$12.0, compared to US\$21.5 in November 2013. This price drop will encourage the global demand further, given a more affordable outlook to potential customers internationally.

LED lights competitive advantages in its product nature

The product nature is also likely to be a driver of demand. An LED light bulb has an approximately 50,000 hours of lifespan, as against 1,200 hours for an incandescent light bulb, and 8,000 hours for a compact fluorescent lamp (CFL). LED light bulbs use less power (watts) per unit of light generated (lumens), six to eight watt of power consumed per lumen, while incandescent light bulbs use 60 watts per lumen and CFL, 13 to 15 watts per lumen. The energy-saving advantage suggests a lower overall cost despite a higher initial cost for an LED indoor light bulb.

The total revenue of the LED indoor lighting manufacturing industry in China rose to RMB96.9 billion in 2016 from RMB10.9 billion in 2010, at a CAGR of approximately 43.9%.

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With the advancement of white-light LED technology, LED lighting was applied to more fields and became a new generation of general lighting source. This accelerated replacement of traditional lighting by LED lighting, which in turn stimulated the market demand for LED lighting. Moreover, the scale of LED indoor lighting industry is continuously increasing, making it possible for companies to enjoy economies of scale and reduce the production cost.

The total revenue of the LED indoor lighting manufacturing industry in China is forecasted to increase consistently at a CAGR of approximately 16.9% from 2017 to 2021.

Entry Barriers of the LED Indoor Lighting Manufacturing Industry in China

Technological barriers

Incumbents enjoy a competitive advantage derived from patents and licenses for lighting components. Moreover, there are steep learning curves in the LED lighting manufacturing industry in relation to the importance of R&D and the advances in technology. LED lighting manufacturing requires a wide range of specific skills including knowing specific engineering performance management and system integration. Therefore, new entrants face high sunk costs considering the investment in R&D, licensing and other production costs.

Increasing import standards in the EU and the US require Chinese manufacturers to continually seek technological improvement for better quality control. In other words, continuous improvement and modification in the manufacturing process ensure good quality products. As this requires a high technological investment, many companies consider this a high threshold to enter.

Industry Competitors

The LED indoor manufacturing industry consists of large-scale manufacturers, specialised manufacturers, foundry vendors, and micro-enterprises. These competitors have already collaborated for luminaires components, licenses or patents. Moreover, large-scale companies have a well-established distribution channel and brand recognition. Therefore, it takes time for new entrants to build their brand and relationship with other competitors.

Limited pool of suppliers of essential components

Several types of raw materials are needed during the LED indoor lighting manufacturing process. Although LED indoor lighting manufacturers may have a considerable number of suppliers, suppliers themselves may supply different kinds of raw materials. Unlike the common raw materials such as plastics and copper wires etc., for certain essential components with high technological requirements such as bluetooth LEDs, shatter-proof glass tubes, printed circuit board and LED alternating current modules, a fewer number of corresponding suppliers are present in the industry. Thus, there are few alternative suppliers for the key components used in manufacturing of LED lighting. In addition, there are different additional costs like transport, fees or custom component lines, which makes switching suppliers costly. The limited number of several key types of raw material supplier created an entry barrier for new entrants as they may find it hard to bargain with those suppliers. This may potentially impose negative impacts on their purchasing cost from these suppliers.

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Financial strength and company scale

LED lighting requires large capital for R&D. Also, the LED indoor lighting industry currently consists of many companies, which means strong market competition, and a decline in the retail price. Hence, companies need to be financially strong to continue to be profitable.

Companies lower the product price to maintain their market share. They achieve this with efficient cost reduction in the manufacturing process, which ensures profit margins. Besides, LED lighting companies need to make continuous investment in R&D, which makes a relatively high requirement for capital, technology and talent. Large companies have stronger financial strengths and can reduce production cost by enjoying economies of scale. On the contrary, new entrants lack the required financial strength and scale, and hence find it difficult to enter the market.

Opportunities for the LED Indoor Lighting Manufacturing Industry in China

Ban on incandescent lighting by governments

LED technology is in the growth phase considering its energy efficiency and that its growth will be boosted by the phase-out of incandescent lighting in many countries worldwide, which will encourage consumers to purchase LED lighting products. China announced a five-year plan to phase out import and sale of incandescent lighting in 2012. Moreover, the US government banned sale of both 100W and 75W bulbs in 2012 and 2013, respectively. In 2014, the US also phased out 60W and 40W bulbs, resulting in an increased demand for environmentally-friendly alternative light sources such as LEDs. The sales of 100W and 60W incandescent light bulbs were banned in 2009 and 2011, respectively. In 2012, the EU has completely banned all incandescent light source.

Future trend of smart lighting

Adoption of smart lighting, a lighting technology that includes automated and remote control system to make adjustments based on conditions such as occupancy, will also spur the demand for LED indoor lighting. It offers the flexibility for aesthetic, everyday practice, and entertainment use. It is compatible to LED lighting, and opens up a new growth avenue for the technology.

The Belt and Road Policy

The Belt and Road Policy was published in 2015 by The State Council of The People's Republic of China to strengthen the trade relations among countries including China, Europe, the Middle East and Southeast Asia. These countries are to be connected by an infrastructure network comprising railways, highways, air routes, oil and natural gas pipelines and optic fibre networks for better economic ties. This strategy would likely to increase the total export volume of LED indoor lighting products to these countries, as well as raise local demand given a more comprehensive transportation system to be built for trading purposes.

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Reduction in manufacturing cost

Sapphire substrates, which are used to produce LED chips, account for nearly 85% of all materials used for manufacturing LEDs. The recent transition to larger sapphire wafers allows manufacturers to produce more LED chips, resulting in reduction in manufacturing cost. This in turn could increase the total revenue of LED indoor lighting manufacturers.

Threats to the LED Indoor Lighting Manufacturing Industry in China

Slowdown in the global economy

Due to the unfavourable global economy, many countries have postponed the plan of replacing traditional lighting with LED lighting. The retail price of indoor LED lighting is expected to decrease due to the increasing price war among manufacturers, which will potentially affect sales of manufacturers. In addition to the decline in the property price and troubled stock market in China, the purchasing power of potential consumers is expected to weaken. This is likely to hamper the demand for LED indoor lighting.

REGULATORY OVERVIEW

This section provides a brief summary of certain major laws and regulations relevant to our Group's business. Information contained in this section should not be construed as a comprehensive summary of laws or regulations applicable to our Group.

A. PRC RULES AND REGULATIONS

Acquisition of Domestic Enterprises by Foreign Investors

On 8 August 2006, six PRC governmental and regulatory agencies, including the MOFCOM and the China Securities Regulatory Committee (中國證券監督管理委員會) (“CSRC”), jointly issued the Rules on the Acquisition 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”), which came into effect on 8 September 2006 and was revised on 22 June 2009. Pursuant to the M&A Rules, when foreign investors establish foreign investment enterprises through the equity acquisition of domestic enterprises, the equity acquisition shall be approved by the relevant commercial authorities and registered with relevant industry and commercial authorities. Since the Acquisition has been approved by the Department of Foreign Trade and Economic Cooperation of Guangdong Province (廣東省對外貿易經濟合作廳) and registered with the Administration for Industry and Commerce of Dongguan City (東莞市工商行政管理局), our PRC Legal Advisers are of the view that the above legal procedure of the Acquisition has been completed according to the M&A Rules.

PRC laws and regulations also require certain merger and acquisition transactions to be subject to security review. The Notice of the General Office of the State Council on the Establishment of the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (國務院辦公廳關於建立外國投資者併購境內企業安全審查制度的通知) effective from 3 March 2011 and the Provisions of the MOFCOM on the Implementation of the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (商務部實施外國投資者併購境內企業安全審查制度的規定) effective from 1 September 2011, provide that, when deciding whether a specific merger or acquisition of a domestic enterprise by foreign investors is subject to the security review by the MOFCOM, the principle of substance over form should be applied and foreign investors are prohibited from by passing the security review requirement by structuring transactions through proxies, trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions.

Establishment, Operation and Management of a Wholly Foreign-owned Enterprise

The establishment, operation and management of corporate entities in China is governed by the Company Law of the PRC (中華人民共和國公司法) (the “Company Law”), which was promulgated by the Standing Committee of the National People’s Congress (全國人民代表大會常務委員會) (the “Standing Committee”) on 29 December 1993 and became effective on 1 July 1994. It was subsequently amended on 25 December 1999, 28 August 2004, 27 October 2005 and 28 December 2013. The Company Law generally governs two types of companies — limited liability companies and joint stock limited companies. Both types of companies have the status of legal persons, and the liability of a company to its debtors is limited to the value of assets owned by such company. Liability of shareholders of a limited liability company and a joint stock limited

REGULATORY OVERVIEW

company is limited to the amount of registered capital they have contributed. The Company Law shall also apply to foreign-invested companies. Where laws on foreign investment have other stipulations, such stipulations shall apply.

The establishment procedures, examination and approval procedures, registered capital requirement, foreign exchange restriction, accounting practices, taxation and labour matters of a wholly foreign-owned enterprise are governed by the Wholly Foreign-owned Enterprise Law of the PRC (中華人民共和國外資企業法) (the “Wholly Foreign-owned Enterprise Law”), which was promulgated on 12 April 1986 and amended on 31 October 2000 and 3 September 2016, and implementation regulations under the Wholly Foreign-owned Enterprise Law, which was promulgated on 12 December 1990 and amended on 19 February 2014.

Investment in the PRC conducted by foreign investors and foreign-owned enterprises shall comply with the Guidance Catalogue of Industries for Foreign Investment (外商投資產業指導目錄) (the “Catalogue”), which was promulgated and amended from time to time by the Ministry of Commerce and the National Development and Reform Commission (國家發展和改革委員會). The latest amendment was made on 28 June 2017 and became effective on 28 July 2017. The Catalogue contains specific provisions guiding market access of foreign capital, stipulating in detail the areas of entry pertaining to the categories of encouraged foreign-invested industries, restricted foreign-invested industries and prohibited foreign-invested industries. Any industry not listed in the Catalogue is a permitted industry. As advised by our PRC Legal Advisers, our business in the PRC is permitted under the Catalogue.

Foreign Exchange Regulation

The principal regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations of the PRC (中華人民共和國外匯管理條例) which was promulgated by the State Council on 29 January 1996, became effective on 1 April 1996 and was subsequently amended on 14 January 1997 and 1 August 2008 and the Regulations on the Administration of Foreign Exchange Settlement, Sale and Payment (結匯、售匯及付匯管理規定) which was promulgated by the People’s Bank of China (中國人民銀行) on 20 June 1996 and became effective on 1 July 1996. Pursuant to these regulations and other PRC rules and regulations on currency conversion, Renminbi is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as direct investment, loan or investment in securities outside China unless prior approval of SAFE or its local counterparts is obtained.

Foreign’ invested enterprises are permitted to convert their after tax dividends into foreign exchange and to remit such foreign exchange out of their foreign exchange bank accounts in the PRC. Foreign exchange transactions involving overseas direct investment or investment and exchange in securities, derivative products abroad are subject to registration with SAFE or its local counterparts and approval from or filing with the relevant PRC government authorities (if necessary). However, according to the Notice regarding Further Simplifying and Improving Direct Investment Foreign Exchange Management Policy promulgated by SAFE on 13 February 2015 (關於進一步簡化和改進直接投資外匯管理政策的通知), from 1 June 2015 onwards, overseas direct investment or domestic direct investment will no longer be subject to approval by SAFE; instead, certain qualified local banks will take charge of relevant registration procedures.

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On 9 June 2016, SAFE promulgated the Circular on Reforming and Regulating Policies on the Management of the Settlement of Foreign Exchange of Capital Accounts (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知) (“SAFE Circular No. 16”). SAFE Circular No. 16 unifies the Discretional Foreign Exchange Settlement for all the domestic institutions. The Discretional Foreign Exchange Settlement refers to the foreign exchange capital in the capital account which has been confirmed by the relevant policies subject to the Discretional Foreign Exchange Settlement (including foreign exchange capital, foreign loans and funds remitted from the proceeds from the overseas listing) can be settled at the banks based on the actual operational needs of the domestic institutions. The proportion of Discretional Foreign Exchange Settlement of the foreign exchange capital is temporarily determined as 100%.

Furthermore, SAFE Circular No.16 stipulates that the use of capital by foreign-invested enterprises (“FIE”) shall follow the principles of authenticity and self-use within the business scope of enterprises. The capital of an FIE and capital in Renminbi obtained by the FIE from foreign exchange settlement shall not be used for the following purposes:

- (1) directly or indirectly used for the payment beyond the business scope of the enterprises or the payment prohibited by relevant laws and regulations;
- (2) directly or indirectly used for investment in securities or financial schemes other than bank guaranteed products unless otherwise provided by relevant laws and regulations;
- (3) used for granting loans to non-connected enterprises, unless otherwise permitted by its business scope; and
- (4) used for the construction or purchase of real estate that is not for self-use (except for the foreign-invested real estate enterprises).

Pursuant to the Notice on Issues Relating to the Administration of Foreign Exchange in Offshore Investment and Fund-raising and Reverse Investment Activities of Domestic Residents Conducted via Special Purpose Vehicles (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) (“Notice No. 37”) promulgated by SAFE on 4 July 2014, PRC residents, including PRC entities and PRC resident individuals, shall conduct foreign investment foreign exchange registration with SAFE prior to contributing capitals to a special purpose vehicle using domestic or overseas legal assets or equities. Failure to complete such registration may result in difficulties in the foreign exchange transactions conducted by such domestic companies, including without limitation, those for the purpose of profit or dividend repatriation.

As advised by our PRC Legal Advisers, Notice No. 37 is not applicable to our ultimate individual shareholders who are Hong Kong permanent residents.

On 15 February 2012, SAFE promulgated the Notice on Issues concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas-Listed Company (國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知) (the “Equity Incentive Plan Notice”), which supersedes a previous notice issued by SAFE in March 2007 and requires domestic employees who participate in stock incentive plan including employee stock holding plan, share option plan or similar plans in an overseas-listed company to register with the relevant local SAFE branch through a PRC agent and complete

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certain other procedures. A PRC agent shall be a domestic company participating in the stock incentive plan or a domestic institution that is qualified to engage in assets custodian business and has been duly designated by such domestic company.

Taxation

Income tax

According to the EIT Law, which was promulgated on 16 March 2007, the income tax for both domestic and foreign-invested enterprises will be at the same rate of 25% effective from 1 January 2008.

Under the EIT Law, an enterprise outside the PRC whose “de facto management bodies” are located in the PRC is considered a “resident enterprise” and will be subject to a uniform 25% enterprise income tax rate on its global income. On 6 December 2007, the State Council of the PRC issued the Regulation on the Implementation of PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法實施條例), effective as of 1 January 2008, which defines the term “de facto management bodies” as “bodies that substantially carry out comprehensive management and control on the business operation, employees, accounts and assets of enterprises”. In April 2009, the State Administration of Taxation of the PRC further specified certain criteria for the determination of what constitutes “de facto management bodies” for foreign enterprises which are controlled by PRC enterprises. If all of these criteria are met, the relevant foreign enterprise controlled by a PRC enterprise will be deemed to have its “de facto management bodies” located in China and therefore be considered a PRC resident enterprise. These criteria include: (i) the enterprise’s day-to-day operational management is primarily exercised in China, (ii) decisions relating to the enterprise’s financial and human resource matters are made or subject to approval by organisations or personnel in China, (iii) the enterprise’s primary assets, accounting books and records, company seals, and board and shareholders’ meeting minutes are located or maintained in China and (iv) 50% or more of voting board members or senior executives of the enterprise habitually reside in China.

Withholding tax on dividend distribution

The EIT Law prescribes a standard withholding tax rate of 20% on dividends and other China-sourced income of non-resident enterprises. However, the implementation rules of the EIT Law reduced the rate from 20% to 10%, effective from 1 January 2008.

According to the Arrangement between the Mainland and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the 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, the withholding tax rate for dividends paid by a PRC resident enterprise to a Hong Kong resident enterprise is no more than 5%, if the Hong Kong enterprise owns at least 25% of the PRC enterprise. According to the Notice of the State Administration of Taxation on the Issues relating to the Administration of the Dividend Provision in Tax Treaties (國家稅務總局關於執行稅收協定股息條款有關問題的通知) promulgated on 20 February 2009, the corporate recipients of dividends distributed by Chinese enterprises must satisfy the direct ownership thresholds at all times during the 12 consecutive months preceding the receipt of the dividends.

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According to the Announcement on the Administrative Measures for Non-resident Taxpayers to Enjoy the Treatment Under Tax Treaties (關於發布《非居民納稅人享受稅收協定待遇管理辦法》的公告) (“the 2015 Administration Measures”), which was promulgated by SAT on 27 August 2015 and became effective on 1 November 2015, prior approval from or filings with SAT is no longer required before a non-resident taxpayer can enjoy the tax preferential treatment under the relevant treaties. A non-resident taxpayer may enjoy the tax preferential treatment at the time of tax return filings or withholding and declaration through a withholding agent if it is eligible for the tax preferential treatment under the relevant provisions of a tax treaty, subject to the follow-up administration by the relevant tax authority. In order to enjoy the tax preferential treatment, the non-tax resident shall file documents as required by the 2015 Administration Measures with tax authority when filing tax returns or withholding and declaration through a withholding agent. During the follow-up administration, the PRC tax authorities shall verify if the non-resident taxpayer is eligible for the tax preferential treatment, ask for supplemental documents from the non-tax resident or, if the non-resident taxpayer is deemed not eligible for the tax preferential treatment, require the non-resident taxpayer to pay up the non-payment or underpayment of the tax within specified timeframe. Moreover, according to the Notice of the State Administration of Taxation on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements, if the main purpose of an offshore arrangement is to obtain preferential tax treatment, the PRC tax authorities have the discretion to adjust the preferential tax rate for which an offshore entity would otherwise be eligible.

Value added tax

Pursuant to the Provisional Regulations of the PRC Concerning Value Added Tax (中華人民共和國增值稅暫行條例) (the “VAT Regulations”) which was amended on 6 February 2016 and its implementation regulations, all entities or individuals in the PRC engaged in the sale of goods, the supply of processing services, repairs and replacement services, and the importation of goods are required to pay value-added tax (“VAT”). VAT payable is calculated as “output VAT” minus “input VAT”. The rate of VAT is 17% or in certain limited circumstances, 13%, depending on the product type.

Import and Export of Products

Pursuant to the Foreign Trade Law of the PRC (中華人民共和國對外貿易法) promulgated by the Standing Committee on 12 May 1994 and amended on 6 April 2004 and 7 November 2016, foreign trade operator who is engaged in the import and export of goods or technologies shall process the filing and registration with the foreign trade authority under the State Council or its entrusted agencies, unless otherwise provided by the laws and regulations. Foreign trade operators which have not filed and registered in accordance with the Foreign Trade Law of the PRC will be declined by the PRC customs authorities to carry out the customs clearance and inspection procedures for import and export of goods.

Pursuant to the Customs Law of the PRC (中華人民共和國海關法) promulgated by the Standing Committee on 22 January 1987 and revised on 7 November 2016 and other relevant laws, the consignors and consignees of imported and exported goods shall be duly registered with the PRC customs authorities for handling the customs clearance procedures. Enterprises which have not been registered with the PRC customs authorities are prohibited from carrying out the customs

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clearance. Consignees of imported goods and consignors of exported goods shall report to the PRC customs authorities about the facts and provide the import and export licenses, certificates and other relevant documents for inspection.

Environmental Protection

The main PRC environmental protection laws and regulations applicable to us include the Environmental Protection Law of the PRC (中華人民共和國環境保護法) (the “Environmental Protection Law”), the Appraising of Environmental Impacts Law of the PRC (中華人民共和國環境影響評價法) (the “Appraising of Environmental Impacts Law”), the Regulations on Administration of Construction Project Environmental Protection (建設項目環境保護管理條例), the Prevention and Control of the Atmospheric Pollution Law of the PRC (中華人民共和國大氣污染防治法) (the “Atmospheric Pollution and Prevention Law”), the Prevention and Control of the Water Pollution Law of the PRC (中華人民共和國水污染防治法) (the “Water Pollution and Prevention Law”), the Prevention and Control of the Noise Pollution Law of the PRC (中華人民共和國環境噪聲污染防治法) (the “Noise Pollution and Prevention Law”), the Prevention and Control of the Solid Waste Pollution Law of the PRC (中華人民共和國固體廢物污染環境防治法) (the “Solid Pollution and Prevention Law”) and other relevant laws and regulations.

In accordance with the Environmental Protection Law as promulgated by the Standing Committee on 24 April 2014 and implemented on 1 January 2015, the environmental protection administrative department under the State Council shall formulate national environmental quality standards. The people’s governments of provinces, autonomous regions and municipalities may formulate local environmental quality standards for matters not specified in national environmental quality standards; they may formulate local environmental quality standards which are stricter than the national environmental quality standards for matters already specified in national environmental quality standards.

Enterprises and other operators that discharge pollutants shall take measures to prevent and control the pollution and harms to the environment of waste gas, waste water, waste, dust etc. generated in production, construction or other activities. Enterprises that discharge pollutants shall establish the environment protection responsibility regime and clarify the responsibilities of the persons-in-charge and the relevant personnel. Pollution prevention and control facilities in construction projects shall be simultaneously designed, simultaneously constructed and simultaneously put into use with the main project. Pollution prevention and control facilities shall fulfill the requirements in the approved environment impact assessment documents, and shall not be demolished without authorization or idled. The nation implements the pollutant discharge permit administration system. Enterprises and other operators implementing the pollutant discharge permit administration shall discharge pollutants according to the requirements of the pollutant discharge permits; no pollutant may be discharged without obtaining the pollutant discharge permit. Where enterprises and other operators discharge pollutants exceeding the pollutant discharge standards, the environmental protection authority may order them to take measures including limiting production and cease production to rectify etc.; if the circumstances are serious, after approved by the people’s governments with approval powers, they may be ordered to cease production or shut down. If harms are caused by the environment pollution and ecology damage, the Tort Law of the PRC (中華人民共和國侵權責任法) shall apply to determine tort liabilities.

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In accordance with the Appraising of Environmental Impacts Law promulgated by the Standing Committee on 28 October 2002 and amended on 2 July 2016 and the Regulations on Administration of Construction Project Environmental Protection promulgated by the State Council and effective as from 29 November 1998 and amended on 16 July 2017, the development of each construction project is subject to the environmental impact assessment, and the construction entity should submit to the relevant environmental protection authorities the environmental impact statement which assess the pollution the construction project is likely to produce and its impact on the environment and stipulate the preventive and curative measures. Only after the assessment has been completed and approval from the relevant environmental protection authorities has been obtained, the construction can commence. After completion of the project, the construction entity shall also apply to the relevant environmental protection authorities for checks and acceptance of the corresponding environmental protection facilities. The said construction project may be put into operation or use only after the completion of the said checks and acceptance procedures. Where the main body of the project formally goes into production or use without completing the said checks and acceptance procedures, the relevant environmental protection authorities shall order the construction entity to stop the production and use and may impose a fine of less than RMB1,000,000 on the construction entity.

The PRC government has promulgated a series of laws on discharge of atmospheric pollutants, waste water, solid wastes and noise to the environment, including the Atmospheric Pollution and Prevention Law (promulgated by the Standing Committee on 5 September 1987, amended on 29 August 1995, 29 April 2000 and 29 August 2015), the Water Pollution and Prevention Law (promulgated by the Standing Committee on 11 May 1984, amended on 15 May 1996, 28 February 2008 and 27 June 2017), the Noise Pollution and Prevention Law (promulgated by the Standing Committee on 29 October 1996 and effective as from 1 March 1997) and the Solid Pollution and Prevention Law (promulgated by the Standing Committee on 30 October 1995 and amended on 29 December 2004, 29 June 2013, 24 April 2015 and 7 November 2016), which have respectively specified the prevention and control and supervision and administration of atmospheric pollution, water pollution and pollution from noise and solid wastes. Pursuant to the aforesaid laws, in case of new construction, expansion and reconstruction of projects that discharge pollutants to the atmosphere or water body, and/or produce noise or solid wastes, the relevant enterprise shall observe the state regulations concerning administration of construction project environmental protection and make pollutant discharge declaration according to law and discharge pollutants in accordance with regulations.

With regard to enterprises violating the aforesaid laws, the relevant environmental protection authorities may impose administrative penalties on them in accordance with laws and regulations. Any enterprise that has caused an environmental pollution hazard shall be responsible for eliminating it and compensating the entities or individuals directly damaged.

Production Safety

Pursuant to the Production Safety Law of the PRC (中華人民共和國安全生產法) (the “Production Safety Law”) promulgated by the Standing Committee on 29 June 2002 and amended on 31 August 2014, any production and business operation entity with more than 100 employees shall establish an independent administrative body of safe production or have full-time personnel for the administration of safe production; if the enterprise has fewer than 100 employees, it shall

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have full-time or part-time personnel for the administration of safe production. Production and business operation entities shall provide labour protection articles that meet the national standards or industrial standards for the employees thereof, supervise and educate them to wear or use these articles according to the prescribed rules. Production and business operation entities shall arrange funds for buying labour protection articles and organizing trainings on production safety. Production and business operation entities shall buy insurance for work-related injuries according to laws and pay insurance premiums for the employees thereof. Violation of the Production Safety Law may result in imposition of fines and penalties, suspension of operation, an order to cease operation, or even criminal liability in severe cases.

Labour

The main PRC employment laws and regulations applicable to us include the Labour Law of the PRC (中華人民共和國勞動法) (the “Labour Law”), the Labour Contract Law of the PRC (中華人民共和國勞動合同法) (the “Labour Contract Law”), the Implementing Regulations of the Labour Contract Law of the PRC (中華人民共和國勞動合同法實施條例) and other relevant laws and regulations.

According to the Labour Law (as promulgated by the Standing Committee on 5 July 1994 and amended on 27 August 2009), the employers should enter into employment contracts with their employees, based on the principles of equality, consent and agreement through consultation. The policy of the wages shall be paid according to the performance, equal pay for equal work, lowest wage protection and special labour protection for female worker and juvenile workers shall be implemented. The Labour Law also requires the employers to establish and effectively implement a system of ensuring occupational safety and health, educate employees on occupational safety and health, preventing work-related accidents and reducing occupational hazards. The employers are also required to pay for their employees’ social insurance premium.

According to the Labour Contract Law (as promulgated by the Standing Committee on 29 June 2007, came into effect on 1 January 2008 and amended on 28 December 2012) and its implementing regulations, enterprises established in the PRC shall enter into employment agreements with their employees to provide for the term, job duties, work time, holidays, payments by laws. Both the employers and the employees shall duly perform their duties. Meanwhile, the Labour Contract Law also provides for the scenario of rescission and termination. Except for certain situation explicitly stipulated in the Labour Contract Law which will not be subject to economic compensation, the economic compensation shall be paid to the employee by the employers for the illegally rescission or termination of the employment agreement. In addition, pursuant to the Labour Contract Law, an employer is required to make severance payments to fixed term contract employees when the term of their employment contract expires, unless the employee does not agree to renew the contract even though the conditions offered by the employer for renewal are the same as or are better than those stipulated in the original employment contract. The amount of severance payment is equal to the monthly wage of the employee multiplied by the number of full years that the employee has worked for the employer, except in circumstances where the employee’s monthly wage is three times greater than the average monthly wage in the relevant district or locality, in which case the calculation of the severance payment will be based on a monthly wage equal to three times the average monthly wage multiplied by a maximum of twelve years.

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Further, under the Regulations on Paid Annual Leave for Employees (職工帶薪年休假條例), which became effective on 1 January 2008, employees who have served more than one year with an employer are entitled to a paid vacation ranging from 5 to 15 days, depending on their length of service. Employees who waive such vacation time at the request of employers shall be compensated at three times their normal salaries for each waived vacation day.

Pursuant to the Social Insurance Law of the PRC (中華人民共和國社會保險法), which was promulgated by the Standing Committee on 28 October 2010 and became effective on 1 July 2011, the State establishes social insurance systems such as basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance so as to protect the right of citizens in receiving material assistance from the State and the society in accordance with the law when getting old, sick, injured at work, unemployed and giving birth. The employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, work-related injury insurance and maternity insurance. If an employer does not pay the full amount of social insurance premiums as scheduled, the social insurance premium collection institution shall order it to make the payment or make up the difference within the stipulated period and impose a daily surcharge equivalent to 0.05% of the overdue payment from the date on which the payment is overdue. If payment is not made within the stipulated period, the relevant administration department shall impose a fine from one to three times the amount of overdue payment.

According to the Several Provisions on Implementing the Social Insurance Law of the PRC (實施《中華人民共和國社會保險法》若干規定) (the “Provisions”), which was promulgated by the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部) on 29 June 2011 and became effective on 1 July 2011, insurance premium which should be paid by the employees shall be withheld and paid by the employers. Where an employer fails to withhold and pay the premiums in accordance with the Provisions, the social insurance premium collection institution shall order the employer to remit within time limit and impose a daily surcharge equivalent to 0.05% of the overdue payment from the date of default as late payment penalty. The employers shall not require employees to pay for the late payment penalty.

Pursuant to the Regulations on the Administration of Housing Provident Funds (住房公積金管理條例) which was promulgated by the State Council on 3 April 1999 and became effective on 3 April 1999 and as amended on 24 March 2002, the employers shall go through housing provident funds registration with the local housing fund administration center and open housing fund accounts for its employees in the bank. Failure to abovementioned registration and accounts opening, an employer may be subject to order to handling within a time limit. If an employer fails to handle within prescribed time limit, it shall be imposed the penalty ranging from RMB10,000 to RMB50,000. Where an employer fails to pay up housing provident funds within time limit, the housing fund administration center shall order it to make payment in certain period of time, if the employer still fails to do so, the housing fund administration center may apply to the court for enforcement of the unpaid amount.

Product Liability

Pursuant to the Product Quality Law of the PRC (中華人民共和國產品質量法) (as promulgated on 22 February 1993, implemented on 1 September 1993 and amended in 2000 and 2009), the Law of the PRC on the Protection of the Rights and Interests of Consumers (中華人民共和國消費者權益保護法) (as promulgated on 31 October 1993 and amended on 25 October 2013) and the Tort Law of the PRC (中華人民共和國侵權責任法) (as promulgated on 26 December 2009 and implemented on 1 July 2010), a producer shall be responsible for the quality of the products it produced. Where any harm is caused by a defective product, the victim may claim for compensation either from the producers or sellers. If the liability lies on the producers and the compensation has been paid by the sellers, the sellers have the right to recover their losses from the producers. If the liability lies on the sellers and the compensation has been paid by the producers, the producers have the right to recover their losses from the sellers.

Patent

The Patent Law of the PRC (中華人民共和國專利法) (the “Patent Law”) was promulgated by the Standing Committee on 12 March 1984 which became effective on 1 April 1985 and amended on 4 September 1992, 25 August 2000 and 27 December 2008. The purpose of the Patent Law is to protect and encourage invention, foster applications of invention and promote the development of science and technology. A patentable invention or utility model must meet three conditions: novelty, inventiveness and practical applicability. Patents cannot be granted for scientific discoveries, rules and methods for intellectual activities, methods used to diagnose or treat diseases, animal and plant breeds or substances obtained by means of nuclear transformation. The State Intellectual Property Office is responsible for receiving, examining and approving patent applications. A patent is valid for a term of 20 years in the case of an invention and a term of ten years in the case of a utility model and design, starting from the application date. A third-party user must obtain consent or a proper licence from the patent owner to use the patent except for certain specific circumstances provided by law. Otherwise, the use will constitute an infringement of the patent rights.

Trademark

The Trademark Law of the PRC (中華人民共和國商標法) (the “Trademark Law”) was promulgated by the Standing Committee on 23 August 1982 and amended on 30 August 2013. The Trademark Law seeks to improve the administration of trademarks, protect the right to exclusive use of trademarks and encourage producers and operators to guarantee the quality of their goods and services and maintain the reputation of their trademarks, so as to protect the interests of consumers and of producers and operators. The validity period of a registered trademark in the PRC is ten years, counted from the date of registration. Where the registrant intends to continue to use the registered trademark beyond the expiration of the validity period, an application for renewal of the registration shall be made within twelve months before the said expiration. Where no application therefore has been filed within the said period, a grace period of six months will be allowed. The validity period of each renewal of registration shall be ten years, counted from the next day of the expiration day of the last term. If no application has been filed by the expiration of the grace period, the registered trademark shall be deregistered.

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Under the Trademark Law, any of the following acts shall be an infringement upon the right to exclusive use of a registered trademark:

- Using a trademark that is identical with a registered trademark on the same goods without the licensing of the registrant of the registered trademark;
- Using a trademark that is similar to a registered trademark on the same goods, or using a trademark that is identical with or similar to the registered trademark on similar goods without the licensing of the registrant of the registered trademark, which is likely to cause confusion;
- Selling the commodities that infringe upon the right to exclusive use of a registered trademark;
- Forging, manufacturing without authorization on the marks of a registered trademark of others, or selling the marks of a registered trademark forged or manufactured without authorization;
- Changing a registered trademark and putting the commodities with a changed trademark into the market without the consent of the registrant of the registered trademark;
- Providing convenience intentionally for activities infringing upon the right to exclusive use of trademark of others, and facilitate others to commit infringement upon the right to exclusive use of trademark; or
- Causing other damage to the right to exclusive use of a registered trademark of others.

In the event of any of the abovementioned acts which infringe upon the right to the exclusive use of a registered trademark, the infringer would be imposed a fine, ordered to stop the infringement acts immediately and compensate the infringed party. Also, under the Trademark Law, a trademark registrant may, by entering into a trademark licensing contract, authorise another person to use its registered trademark. The licensor shall supervise the quality of the commodities on which the licensee uses the licensor's registered trademark, and the licensee shall guarantee the quality of the commodities on which the registered trademark is to be used.

B. USA RULES AND REGULATIONS

Patent Laws in the USA

The Patent Laws of the USA are codified in Title 35 of the United States Code and came into effect in 1953. They are supplemented with the Patent Rules and further revised by the American Inventors Protection Act of 1999 and the Leahy-Smith America Invents Act of 2011 ("AIA"). The USA has also signed and ratified international intellectual property treaties, including the Paris Convention for the Protection of Industrial Property ("Paris Convention") and the Patent Cooperation Treaty ("PCT") which are mainly administered by the World Intellectual Property Organization ("WIPO") and the Agreement on Trade-Related Aspects of Intellectual Property Rights administered by the World Trade Organization.

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The United States Patent and Trademark Office (“USPTO”) is the federal agency under the United States Department of Commerce. It is responsible for granting USA patents, recording assignments of patents and maintaining search files of USA and foreign patents.

In the USA, any person who invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent. The laws of nature, physical phenomena, and abstract ideas are not patentable subject matter. A patentable invention must satisfy the requirements of novelty, non-obviousness and usefulness. The inventor should provide all the information about the invention according to the specifications prescribed by the USPTO. The USPTO publishes issued patents and most patent applications are published at 18 months from the earliest effective application filing date. A patent is granted to the first inventor to file.

The grant of a patent confers the right to exclude others from making, using, offering for sale, or selling the invention throughout the USA or importing the invention into the USA, its territories and possessions for which the term of the patent shall be generally 20 years from the date on which the application for the patent was filed in the USA.

Patent rights are treated as property rights and can be sold, transferred, assigned and licensed. The assignment, grant or conveyance of patent rights should be registered with the USPTO, which maintains a register of interests in patents and patent applications. Maintenance fee must be paid at the stipulated times (due at 3.5, 7.5 and 11.5 years from the date of grant) to maintain the patent in force. In addition, the patentee must continue to observe other applicable general laws, the prior rights of others and the federal antitrust laws.

The AIA also introduced procedures such as the inter parties review and post-grant review, allowing third parties who are not the owner of a patent to file with the USPTO a petition to review a patent after its issuance. Such review will be conducted by the Patent Trial and Appeal Board. Any party dissatisfied with the decision of the Patent Trial and Appeal Board may appeal to the Court of Appeals for the Federal Circuit.

A patent is infringed if someone makes, uses, offers for sale or sells any patented invention within the USA or imports the invention into the USA during the term of the patent without the patentee’s authorisation. In this case, the patentee may seek civil remedy such as damages or injunction. The action starts from the district court; there is an appeal to the Court of Appeals for the Federal Circuit and the Supreme Court may thereafter take a case by writ of certiorari. A patent is presumed valid and the person asserting its invalidity bears the burden to establish such claim. The defenses available are mainly invalidity and non-infringement of patent. The decision on whether infringement has occurred is determined primarily by the language of the claims of the patent, as the defendant must perform each and every element of one or more of its claims, or actively encourage, sell or offer to sell a component that leads to another’s infringement in order to be considered infringing a patent.

Laws and Regulations on Goods Imported into the USA

The U.S. Customs and Border Protection (“CBP”) is the USA’s primary border enforcement agency and enforces numerous U.S. laws and regulations, including U.S.C. Title 19: Customs Duties (“U.S.C. 19”) and the Customs Modernization Act (“the Mod Act”). In particular, the Mod

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Act fundamentally shifted the legal responsibility for declaring the value and classification to importers. Such information is necessary to enable CBP to properly assess the duties on the goods, collect accurate statistics and determine whether any other applicable legal requirement is met. Imported goods are not legally entered into the USA until after the shipment has arrived, delivery has been authorized by CBP and estimated duties have been paid. Duties may not be prepaid in a foreign country before exportation to the USA and liability for payment of duty is usually fixed at the time entry is filed with CBP. Entry can only be made by the owner, purchaser, his authorized employee or the designated licensed customs broker. The importer is also responsible for arranging for the examination and release of the goods.

Classification, and, when ad valorem rates of duty are applicable, appraisement, are the two most important factors affecting dutiable status. All goods imported into the USA are subject to duty or duty-free entry in accordance with their classification under the USA Harmonized Tariff Schedule. However, section 1514 of U.S.C. 19 allows CBP, not the importer, to make the final determination of what the correct rate of duty is, unless a protest is filed at the U.S. Court of International Trade.

Country of origin can also affect rates of duty, special programs entitlement, admissibility, quota, anti-dumping or countervailing duties. Preferential rules apply to member countries of bilateral or multilateral trade agreements which the USA acknowledges. Anti-dumping and countervailing duties are additional duties that may be imposed on imported goods intended for sale in the USA at abnormally low prices.

When a violation of laws enforced by CBP is discovered, in addition to, or in lieu of, seizure and/or referral for criminal prosecution, CBP usually also has the option of assessing a personal penalty against the alleged violator.

The Consumer Product Safety Commission (“CPSC”) was established under U.S.C. Title 15 Chapter 47: Consumer Product Safety Act (“CPS Act”) to protect the public against unreasonable risks of injury associated with consumer products and to develop regulations, standards and bans in association with other government departments. On the other hand, goods such as firearms, food and medical devices are under other federal agency’s jurisdiction. Certain regulated products need to comply with specific requirements, for example hazardous household products require precautionary labeling on their immediate containers according to the Federal Hazardous Substances Act. It is an offence to manufacture, sell, offer to sell or import goods not in conformity with the applicable consumer product rules. Manufacturers, importers and retailers are also required to report to the CPSC if a consumer product fails to comply with the applicable rule or standard or creates an unreasonable risk of serious injury or death. The CPSC will review the report and take appropriate corrective actions such as product recall if necessary.

In May 2015, the CPSC issued a new safety rule for seasonal and decorative lights, namely “Substantial Product Hazard List: Seasonal and Decorative Lighting Products” (the “New Safety Rule”). It specifies that seasonal and decorative lighting products that do not contain any one of the three readily observable characteristics (minimum wire size, sufficient strain relief, or overcurrent protection), are deemed a substantial product hazard under the CPS Act. The rule is listed as a “voluntary standard”. However, manufacturers and retailers can face civil and “possibly

criminal penalties” for failing to report any products to the CPSC that do not meet the regulation’s requirements. The New Safety Rule applies to seasonal and decorative lighting products imported or introduced into commerce on or after 3 June 2015.

C. CANADA RULES AND REGULATIONS

Patent Laws in Canada

The Canadian Patent Act (R.S.C., 1985, c. P-4) is supplemented with the Patent Rules. Canada has also signed and ratified international IP treaties administered by WIPO, including the Paris Convention and the PCT.

The Canadian Intellectual Property Office (“CIPO”) is a Special Operating Agency associated with Industry Canada. It is responsible for receiving and examining applications for patents, granting patents to qualifying applicants, recording the assignment of patents, publishing patent information and maintaining search files of patent documents.

To be eligible for patent protection, an invention must show novelty, utility and ingenuity. It can be a product, a composition, a machine, a process or an improvement on any of the above. A patent is granted only for the physical embodiment of an idea or for a process that produces something tangible or that can be sold, hence a mere scientific principle or abstract theorem cannot be patented.

To file a patent application, the inventor must provide a full description of the invention in accordance with the prescribed rules. The information will be publicly disclosed after an 18-month confidentiality period. The inventor must formally request for examination of the application within 5 years of the filing date. Patents are granted to the first inventor to file an application. Filing fees, examination fees, and grant of patent fees are required to obtain or maintain a patent or its application; maintenance fees are required yearly to keep the patent in force.

Upon successful grant, the government gives the inventor patent protection within the territory of Canada for a maximum of 20 years from the date of filing the patent application. This protection includes the right to stop others from making, using, or selling the patented item. Patent rights can be assigned or transferred, and such assignment needs to be registered with CIPO.

However, patent rights are considered abused when, for example, a patentee fails to make the invention available in Canada on a commercial scale without adequate reason, or when any person or trade in Canada is unfairly prejudiced by the conditions attached by the patentee to the purchase, hire, license or use of the patented item. It should also be noted that after the issue of a patent, any person may ask that one or more claims of the patent be re-examined if new prior art is found related to the patented invention. If the claim is cancelled or amended, the patentee may appeal the decision to the Federal Court of Canada.

A patent is infringed if someone makes, uses, or sells the patented item without the patentee’s permission in the territory of Canada during the term of the patent. The patentee may sue for damages in an appropriate court, while the defendant may possibly argue that the patent is invalid or that infringement did not occur, in which the outcome of such cases is largely based on the

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wording of the claims. Additionally, the government provides for protection before the actual grant of the patent, as the patent owner is able to sue for reasonable compensation between the date the application was made available for public inspection and the date of the grant.

Laws and Regulations on Goods Imported into Canada

The Canada Border Services Agency (“CBSA”) was established under the Canada Border Services Agency Act and facilitates the access of goods to and from Canada. The CBSA administers over 90 acts, including the Customs Act, the Special Import Measures Act, Canada Shipping Act and Customs Tariff, and other regulations. Importation of goods into Canada is mainly governed by the Customs Act. Many goods such as hazardous waste, used machinery and consumer goods are subject to other government departments’ requirements and may require permits, certificates and/or inspection and the CBSA administers such requirements on behalf of those departments. Imported goods may also be subject to other taxes or duties, such as the 5%-goods and services tax (GST) which is payable on most goods at the time of importation under the Excise Tax Act.

All imported commercial goods must be reported to the CBSA in the prescribed form by the person in charge of the conveyance or the importer. Importers may transact with the CBSA himself or through a licensed customs broker, but the importer is ultimately responsible for the accounting documentation and payment of duties and taxes.

Importers shall identify the origins of goods, which may also include where individual parts of the product are from and where it was assembled into the final product. Importers also need to determine the correct tariff classification number for the imported goods. Classification is based on the Harmonized System, which is used by most trading countries, including the U.S. and China. Importers then need to establish the applicable tariff treatment that is basically divided into (i) Most-Favoured Nation Tariff, which applies to all countries except North Korea, and (ii) Applicable Preferential Tariffs, which allow countries who are parties to certain trade agreements to benefit from reduced rates of duty.

After establishing the above, the importer needs to determine the value for duty of the imported goods, which are charged from the time of importation until such time as the duties are paid or otherwise removed, with the support of documentation from the vendor that must include a complete description of the goods, the selling price and conditions and terms of the sale. Then the importer needs to apply the most suitable method out of the six valuation methods set out in the Customs Act.

No goods shall be released until they have been accounted for and all duties have been paid by the importer. After that, importers are required to keep all records pertaining to the import for six years.

The maximum penalty for a single contravention of any provision under the Customs Act or any designated regulation is 25,000 Canadian dollar or imprisonment. However, multiple contraventions may attract a higher penalty.

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The Canada Consumer Product Safety Act (“CCPSA”) was enacted to protect the public against dangers to human health or safety that are posed by consumer products. Consumer product is defined as a product, including its components and packaging, that may be reasonably expected to be obtained by an individual for non-commercial use. Products such as cosmetics, food and medical devices are regulated by other Canadian laws. CCPSA generally prohibits the manufacturing, sale, advertising and importation of a consumer product that is a danger to human health or safety. It also requires responsible parties (including manufacturers, importers in case the manufacturer is outside Canada and sellers) to prepare and maintain certain documents, for example supplier’s contact information, and to report to Health Canada, the department responsible for Canada’s public health, if the product has resulted or may reasonably have been expected to result in an individual’s death or serious adverse effects on his health. The department may then take appropriate measures provided under the CCPSA such as seizure of product, product recall or giving notice to stop the manufacturing, importation or selling of the product.

D. TAIWAN RULES AND REGULATIONS

Patent Laws in Taiwan

In Taiwan, patents are mainly governed by the Patent Act 2014, which first came into effect in 1949, and are supplemented by various other regulations. The Patent Act designated the Ministry of Economic Affairs (“MOEA”) as the competent authority, and the MOEA established the Taiwan Intellectual Property Office (“TIPO”) to be responsible for the formulation of intellectual property policy, enforcement and inter-agency coordination.

In Taiwan, patents are classified into (i) invention patents, (ii) utility model patents, and (iii) design patents. In relation to inventions and utility models, a patent may be granted upon application in accordance with the Patent Act if they are industrially applicable, except in circumstances such as if it had been publicly exploited or publicly known before the filing of the patent application, if it can be easily made by a person ordinarily skilled in the art, or if it was deemed as lack of novelty.

A patent application should be filed with the TIPO. Foreign applications will only be accepted if the foreign applicant’s home country is a signatory to an international treaty for patent rights protection to which Taiwan is also a signatory, or if it has concluded with Taiwan an agreement for reciprocal patent rights protection, or if the laws of the foreign country accepts patent applications filed by Taiwan nationals.

The application system is based on the “first-to-file” principle, which means where two or more patent applications are filed for the same invention or utility model, only the earliest application can be granted. Meanwhile, where an applicant has first filed a patent application in a foreign country, which reciprocally allows Taiwan nationals to claim patent priority, or with any World Trade Organization member, the applicant may claim priority for the patent application filed in Taiwan.

Upon completion of the substantive examination of an invention patent application or the formality examination of a utility model patent application, the TIPO shall serve a written decision on the applicant. The patent application may be rejected if certain provisions of the Patent Act has been violated. If there is no reason for negating its patentability and if the required fees have been

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paid, the patent application shall be published and the grant of patent right shall start from its publication date. The terms for an invention patent and a utility model patent shall expire after 20 years and 10 years respectively from the filing date of the application.

The main effect of obtaining a patent right is that unless otherwise provided, the patentee has an exclusive right to prevent others from exploiting the invention or utility model without his consent, except in circumstances such as acts done privately and for non-commercial purposes or necessary acts for research or experimental purposes et cetera. If the patentee makes a patent right infringement claim, he may demand the person who infringes or is likely to infringe the patent right to stop or prevent such infringement, claim for damages suffered, or request for the destruction of the infringing articles or other necessary disposal.

Laws and Regulations on Goods Imported into Taiwan

The Bureau of Foreign Trade (“BOFT”) was set up under the Ministry of Economic Affairs (“MOEA”) in 1969 to administer trade in general commercial goods. Its major functions include drafting and implementing Taiwan’s international trade policies and regulations and participating in international trade organizations activities such as WTO.

The importation of goods into Taiwan is governed by laws and regulations including the Foreign Trade Act (“FTA”), the List of Commodities Subject to Import Restriction and the List of Commodities Assisted by Customs for Import Examination. Commodities imported from mainland China are subject to additional requirements, including the Rules Governing Permission of Trade between Taiwan Area and the Mainland Area and Regulations Governing Import of Mainland China Origin Commodities.

Commodities are generally allowed to be imported into Taiwan freely under the FTA, unless restrictions are applicable due to reasons such as international treaties, trade agreements, national defence, hygiene et cetera. Restricted goods shall only be allowed to be imported if permission is granted by BOFT. Apart from import restrictions, certain goods may be subject to requirements for certificates, market licences or approvals from relevant authorities and the Customs Administration under the Ministry of Finance will assist the conformity to those additional requirements. Items prohibited or restricted from import include articles infringing upon intellectual property rights. If goods are not so restricted, importers can apply for customs clearance directly.

Customs duty may be levied on goods imported to Taiwan pursuant to the Customs Act and other regulations including the Customs Import Tariff, which are mainly enforced by the Customs Administration. Free trade agreements entered into between Taiwan and other countries may also affect tariffs or other restrictions imposed on imported goods. Duty-payers should make import declarations to Customs for examination after the arrival of transportation. Imported goods are generally subject to ad valorem duties calculated based on the transaction value. Customs will also consider the origin of imported goods when determining the duty payable. Customs duty shall be paid within the prescribed period after receipt of the duty memo, and imported goods shall be released thereafter. Additional duty under the Customs Import Tariff may be levied if, for example, imported goods were found to have received financial subsidy or other allowances during its production, sale or transportation in the country of origin, thereby causing injury to any industry in Taiwan. Contravention of the Customs Act may lead to penalties such as fines and disposal of goods by Customs by way of sale.

E. HONG KONG RULES AND REGULATIONS

Business Registration in Hong Kong

In Hong Kong, the business registration is governed by the Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong). Anyone carrying on business, including companies incorporated in Hong Kong and non-Hong Kong companies that have established a place of business in Hong Kong, is liable to be registered.

Business registration shall be applied within one month of the commencement of such business by completing and submitting to the Inland Revenue Department the prescribed form together with business registration fee and levy, which is currently HK\$2,250 for a one-year certificate. Alternatively, under the one-stop company and business registration service which commenced on 21 February 2011, the application is deemed to have been made simultaneously when incorporation application is made to the Companies Registry.

If application is accepted, the Commissioner of the Inland Revenue (the “Commissioner”) shall issue to the applicant a business registration certificate, which shall be displayed in a conspicuous place at the business address and be renewed upon expiry. Any changes in particulars of the business should be notified to the Commissioner, unless such information has already been provided to and registered or recorded at the Companies Registry.

Contraventions of the Business Registration Ordinance, including failure to apply for business registration on time or to fully pay levy within the time specified may lead to a fine up to HK\$5,000 and imprisonment for up to one year.

Trademark Laws in Hong Kong

In Hong Kong, registered trademarks are governed and protected by the Trade Marks Ordinance (Chapter 559 of the Laws of Hong Kong), which came into force on 4 April 2003.

According to the Trade Marks Ordinance, a trademark means any sign which is (1) capable of distinguishing the goods or services of one undertaking from those of other undertakings and (2) which is capable of being represented graphically. This may consist of words, designs, colours, sounds, smells or the packaging of goods et cetera. For the purpose of registration, goods and services are classified according to the WIPO-recognized Nice Classification, which currently consists of 45 classes.

Once an application for trademark registration has been submitted to the Trade Marks Registry of Hong Kong (“Trade Marks Registry”), the Trade Marks Registry will first check that all information provided is complete and correct. Then it will examine the application against the requirements set out in the Trade Marks Ordinance. To be registrable, (1) the mark must have distinctiveness, (2) it cannot be a description of the goods and services and (3) it cannot be a well known term in the relevant line of business. Additional grounds of refusal are considered, for example whether the mark is likely to deceive the public and is identical or similar to an earlier trademark.

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Once the application is accepted, its registration will be published in the Hong Kong Intellectual Property Journal. Anyone may oppose the registration by filing a notice within three months from the publication date to the Trade Marks Registry, which will conduct a hearing to decide on the matter.

Once the trademark is accepted for registration, its details will be entered into the register of trade marks and will be registered as of the filing date of the application. The owner of a registered trademark has exclusive rights in the trademark, but such protection is only restricted to the territory of Hong Kong.

The trademark will be registered for ten years and may be renewed for further periods of 10 years. However, it may be revoked if it has not been genuinely used in Hong Kong continuously for at least three years without valid reasons for non-use.

A registered trademark is infringed if, for example, without the consent of its owner, the goods, their packaging or their advertising materials bear a sign identical or similar to the registered mark.

Depending on the case, proceedings in relation to registered trademarks may be brought either in the Trade Marks Registry or in the High Court. The plaintiff need only assert his registered title and allege the facts constituting infringement. On the other hand, unregistered trademarks may be protected by the common law doctrine of passing off, which means the infringer has made deceptive use of someone else's trademark to mislead consumers and damage the business goodwill and reputation, but the plaintiff needs to prove more elements to succeed in the action. The types of relief available for infringement include injunction, declaration, account of profits and destruction.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

HISTORY AND DEVELOPMENT

Our history can be traced back to December 2008 when Mr. Shiu founded Bortex International in Hong Kong initially for the trading of LED Christmas lighting products.

Prior to founding Bortex International, Mr. Shiu spent approximately 25 years working for a family-owned business based in Hong Kong with production operations in Dongguan, which manufactured small electric motors and electric toys for the export market (the “**Metal Company**”). Mr. Shiu initially worked as a moulds technician in the Metal Company and was later promoted to production and administration manager of the Metal Company, which required him to liaise with overseas customers on a regular basis and thus, enabling him to build long-term relationships with some of these customers. After he left the Metal Company in 2005, Mr. Shiu planned to set up his own business by leveraging the personal contacts with overseas customers he had acquired over the years.

Mr. Shiu first became acquainted with Mr. X.H. Shao through his cousin (堂弟), Mr. Shao Chi Liang, in or around early 2007 when he learned that Mr. X.H. Shao was looking for potential partners who would be interested in investing in Bortex Industry following the exit of the other founding shareholder of Bortex Industry (the “**Former Shareholder**”), who is an Independent Third Party, in December 2006. As Mr. X.H. Shao also knew of Mr. Shiu’s plan to start his own business, he invited Mr. Shiu to enter into partnership with him to build up the company. Bortex Industry was established by Mr. X.H. Shao and the Former Shareholder in 2004 to carry on the production and sale of decorative lighting products for the overseas markets. Mr. X.H. Shao is the son of a long-time friend of Mr. Shao Chi Liang and a former 49% shareholder of 東莞市熾華實業有限公司 (Dongguan Chihua Industry Company Limited) (“**Dongguan Chihua**”), a PRC company incorporated in February 1995 which used to manufacture electric wires and lighting products and is owned by Mr. Shao Chi Liang. Despite his enthusiasm in Mr. X.H. Shao’s proposal, Mr. Shiu was unable to commit his time and resources to invest in Bortex Industry because he was then preoccupied with starting another business venture with his other business partners. Nevertheless, Mr. Shiu and Mr. X.H. Shao became friends and remained in close contact since then.

In or about the summer in 2008, Mr. Shiu abandoned his other business venture due to differences of opinion between him and his other partners, and reconsidered joining Mr. X.H. Shao to co-develop the business of Bortex Industry. In view of Mr. Shao Chi Liang’s substantial experience and technical knowledge in designing lighting products gained while he was working at a lighting products manufacturer in Dongguan since 1986 till 1995 and at his own company, Mr. Shiu requested Mr. Shao Chi Liang to assist Bortex Industry in its design, research and development of decorative lighting products so as to further strengthen this department should he become involved in any way in the business of Bortex Industry. At the relevant time, Mr. Shao Chi Liang promised to do so on a part-time basis due to his relationship with Mr. Shiu and Mr. X.H. Shao. Having regard to the uncertain global economic outlook following the outbreak of the financial crisis in 2008, Mr. Shiu and Mr. X.H. Shao reached consensus that instead of Mr. Shiu investing directly in Bortex Industry, he would set up an offshore trading company which, in turn, would engage Bortex Industry as its designated manufacturer to manufacture the decorative lighting products in fulfillment of the customers’ orders placed with the offshore trading company and Bortex Industry would not manufacture decorative lighting products for other third parties without the permission of such offshore trading company. Accordingly, on 30 December 2008, Mr. Shiu incorporated Bortex International with his own resources for the purpose of marketing and selling decorative lighting products to overseas customers. Mr. X.H. Shao also agreed to

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

serve as a director of Bortex International to help the company respond to changes in product design and manufacturing requirements of its overseas customers in a timely manner. No written manufacturing agreement was entered into between Bortex Industry and Bortex International to regularize their relationship because both Mr. Shiu and Mr. X.H. Shao wished to keep the manufacturing arrangements simple and flexible. Moreover, Mr. Shiu did not consider the absence of any such manufacturing agreement or equity interest in Bortex Industry would be detrimental to Bortex International given that Bortex Industry would be reliant on Bortex International for the origination of most of its orders and it would not be easy for Bortex Industry to break off such reliance.

As Bortex International sought to expand its customer base by reaching out to international customers, Mr. Shiu realized that they would normally tend to select and maintain those suppliers with strong manufacturing capabilities as their approved suppliers. In order to attract and retain more international customers for the long-term development of our business, Mr. Shiu decided to change our business model from a pure trading company to a manufacturer and exporter of decorative lighting products to better serve these customers. Consequently, Bortex Holdings was incorporated and acquired Bortex Industry from Mr. X.H. Shao in May 2013.

Since the commencement of our business, our LED decorative lighting series have been the key driver of our revenue. In view of the potential growth of LED luminaire lighting market, our Group expanded our product portfolio by launching a production line for LED luminaire lighting series in around August 2015, as detailed in the paragraph headed “Business — Expanding our product portfolio and strengthening our product development capability” in this prospectus.

MILESTONES

The following table sets for the major development and milestones of our Group since the incorporation of Bortex International:

December 2008	Bortex International was incorporated in Hong Kong. Began the business cooperation with Bortex Industry in relation to the manufacture of LED decorative lighting products
September 2009	Commenced the marketing of stake-mounted LED decorative lighting outfits (鐵架樹四枝樹)
September 2009	Commenced the marketing of LED decorative string lights with end to end construction (對插式類型燈串)
November 2010	Our product development team prepared a feasibility study report on LED luminaire lighting products
May 2011	Produced first batch of LED luminaire lighting products sample
July 2011	Commenced the marketing of LED decorative lighting outfits in the shape of dripping icicle (流星雨) to customers in Canada
April 2012	Bortex Industry was awarded Credible Enterprises of the year 2011 in Guangdong Province (2011年度廣東省誠信示範企業)

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

September 2012	Bortex Industry became a member of Guangdong Province Quality Association (廣東省質量協會)
April 2013	Commenced the marketing of LED decorative lighting outfits in the shape of blossom trees (桃花樹) to customers in USA, Japan and UK
June 2013	Commenced further research and testing on LED luminaire lighting products
May 2013	Acquired Bortex Industry and became a manufacturer and exporter of LED lighting products
June 2014	Relocated our production site to Pushi Industrial Park, Pushi Yi Road, Gangtou Village, Qiaotou District, Dongguan City, Guangdong Province, the PRC
May 2015	Commenced commercial production of LED luminaire lighting products
August 2015	Commenced the sale of LED luminaire lighting products to customers
October 2015	Relocated our production site to Kaida Creative Industry Base, 80 Shishuikou Segment, Qiaochang Road, Qiaotou Town, Dongguan City, Guangdong Province, the PRC
May 2016	Signed a memorandum of understanding with the PRC hotel association for the supply of LED lights

CORPORATE DEVELOPMENT

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 30 January 2014. As at the Latest Practicable Date, we had 4 subsidiaries, namely Harvest Mount, Bortex International, Bortex Holdings and Bortex Industry. Bortex International and Bortex Industry are the principal operating subsidiaries of our Group, while Harvest Mount and Bortex Holdings are investment holding companies.

The following table summarises the details of our Group's subsidiaries:

Subsidiary	Date of incorporation/ establishment	Place of incorporation/ establishment	Principal business activities
Harvest Mount	5 November 2010	BVI	Investment holding
Bortex International	30 December 2008	Hong Kong	Marketing and trading of LED lighting products
Bortex Holdings	10 November 2011	Hong Kong	Investment holding
Bortex Industry	29 December 2004	PRC	Manufacturing and trading of LED lighting products

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Bortex International

Bortex International was incorporated in Hong Kong on 30 December 2008 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each, 100 shares of which were issued and allotted to the initial subscriber at incorporation and were, in turn, transferred to Mr. Shiu for cash at par on the same date. On 31 January 2013, the 100 shares in Bortex International held by Mr. Shiu were transferred to Harvest Mount for cash at par. With effect from 3 March 2014, pursuant to section 135 of the Companies Ordinance, the shares of Bortex International shall cease to have nominal values. As at the Latest Practicable Date, the entire issued share capital of Bortex International was held by Harvest Mount. Since incorporation, Bortex International has been acting as the trading arm of our Group.

Bortex Industry

Bortex Industry was established as a limited liability company in the PRC on 29 December 2004 by Mr. X.H. Shao and the Former Shareholder. At the time of its establishment, Bortex Industry had a registered capital of RMB1,000,000, of which 50% was contributed by Mr. X.H. Shao and the remaining 50% by the Former Shareholder, each with their own respective resources.

In December 2006, the Former Shareholder decided to leave the business of Bortex Industry to pursue her other personal goals and offered to sell her 50% equity interest in Bortex Industry to Mr. X.H. Shao at a consideration of RMB500,000, which was determined based on the amount of registered capital originally contributed by her. In order to focus on the business of Bortex Industry as well as fund the acquisition of the Former Shareholder's equity interest, Mr. X.H. Shao sold his entire 49% equity interest in Dongguan Chihua to Mr. Shao Chi Liang at a consideration of RMB490,000 in December 2006. With the funds generated from such disposal and his own resources, Mr. X.H. Shao acquired the 50% equity interest in Bortex Industry from the Former Shareholder. The aforesaid equity transfer was completed on 21 December 2006.

By an equity transfer agreement dated 7 January 2010 (the “**2010 Equity Transfer Agreement**”), Mr. X.H. Shao transferred his 90% equity interest in Bortex Industry to Dongguan Chihua at the consideration of RMB900,000, which was determined based on 90% of the then registered capital of Bortex Industry. The aforesaid equity transfer was legally completed on 14 January 2010 and was driven by Mr. Shao Chi Liang's and Mr. X.H. Shao's desire to merge the businesses of Dongguan Chihua and Bortex Industry so that the newly combined group would have a better prospect of securing contracts for the supply of non-festive lighting products such as LED streetlights and LED floodlights to potential customers in the private and public sectors in Dongguan, including the Dongguan municipal government departments. Later in August 2011, as the merger of Dongguan Chihua and Bortex Industry did not produce the economic benefits as previously expected by Mr. Shao Chi Liang and Mr. X.H. Shao, both parties agreed to unwind such merger and that the shareholding structure of Bortex Industry be reverted to its original state. Accordingly, on 16 August 2011, Dongguan Chihua and Mr. X.H. Shao entered into another equity transfer agreement pursuant to which Dongguan Chihua transferred the 90% equity interest in Bortex Industry back to Mr. X.H. Shao for a consideration of RMB900,000, which was the same as the consideration under the 2010 Equity Transfer Agreement. The legal procedure of the aforesaid equity transfer was completed on 22 August 2011.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

By an equity transfer agreement dated 18 March 2013, Bortex Holdings acquired the entire equity interest in Bortex Industry from Mr. X.H. Shao at the consideration of RMB900,000, which was determined based on the net asset value of Bortex Industry according to an independent valuation performed by a valuer on 14 March 2013. The aforesaid equity transfer was approved by the Department of Foreign Trade and Economic Cooperation of Guangdong Province (廣東省對外貿易經濟合作廳) on 26 April 2013 and according to our PRC Legal Advisers, the whole legal procedure was properly completed when the business licence of Bortex Industry was issued by the Administration for Industry and Commerce of Dongguan City (東莞市工商行政管理局) on 14 May 2013. Following the completion of the acquisition of Bortex Industry, Bortex Holdings recognised goodwill amounting to approximately HK\$9 million. Henceforth, Bortex Industry changed its legal status from a limited liability company to a wholly foreign-owned enterprise and became a wholly-owned subsidiary of Bortex Holdings. Since then, Bortex Industry has been acting as the manufacturing arm of our Group. The registered capital of Bortex Industry was also increased from RMB1,000,000 to USD1,000,000, the additional registered capital of which was required to be paid up as to 20% within three months from the date of issue of its business licence and as to the remaining 80% within two years from the date of issue of its business licence. As at the Latest Practicable Date, all of the registered capital of Bortex Industry had been paid up by Bortex Holdings, which was financed by our internal resources.

Our Directors considered that the acquisition of Bortex Industry would be beneficial to our Group as it enhanced our supply chain capabilities to meet the increasing demands of our customers. Our Directors also considered that the increase in the registered capital of Bortex Industry would better position us to cope with our future expansion plans.

Bortex Holdings

Bortex Holdings was incorporated in Hong Kong on 10 November 2011 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each, 100 shares of which were issued and allotted to the initial subscriber at incorporation and were, in turn, transferred to Mr. Shiu for cash at par on the same day. On 3 June 2013, the 100 shares in Bortex Holdings held by Mr. Shiu, representing its entire issued capital, were transferred to Harvest Mount for cash at par. With effect from 3 March 2014, pursuant to section 135 of the Companies Ordinance, the shares of Bortex Holdings shall cease to have nominal values. As at the Latest Practicable Date, the entire issued share capital of Bortex Holdings was held by Harvest Mount. Bortex Holdings is an investment holding company and has not carried on any business activities since its incorporation and up to the Latest Practicable Date save for the acquisition of Bortex Industry as described above.

Harvest Mount

Harvest Mount was incorporated in the BVI on 5 November 2010 with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each, 100 of which were issued and allotted to Mr. Shiu for cash at par. On 25 March 2015, Mr. Shiu transferred 22 shares of US\$1 each in Harvest Mount to Multi Tech for a cash consideration of HK\$8,000,000, further details of which are set out in the paragraph headed “Pre-IPO investment” in this section. Harvest Mount is an investment holding company and has not carried out any business activities since its incorporation and up to the Latest Practicable Date save for the acquisition of Bortex International and Bortex Holdings as described above.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Pre-IPO investment

On 25 March 2015, Mr. Shiu and Multi Tech entered into a sale and purchase agreement (the “**Pre-IPO Sale and Purchase Agreement**”) pursuant to which Mr. Shiu disposed of, and Multi Tech acquired, 22 shares of US\$1 each in Harvest Mount, representing 22% of its entire issued share capital, for a cash consideration of HK\$8,000,000 paid to Mr. Shiu. The completion of the transfer of such shares took place on 25 March 2015 and the consideration was fully settled on 15 June 2015. As a result, the transfer of such shares was properly and legally completed and settled.

Details of the investment by Multi Tech are as follows:

Name of investor	:	Multi Tech
Total consideration	:	HK\$8,000,000
Date of investment	:	25 March 2015
Date when consideration was fully settled	:	15 June 2015
Number of Shares held by the investor upon Listing	:	66,000,000 Shares
Percentage of shareholding of the investor upon the Listing (<i>Note</i>)	:	13.2%
Effective purchase cost per Share	:	approximately HK\$0.1212
Discount to the Offer Price	:	approximately 69.7% (assuming the Offer Price of HK\$0.4 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$0.3 to HK\$0.5) and assuming that the Adjustment Options are not exercised

Note: Without taking into account any Share(s) which may be granted under the Share Option Scheme.

Mr. Shiu and Multi Tech confirmed that the Pre-IPO Sale and Purchase Agreement was entered into on normal commercial terms. The consideration for the sale and purchase of shares in Harvest Mount was reached after arm’s length negotiations between Multi Tech, Mr. Shiu and Ms. Giang with reference to, among other things, the pricing of recent pre-IPO investments in GEM companies and the equity risk assumed by Multi Tech in investing in an unlisted company. Multi Tech is not entitled to any special rights or privileges under the Pre-IPO Sale and Purchase Agreement or otherwise in connection with its investment in our Group. Multi Tech was incorporated in Hong Kong with limited liability on 7 July 2011 and is wholly owned by Ms. Giang, and apart from entering into the Pre-IPO Sale and Purchase Agreement with Mr. Shiu, it has not commenced any substantive business activities since its incorporation and up to the Latest Practicable Date. As advised by Ms. Giang, save as aforesaid, neither she nor Multi Tech has been involved in any pre-IPO investments or dealings with our Directors, Controlling Shareholders, our subsidiaries or any of their respective close associates. Moreover, Multi Tech invested in our Group because it was attracted by our growth potential and prospects. Mr. Yuen,

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who is a director of Multi Tech and the spouse of Ms. Giang, was appointed as an executive Director following the acquisition of the shares in Harvest Mount by Multi Tech. Mr. Shiu was acquainted with Mr. Yuen in or around early 2014 through a mutual business associate who provides corporate, secretarial and related advisory services to clients as he was minded to attract potential private investor(s) in order to obtain funding for as well as enhance the corporate profile of our Group in preparation for the proposed Listing. After studying our Group and holding further talks with Mr. Shiu and Mr. X.H. Shao, Mr. Yuen became interested in our business model and prospects and advised his wife, Ms. Giang, to invest in us via the acquisition of a stake in Harvest Mount. Our Directors believe that by leveraging on Mr. Yuen's experience in manufacturing and his business network, new contacts and potential business opportunities would be brought along by Mr. Yuen. The Shares held by Multi Tech upon Listing are subject to a lockup period of six months after the Listing Date and are not considered as part of the public float for the purpose of Rule 11.23 of the GEM Listing Rules by reason of Mr. Yuen being an executive Director and a deemed substantial shareholder of our Company.

The Sponsor has reviewed the relevant information and documentation in relation to the pre-IPO investment. On this basis, the Sponsor is of the view that the above investment is in compliance with the Interim Guidance on Pre-IPO Investments issued in October 2010 (HKEx-GL29-12), and Guidance on Pre-IPO Investments issued in October 2012 and updated in July 2013 (HKEx-GL43-12) by the Stock Exchange and the Pre-IPO investment was completed at least 28 clear days before the date of the first submission of the listing application form.

Indemnity against potential PRC tax liabilities in relation to the indirect transfers of equity interests in Bortex Industry

The PRC State Administration of Taxation (“SAT”) first promulgated the Notice on Strengthening the Administration of Enterprise Income Tax on Non-resident Enterprises' Equity Transfer Income (關於加強非居民企業股權轉讓所得企業所得稅管理的通知) (“**Notice 698**”) on 10 December 2009, retroactively effective as of 1 January 2008, to address anti-avoidance issues in respect of tax payable on gains from transfer of equity interests in the PRC domestic enterprises by foreign enterprises. The SAT then promulgated the Announcement on Several Issues concerning the Enterprise Income Tax on Income from the Indirect Transfer of Assets by Non-Resident Enterprises (關於非居民企業間接轉讓財產企業所得稅若干問題的通告) (“**Announcement 7**”) on 3 February 2015, effective on the same date, to replace certain provisions in Notice 698 and to widen the scope of application, such as including real properties and properties owned by an establishment or place as taxable property for the purposes of indirect transfer.

Upon the sale of its shareholding in Harvest Mount, which indirectly holds the entire equity interests in Bortex Industry, by Multi Tech to our Company pursuant to the Reorganisation (the “**Subject Sale**”), our Group may potentially incur tax liabilities imposed by the relevant PRC tax authorities if the Subject Sale were to be determined by the relevant PRC tax authorities as a foreign enterprise indirectly transferring equity interests in a PRC enterprise without a reasonable commercial purpose in order to avoid PRC enterprise income tax duties. The relevant PRC tax authorities take into consideration a number of factors when determining whether an indirect transfer has a reasonable commercial purpose, for example, whether the foreign enterprise's main equity value is directly or indirectly derived from PRC taxable property, or whether the actually performed functions of or risks borne by an overseas enterprise and the subsidiary directly or indirectly holding the PRC taxable property can verify that the enterprise structure has economic substance et cetera. Under certain

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circumstances, the relevant PRC tax authorities would deem the transfer as one without a reasonable commercial purpose, for example if more than 75% of the foreign enterprise's equity value is directly or indirectly derived from PRC taxable property, or if, at any point in the one year prior to the indirect transaction of the PRC taxable property, more than 90% of the total assets (excluding cash) of the foreign enterprise are direct or indirect investments within the PRC etc..

According to Announcement 7, the party who has direct payment obligations under the transfer agreement will be liable as a withholding agent to withhold the tax payable. If it is reported that the withholding agent has failed to withhold any or sufficient tax, the relevant PRC tax authorities may impose penalties. However if the withholding agent has reported to the relevant PRC tax authorities within thirty days of signing the equity transfer agreement, its liability may be diminished or exempted. The vendor, the purchaser and the underlying PRC subsidiary may voluntarily report the transfer to the relevant PRC tax authorities for its consideration. If the relevant PRC tax authorities determine the Subject Sale to fall under the scope of Announcement 7 and re-categorise the Subject Sale as a direct transfer, then our Group may be subject to withholding tax of up to 10% of the equity transfer gains, as stipulated in the relevant applicable PRC laws and regulations. However, the final amount of gains is determined by the relevant PRC tax authorities and the SAT has yet to publish any clear guidelines showing its basis for determination. Mr. Yuen, Ms. Giang and Multi Tech have entered into the Deed of Indemnity and Undertaking with and in favour of our Company (for itself and as trustee for each of its subsidiaries) whereby they have jointly and severally (i) given indemnities in connection with the potential tax liabilities which may be incurred or payable by any of our Group members as a result of the Subject Sale and (ii) undertaken to voluntarily report the Subject Sale to the relevant PRC tax authorities and to submit all information and documents as may be required by the relevant PRC tax authorities for the purpose of assessing any tax liabilities arising from the Subject Sale.

The Reorganisation

The companies comprising our Group underwent the Reorganisation in preparation for listing of our Shares on GEM pursuant to which our Company became the ultimate holding company of our Group. The Reorganisation involved the following steps:

Incorporation of our Company

On 30 January 2014, our Company was incorporated with an authorized share capital of HK\$380,000 divided into 38,000,000 Shares whereby one Share was allotted and issued fully paid to the subscriber on incorporation and was transferred to Mr. Shiu for cash at par.

Transfer of 1 Share from Mr. Shiu to Real Charm

On 24 October 2017, Mr. Shiu transferred one Share to Real Charm for cash at par. Real Charm, which was incorporated in the BVI on 29 October 2013, is wholly and beneficially owned by Mr. Shiu.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Acquisition of Harvest Mount by our Company

On 24 October 2017:

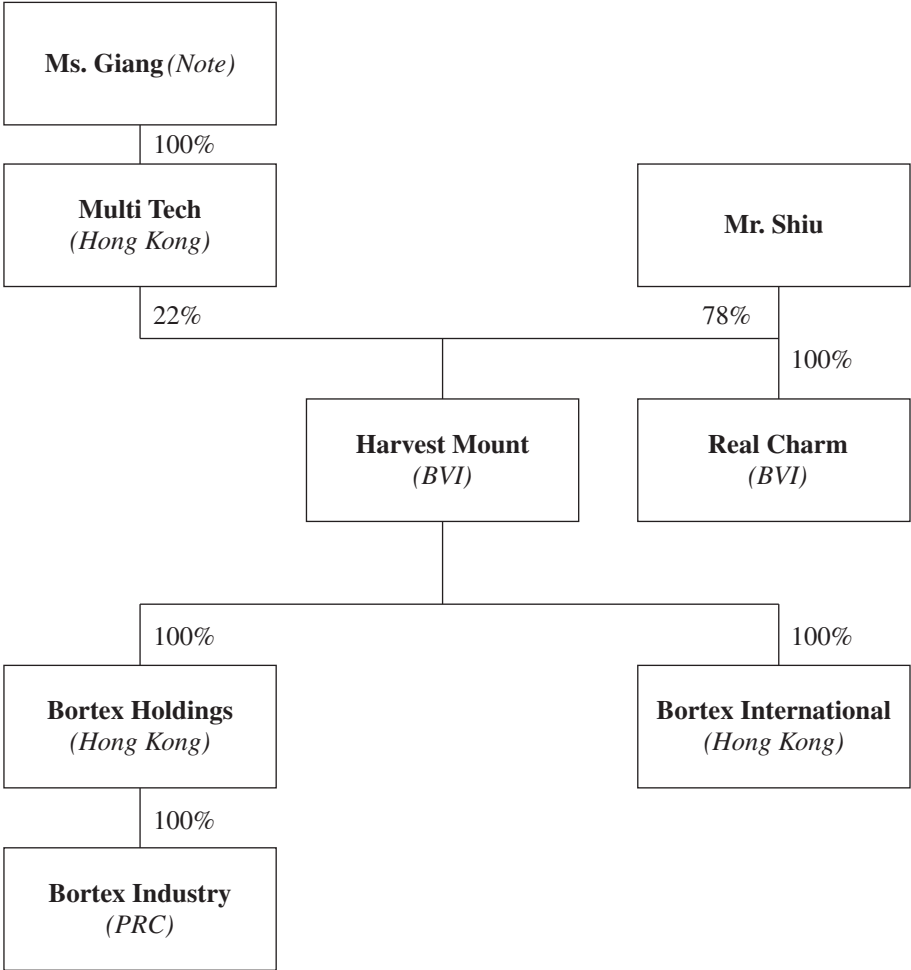
- (a) The authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares to HK\$100,000,000 divided into 10,000,000,000 Shares by the creation of an additional 9,962,000,000 Shares.
- (b) Mr. Shiu and Multi Tech as vendors, together with Ms. Giang as warrantor, our Company as purchaser and Real Charm entered into the Sale and Purchase Agreement pursuant to which our Company acquired the entire issued share capital of Harvest Mount from Mr. Shiu and Multi Tech and in consideration and in exchange for which, our Company allotted and issued 7,799 and 2,200 Shares, credited as fully paid, to Real Charm (at the direction of Mr. Shiu) and Multi Tech, respectively.

All relevant regulatory approvals for the Reorganisation have been obtained and the Reorganisation complies with the relevant laws and regulations.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

CORPORATE STRUCTURE OF OUR GROUP

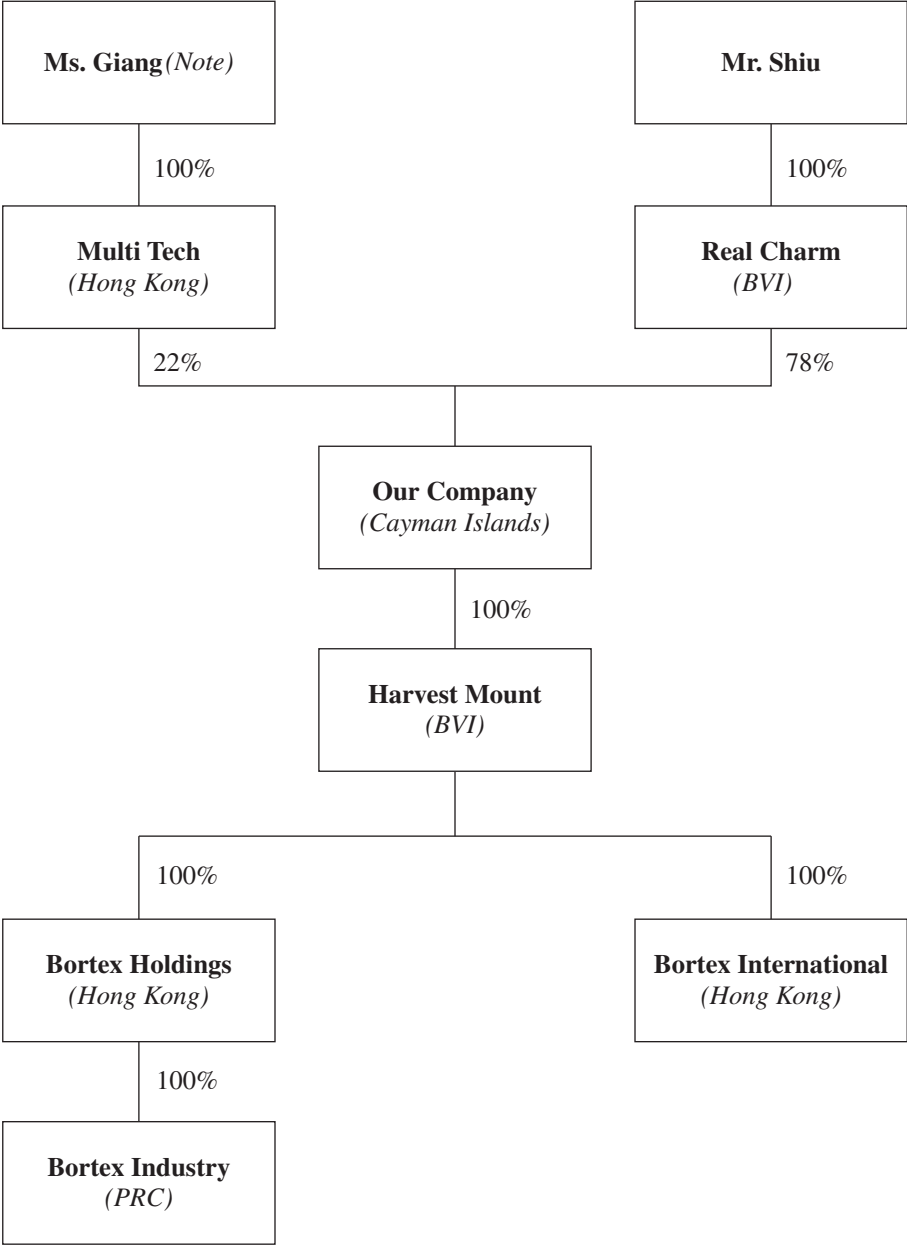
The following chart illustrates the corporate structure of our Group immediately prior to the Reorganisation:



Note: Ms. Giang is the spouse of Mr. Yuen, one of our executive Directors

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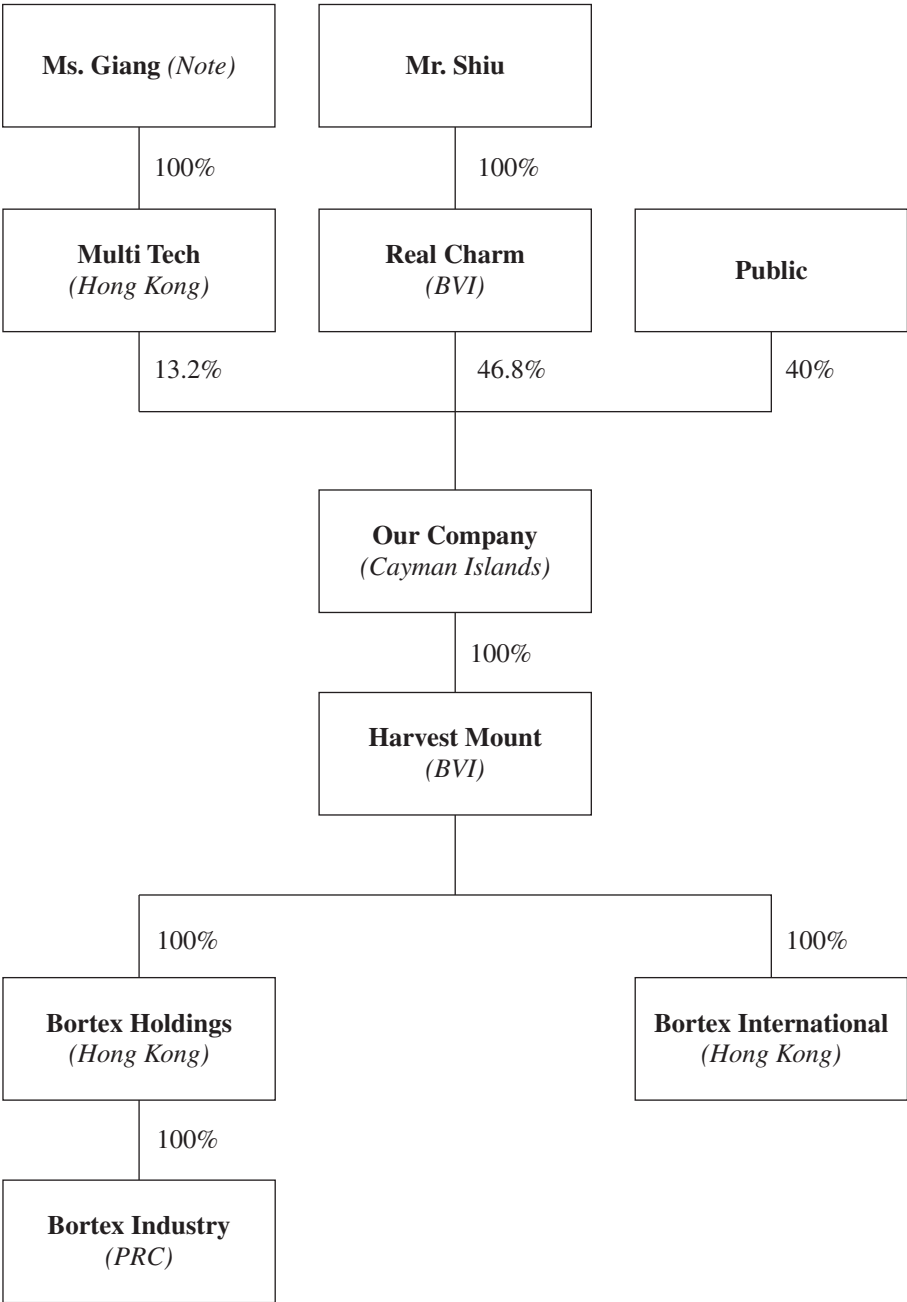
The following chart illustrates the corporate structure of our Group immediately after the Reorganisation but before the completion of the Share Offer and the Capitalisation Issue:



Note: Ms. Giang is the spouse of Mr. Yuen, one of our executive Directors

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following chart illustrates the corporate structure of our Group immediately following completion of the Share Offer and the Capitalisation Issue, assuming that the Adjustment Options are not exercised and upon Listing:



Note: Ms. Giang is the spouse of Mr. Yuen, one of our executive Directors

OVERVIEW

We are a developing manufacturer and exporter of LED lighting products with a production plant located in Dongguan, Guangdong Province, the PRC. We principally engage in the manufacturing and sale of quality LED lighting products to our customers in North America, Europe and Asia Pacific. Our Group is able to handle one-stop production process by offering prototyping, sampling, manufacturing, assembling, and packaging of LED lighting products in accordance with the specification of our customers on a mix of ODM and OEM bases. With over 10 years of operations in the LED lighting product industry, we offer a range of LED lighting product series with different designs and features to cater for different requirements of our customers in response to the ever-changing market demand and technology advancement. Our Directors believe that our capabilities to cater customers' product specifications enable our Group to widen our customer base and further improve our Group's profitability.

Our LED lighting products are broadly classified into two major series, including (i) LED decorative lighting series — which are mainly used for festive decorations; and (ii) LED luminaire lighting series — which are mainly used for indoor lighting.

Since the commencement of our business, our LED decorative lighting series has been the key driver of our revenue. For the three years ended 30 April 2017, the revenue derived from the sales of our LED decorative lighting products were approximately HK\$138.6 million, HK\$58.0 million and HK\$74.5 million, accounting for 100.0%, approximately 47.9% and 52.6% of our total revenue, respectively. During the two years ended 30 April 2017, we expanded our product portfolio and launched the LED luminaire lighting series to minimise the effect of concentration and seasonality of our LED decorative lighting series. Our sales of LED luminaire lighting series was nil, approximately HK\$63.0 million and HK\$67.2 million, accounting for nil, approximately 52.1% and 47.4% of our revenue for the three years ended 30 April 2017, respectively.

In order to continue to broaden our customer base, our Group is continuously looking for new opportunities and identifying potential customers. While some of our business relationships began from trade fairs which our Directors are of the view that it has been an effective platform, our Group also establishes business relationships with our customers via many different ways including referrals from customers and suppliers, our Directors' and senior management's network in the industry, our routine marketing activities such as sending out product samples to our potential customers and liaison with the PRC hotel association. For the year ended 30 April 2017, our revenue increased by approximately 17.1% from approximately HK\$121.0 million to HK\$141.7 million, approximately HK\$39.8 million of which were contributed by our new customers sourced via different ways by our Group.

According to the Ipsos Report, in 2016 the top five Christmas lighting manufacturers (which operate on ODM and OEM bases) only accounted for approximately a 14.5% share of the total industry revenue, and the rest of the industry players accounting for a 0.09% market share on average. In 2016, our Group was estimated to have a market share of approximately 0.4% in the Christmas lighting manufacturing industry based on its revenue for the year ended 30 April 2016. On the other hand, the top five LED indoor lighting manufacturers had a combined market share of approximately 15.8% of the total LED indoor lighting manufacturing industry in 2016, while our Group was estimated to have a market share of approximately 0.06% in the LED indoor lighting manufacturing industry in 2016 based on its revenue for the year ended 30 April 2016.

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Our customers mainly include (i) retailers which operate chain department stores and warehouse stores and sell our products under their own brand names; (ii) trading companies which further distribute our products to the local and/or overseas consumer market under their own brand names and/or designated names; and (iii) other users which mainly include construction companies which purchase our products for their construction projects. While we derived over 60% of our total revenue during the Track Record Period from our export sales to overseas countries, we significantly increased our sales in Asia mainly including the PRC and Taiwan for the two years ended 30 April 2017.

As at the Latest Practicable Date, we had nine utility model patents and one invention patent in the PRC, one patent in the United States and one patent in Canada respectively.

COMPETITIVE STRENGTHS

We believe that the following competitive strengths are the key factors contributing to our success to date and will enable us to increase market share and capture the future growth opportunities in our target markets.

Well-established worldwide sales network and capability to broaden our customer base

Our major customers have an extensive coverage in worldwide market ranging from countries in Asia Pacific to North America. While we derived over 60% of our total revenue during the Track Record Period from our export sales to overseas countries, we significantly increased our sales in Asia mainly including the PRC and Taiwan for the two years ended 30 April 2017. During the Track Record Period, a majority of our five largest group customers, are overseas retailers and trading companies. Our well-established worldwide sales network is one of our competitive strengths which enabled our Group to have a broad customer base.

It took us substantial time and efforts to have established our worldwide sales network. For some of our customers, the relationships first began from trade fairs which our Group participated in. Our customers were introduced with our Group's background and products and would be invited to visit our production site to inspect our production facilities and assess the quality of our products. Having ascertained that we were able to comply with their selection standards in relation to product quality, production process and environmental compliance, they started to place purchase orders with us. We believe that our stable product quality and our ability to deliver a wide range of products to our customers have enabled us to have recurring orders from our customers.

Our Directors believe that we can broaden our customer base via different ways as our LED lighting products have met our existing customers' expectation and product specifications. Apart from receiving recurring orders from our existing customers and meeting potential customers in trade fairs, our Group also establishes business relationships with our new customers through referrals from customers and suppliers, our Directors' and senior management's network in the industry, the PRC hotel association and our other routine marketing activities such as sending out product samples to our potential customers.

For the year ended 30 April 2017, our Group established business relationships with 17 new customers, including both the PRC and overseas customers. Out of the 17 new customers, seven new customers were referred by our customers and suppliers, five new customers were introduced to our Group via our Directors and senior management's network and two new PRC customers are associate

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members of the PRC hotel association. Also, our sales department sends out product samples to our potential customers on a regular basis. For example, Customer G showed interests in our products after receiving our product samples and has become our customer since 2015.

Varied and flexible product development capability with stringent quality control

With over 10 years of operation in the LED lighting product industry, leveraging on our management's industry knowledge and experience, our Group successfully developed our product development capability to cater the specification of our customers. We have a product development team with eight employees as at the Latest Practicable Date to develop prototypes of LED lighting products of our customers' requirement and specification. We believe that our product development team possesses the requisite expertise and experience to facilitate our business development, expand our product portfolio at the request of our customers and respond quickly to any change in customers' preferences. For further details of our product development works, please refer to the section headed "Business — 2. Product development" in this prospectus. Our Directors consider that as a result of our efforts, we are able to transform product concepts into commercially marketable LED lighting products efficiently and effectively. During the Track Record Period, our Group has offered a wide variety of LED decorative lighting series products with a huge number of variations in response to our customers' specifications from time to time. In August 2015, our Group has expanded our product portfolio and launched the LED luminaire lighting series, which were initiated by some new customers of our Group.

As at the Latest Practicable Date, we had nine utility model patents and one invention patent in the PRC, one patent in the United States and one patent in Canada respectively, details of which are set out in the section headed "Statutory and General Information — B. Further Information about Our Business — 2. Intellectual property rights" in Appendix IV to this prospectus.

We also place considerable emphasis on the consistent quality of our products and have therefore implemented a stringent quality control system to ensure our products meet the quality standards such as UL and CSA required by our overseas customers, details of which are set out in the section headed "Business — Quality Control" in this prospectus. We were assessed and certified by Beijing East Allreach Certification Center that the requirements of ISO 9001:2008 accreditation for our quality management system had been met in 2016. We were also awarded the Outstanding Enterprise of the year 2015 issued by People's Government of Qiaotou Town. Our strong emphasis on product quality and great efforts in ensuring the quality of our products is the key to maintain customer confidence and crucial to our success. Our Directors believe that our varied and flexible product development capability enables us to produce quality products that can meet the requirements of our customers and to remain competitive in the LED lighting product industry.

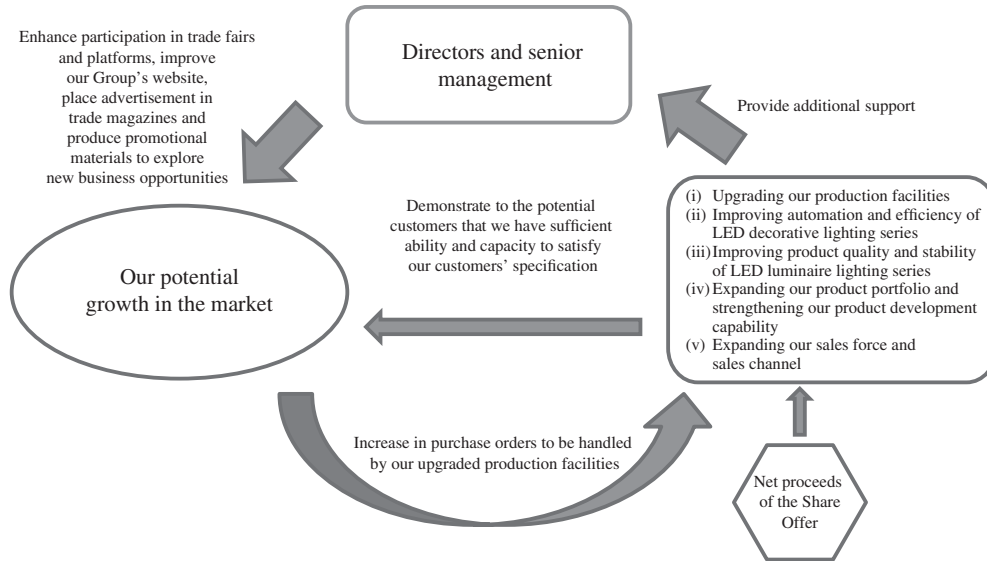
Experienced and dedicated management team

We are led by experienced and dedicated management with strong industry knowledge and execution capabilities. Mr. Shiu and Mr. X.H. Shao have more than 10 years of experience in the manufacturing industry and lighting product industry respectively and are the founders of Bortex International and Bortex Industry respectively. Some members of our senior management also have over 10 years of experience in their respective fields. We believe that our executive Directors and senior management are important to our success. The in-depth industry, financial and commercial knowledge which our executive Directors and senior management possess as well as their business networks have ensured our Group to sustain business growth by increasing our market share in future.

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BUSINESS STRATEGIES AND PROSPECTS

Built on our established business model, our goal is to become one of the leading LED lighting product manufacturers in the PRC and achieve sustainable growth. In order to achieve our goal, which we believe will maximise shareholder value, we intend to adopt the following business strategies:



Upgrading our production facilities

According to the Ipsos Report, as nearly 90% of the world's Christmas lighting products are manufactured in China, the expansion of the emerging markets since 2010 has led to the increased demand for Christmas lights in China which leads to the consistent growth in the total revenue of the Christmas lighting manufacturing industry. Looking ahead to 2021, Ipsos forecasted the total revenue of Christmas lighting manufacturing industry to reach approximately RMB22.8 billion from approximately RMB16.1 billion in 2017, rising at a CAGR of approximately 9.1%. Further, Ipsos estimated that the total global sales revenue of LED indoor lighting to increase to approximately USD64.1 billion in 2021 from approximately USD34.5 billion in 2017 at a CAGR of approximately 16.8%.

For the three years ended 30 April 2017, the utilisation rates of our production capacities for LED decorative lighting series are approximately 109.0%, 60.8% and 65.7% respectively; whilst the utilisation rates of our production capacities for LED luminaire lighting series are nil, approximately 70.3% and 40.0% respectively. The production of our LED decorative lighting series is highly seasonal as a majority of our finished good were required to deliver to our customer during the second half of our financial year. Therefore, our production is concentrated in the first half of our financial year and hence we had additional shift of our staff and machinery to handle tight delivery schedule. Upon the commencement of sale of LED luminaire lighting products in August 2015, our Directors expect that the effect of seasonal fluctuations to our business will be reduced going forward. For detailed explanation on our Group's utilisation rate, please refer to the paragraph headed "4. Procurement and Production — Machinery and utilisation rate" in this section of the prospectus.

In order to cope with the expected increasing demand for LED decorative lighting products and the increasing total revenue of the Christmas lighting manufacturing industry as estimated from the Ipsos Report, our Group plans to increase the level of automation and efficiency for the production of our

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Group's LED decorative lighting products by continuing to upgrade our existing production facilities through purchasing more equipment and machinery. Our Group also wishes to purchase additional facilities for better quality control and enhancing the stability and reliability of our LED luminaire lighting series.

Improving automation and efficiency of LED decorative lighting series

Our Directors are of the view that since (i) our utilisation rates of our machinery production capacity of LED lighting products are limited by the capacity of our labour; and (ii) the increasing labour costs in the manufacturing sector in the PRC as stated in the Ipsos Report, our Group's equipment and machinery for the production of LED decorative lighting products are to be upgraded and replaced by machinery which would increase our Group's level of automation and reduce our Group's reliance on labour for our production.

Our Group's plan includes (i) purchasing new automatic welding machines for the production of mobile phone applications linked LED decorative lighting products (the "Smart Light"); (ii) purchasing machinery for the production of LED string light products with interchangeable caps; (iii) purchasing machinery with a higher level of automation for the assembling of the LED decorative lighting products; and (iv) modifying and alternating our existing machines for the production of LED capsules.

According to the Ipsos Report, Smart Light is a technology developing since approximately 2013 which offers users the flexibility to customize their LED decorative lighting products. Similar to other new technologies, Smart Light is yet to be widely used among households but the market is forecasted to grow along with the development of home automation industry. Currently, home automation attracts attention from modern households who are relatively open-minded to new technologies. Consumer demand for smart Christmas lighting is expected to be driven by this population in the future. Our Directors are also of the view that these Smart Light products have potential growth.

For the three years ended 30 April 2017, the revenue derived from the sales of our Smart Light products were approximately HK\$2.4 million, HK\$3.7 million and HK\$5.9 million respectively. Approximately HK\$5.5 million of the sales of our Smart Light products, with gross profit margin of approximately 35.6%, were made to our new Italian customer for the year ended 30 April 2017. As at the Latest Practicable Date, our Group had confirmed purchase orders for our Smart Light products of approximately HK\$11.7 million for delivery in the year ending 30 April 2018. Our Directors confirm that our Group has been requested for quotations for these Smart Light products from our customers, including one of our top five customers.

The new automatic welding machines which our Group plans to purchase are for the production of Smart Light. The structure of these Smart Light requires different welding machines for its production which is different from the traditional LED string light products. Currently, our Group welds the LED capsules and the electric components manually and wishes to equip our production lines with these automatic welding machines as we believe the sale of these Smart Light will increase in view of the market trend and the aforesaid reasons. Our Group plans to purchase approximately eight to thirteen new automatic welding machines by 30 April 2019.

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Further, in view of the popularity of the LED string light products which the plastic caps can be flexibly interchanged by the end users themselves in the market, our Group plans to purchase machinery for the production of the aforementioned products, as these products cannot be produced by our existing machinery. Our Group expects the sale of these products will help improve our market share in the LED lighting industry and plans to purchase approximately nine to eleven machines by 30 April 2019.

To reduce our Group's production reliance on labour, our Group plans to purchase machinery with a higher level of automation for the assembling of the LED decorative lighting products, which will increase our production efficiency to cope with the continuous increase in the total revenue of Christmas lighting manufacturing industry as forecasted by the Ipsos Report. Our Group's plan is to purchase approximately eight to twenty machines with a higher level of automation for the production of LED string lights by 31 October 2019.

Further, our Group plans to upgrade our existing machinery by replacing some parts (in particular the parts for the handling of wires for the LED capsules) of our existing machinery, so the LED capsules produced by the upgraded production line would be able to meet both the UL and CSA standards which improve the flexibility of our existing machines. Our Group plans to replace some parts, upgrade approximately ten to thirty-one machines by 30 April 2019. Our existing LED capsules production lines can only produce LED capsules which meet either UL or CSA standard.

We intend to utilise approximately HK\$18.1 million or approximately 37% of our net proceeds from the Share Offer (assuming the Offer Price of HK\$0.4 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$0.3 to HK\$0.5), for improving automation and efficiency of LED decorative lighting series during the period from the Latest Practicable Date up to and including 31 October 2019.

Improving product quality and stability of LED luminaire lighting series

Our LED luminaire lighting series has been launched in August 2015 and generated approximately 52.1% and 47.4% of our revenue for the two years ended 30 April 2017 respectively. In order to improve our LED tube light products, our Group plans to (i) purchase additional facility for LED tube light aging test; and (ii) invest in new surface mount technology (SMT) production line which is to be operated in a clean room. The additional aging facility for LED tube lights aging test will enhance our product's reliability and quality. The LED tube lights will be tested for its maximum lifespan products that fails the test will be identified, hence reducing the number of defective products being delivered to our customers. Our Group intends to purchase approximately three sets of machinery for aging test by 31 October 2019.

Our Group plans to build a clean room for mounting LEDs onto the PCB using the surface mount technology (SMT) for the production of LED luminaire lighting products. Our Directors are of the view that mounting the LEDs onto the PCB using SMT in our Group's clean room instead of buying the semi-finished PCB from our suppliers would enable better quality control as the stability of the PCB component used in our LED luminaire products can be ensured and improved by using SMT. Our Group plans to build the clean room by 30 April 2018 and commences using SMT for the production of LED luminaire lighting products by purchasing approximately three to five machines for SMT production by 31 October 2019.

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We intend to utilise approximately HK\$8.8 million or approximately 18% of our net proceeds from the Share Offer (assuming the Offer Price of HK\$0.4 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$0.3 to HK\$0.5), for improving product quality and stability of LED luminaire lighting series during the period from the Latest Practicable Date up to and including 31 October 2019.

Expanding our product portfolio and strengthening our product development capability

We believe our capability in expanding our product portfolio has contributed to our success. Our Group is continuously looking to develop various types of LED lighting products in order to sustain revenue growth and expand our Group's market share in the LED lighting industry. We plan to further sustain this advantage and strengthen our product development capability by (i) hiring a total of three to five additional design and experienced technical personnel for production with appropriate qualifications by 31 October 2019; and (ii) providing training to our design and technical personnel to improve their knowledge in LED lighting product development, the use of new materials and production processes in order to better serve our customers' needs and to enable them to keep abreast of the latest production and management practices in the manufacturing industry. Further, our Group will also apply for patents for our product designs to protect our intellectual property rights.

We intend to utilise approximately HK\$2.4 million or approximately 5% of our net proceeds from the Share Offer (assuming the Offer Price of HK\$0.4 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$0.3 to HK\$0.5), for expanding our product portfolio and strengthening our development capability during the period from the Latest Practicable Date up to and including 31 October 2019.

Expanding our sales force and sales channel

According to the Ipsos Report, the total export volume of LED indoor lighting products from the PRC experienced dramatic growth from 2010 to 2016 at a CAGR of approximately 93.4% and the global demand is forecasted to have sustainable growth in 2016 onwards. The total export value of Christmas lighting products from China has shown an overall increasing trend from 2010 to 2016. The total export value increased at a CAGR of approximately 5.2%, from approximately RMB7.0 billion in 2010 to approximately RMB9.5 billion in 2016. Accordingly, we will place more resources and efforts to further enhance our market exposure in the overseas markets to capture the potential growth.

Apart from continuously improving our current products and providing new product samples to our existing and new customers for maintaining and exploring the business relationship with our current and new customers, our Group intends to expand the existing sales and marketing department by hiring three to five additional sales staff and provide training to our staff in the sales and marketing department.

Our Group intends to strengthen our recognition in the LED lighting industry through various media, such as improving our Group's website, placing advertisement in trade magazines and producing promotional materials for exploring new business opportunities for our LED lighting products.

Trade fairs and exhibitions have been a good platform to showcase our Group's latest product design and development and establish new business relationships. While many of our business relationships were established this way, we plan to take advantage of this platform further by participating in more overseas trade fairs and exhibitions such as those held in the US.

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We intend to utilise approximately HK\$2.4 million or 5% of our net proceeds from the Share Offer (assuming the Offer Price of HK\$0.4 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$0.3 to HK\$0.5), for expanding our sales force and sales channel during the period from the Latest Practicable Date up to and including 31 October 2019.

PRODUCTS

We provide a wide range of LED lighting products which are broadly classified into (i) LED decorative lighting series; and (ii) LED luminaire lighting series. In terms of product safety, our Group is required to comply with certain safety standards such as UL and CSA requested by our customers.

LED decorative lighting series

Our LED decorative lighting products are mainly used for indoor and outdoor festive decorations, particularly Christmas decorations, in places such as theme parks, shopping malls, commercial and residential buildings where our LED decorative lighting products are hung or placed on fixed objects such as windows, roofs, streetlights, trees and floor etc. Our Group uses LED as lighting source for our products due to its high energy efficiency, long life span, great reliability and high luminosity. Our products are able to display different lighting effects and colours with the assistance of electronic devices that are designed by us based on our customers' requirements. Our LED decorative lighting series are represented by a variety of string light products. To form a string light, the LEDs are covered by different plastic shells to form LED capsules (lamps) and attached to plastic coated copper wires. The variations of string light are determined by the different shapes and sizes of plastic shells, the length, the number of LED capsules and the lighting effects as well as how the string lights are fixed together to provide special visual image. For example, icicle string lights are string lights with icicle shaped plastic shells, toy string lights are string lights with animal shaped (e.g. dolphin) plastic shells; sphere string lights are string lights which are tangled together to form a sphere. Our Group has also developed advanced features to the string lights products which can be linked to mobile phone applications and controlled via Bluetooth device to perform special lighting effects. These special lighting effects are programmed into the mobile phone applications and the colour, light intensity could be varied according to the music played by the mobile phone. Another variation of the string light products are the tree light products which the string light products are attached to different kinds of metal tree frames. For example, blossom tree lights refer to the string lights which are attached to metal tree frames to provide an image of blossoms on tree.

LED luminaire lighting series

Leveraging from our Group's expertise and understanding in the characteristics of LED lighting products from our experience in the production of LED decorative lighting series over the past ten years, during the Track Record Period, we have expanded our product portfolio to cover a variety of products in the LED luminaire lighting series. These products in our LED luminaire lighting series manufactured by our Group has taken the LED as lighting source and for household and commercial environment. Our LED luminaire lighting series includes mainly LED tube lights, LED light bulbs and LED panel lights, which are used for indoor. The LED tube lights can be directly used to replace the traditional fluorescent light. The main features of these LED tube lights are that they have high energy efficiency, shatter-proof, electricity leakage preventive, high luminosity, all voltage compatible and without flickering. LED light bulbs and LED panel lights are our Group's relatively new products, the sales of which commenced during the year ended 30 April 2017. The LED light bulbs are used to replace the traditional

incandescent light bulb and the LED panel lights are more commonly used for commercial purpose, such as offices. Further, our Group has also developed spotlight products which the light emitting from these LEDs can focus on a spot, hence producing strong luminating lighting and projecting images through the light gates. These spotlight products are used for recreation purpose, which can project designated images such as Christmas trees, Easter bunnies or scenery background on wall or other static objects. Our Group also produces downlight products which are light fixtures normally recessing on the ceiling for residential purpose, the light of which emitting from the LEDs can also focus on a spot but less intensive than spotlights.

Expanding our product portfolio

Since the commencement of our business, our LED decorative lighting series has been the key driver of our revenue. For the year ended 30 April 2015, our overall revenue was solely derived from our LED decorative lighting series. In around August 2015, we expanded our product portfolio by launching a production line for LED luminaire lighting series in order to capture the potential growth and profitability from the LED luminaire lighting market while gradually minimising the seasonal effect of and our reliance on the sales of LED decorative lighting series and the pressure on our production capacity. Our Directors are of the view that LED luminaire lighting series has a great potential in the forthcoming five years after assessing the feedback from our existing and then potential customers and analysing the data from various internal market research. According to the Ipsos Report, the total revenue of LED indoor lighting manufacturing industry in China is estimated to increase consistently at a CAGR of approximately 16.9% from 2017 to 2021, which is faster than that of the total revenue of the Christmas lighting manufacturing industry in China at a CAGR of approximately 9.1%. Our Directors are of the view that our Group's competitive advantages have enabled our Group to attract customers for LED luminaire lighting products and quickly shift the production from LED decorative lighting products to LED luminaire lighting products, subsequently derived a significant amount of revenue for the two years ended 30 April 2017. Our competitive advantages in attracting customers for LED luminaire lighting products and quickly shifting the production from LED decorative lighting products to LED luminaire lighting products are detailed as follows:

- (i) Our in-house product development department for developing product designs in accordance with customers' feedback from research and testing stage

In view of the potential growth of LED luminaire lighting market mentioned above, leveraging on our Group's knowledge and experience in LED lighting manufacturing and assembling, our Group has conducted research and testing on the LED luminaire lighting products for approximately six years prior to the LED luminaire lighting products expansion. In 2010, our product development team prepared a feasibility study report on LED luminaire lighting products and concluded that it was feasible for our Group to proceed with developing the LED luminaire lighting products. In around mid-2011, the LED luminaire lighting product samples were produced. During this initial research and testing stage of the LED luminaire lighting products, our Group has regularly sent our product samples to our potential and existing customers for assessing the LED luminaire lighting market through our customers' feedback on the product samples.

While we were fine-tuning our LED luminaire lighting products following our customers' feedback, there was substantial technology development in the industry which were important to us during 2012 and 2013. In mid-2012, a Korean LED manufacturer announced the mass production

of a second generation alternating current (AC) LED integrated circuit (IC) module. The AC LED IC module allows LED luminaire lighting products to operate without an electricity transformer and also in a wider range of working voltage. When the first module was invented in 2005, the price was very high, our Directors, sharing the same view as many LED luminaire lighting products manufacturers, considered that it was not practical nor feasible to replace the traditional direct current (DC) driven LED products with AC driven LED products. However, when the second generation was released, its price was significantly lower as compared to its former prototype due to the lower production cost benefited from technological advancement. As a result, we started to explore on incorporating this technology advancement into our products.

According to the Ipsos Report, the advantages of adopting AC LED products are: (i) cost effective as the product life-span is significantly boosted (from approximately 15,000 hours to approximately 50,000 hours) and products are more energy efficient; and (ii) user friendly as the product design is more flexible without the space occupation of transformer and power source. Since then, many other LED luminaire lighting products manufacturers, including our Group, have been placing their focus on developing AC LED modules and products.

Due to the technology advancement, our Group carried out further research and testing to incorporate the advanced technology into our LED luminaire lighting products during 2013 and 2014. After evaluating feedbacks from our customers, our LED luminaire lighting products are more specialised for commercial use which required longer durability and longevity.

Our product development department possesses approximately 30 types of machinery and instruments for product testing and innovation and our product development team possesses the requisite expertise and experience to facilitate the expansion of product portfolio enabling our Group to produce LED luminaire lighting products with different features in accordance with our customers' requirement and specification. Up to 30 April 2015, the acquisition cost of the machinery and equipment for the production of LED luminaire lighting products is approximately HK\$738,000. As at the Latest Practicable Date, our Group has obtained in total three LED luminaire lighting product related patents (two of the patents were obtained in 2016).

- (ii) Transferable skills and production facilities from LED decorative lighting series to LED luminaire lighting series

Although LED decorative lighting products and LED luminaire lighting products have different functionality and production process, some of the skills used in the production of LED decorative lighting products are transferable to the production of LED luminaire lighting products. For example, the production of both LED decorative lighting products and LED luminaire lighting products involve assembling procedures which our production staff is familiar with, hence our production staff can swiftly shift to produce LED luminaire lighting products without a lot of extra training. Further, the principal quality control procedures are fairly similar during the production of both LED decorative lighting products and LED luminaire lighting products. Our quality control staff could apply their skills to both LED decorative lighting products to LED luminaire lighting products. In addition, some of our production facilities such as welding machines, LEDs testing equipment and aging room for testing the durability of the lighting products can be used for the production of both LED decorative lighting products and LED luminaire lighting products.

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Before launching our LED luminaire lighting series, our utilisation rate of production capacity had been mainly related to seasonal effect on the sales of our LED decorative lighting series. For more details on our Group's utilisation rate, please refer to the paragraph headed "4. Procurement and Production — Machinery and utilisation rate" in this section of the prospectus. Our Directors are of the view that our Group possessed the necessary manpower, skills and production facilities which could be made use of to expand and diversify our product portfolio and gradually reducing our reliance on sales of LED decorative lighting products.

(iii) Our Group's ability to seek new opportunities in lieu of our Group's extensive sales and distribution network

With over 10 years of operation in the LED lighting industry, our Group has developed a worldwide sales network and continuously growing customer base as detailed in the paragraph headed "Competitive Strengths — Well-established worldwide sales network and capability to broaden our customer base" in this section. Our Directors believe that we can broaden our customer base via different ways as our LED lighting products have met our existing customers' expectation and product specifications. Apart from receiving recurring orders from our existing customers and meeting potential customers in trade fairs, our Group also establishes business relationships with our new customers through referrals from customers and suppliers, our Directors' and senior management's network in the industry, the PRC hotel association and our routine marketing activities such as sending out product samples to our potential customers. Our customers of LED luminaire lighting products for the two years ended 30 April 2017 include mostly new customers which our management team had regular contact with and also some existing customers of our LED decorative lighting products who had extended their purchase orders to LED luminaire lighting products. For example, in about 2013, our Group started to send product samples to Customer H, a US trading company specialising in the design and manufacture of unique and proprietary products with sales channels in North America while our Group was at the initial stage of launching our LED luminaire series. Customer H showed particular interest in our LED spotlight products and placed its first purchase order in around August 2015 for both LED spotlights under the LED luminaire lighting series and LED string lights under the LED decorative products. Customer F, a Taiwanese LED lighting products trading company with sales channels in Japan, Australia and Germany, were introduced to our Group by our chief executive officer, Mr. Chow Kwok On. Since Customer F's major clients are commercial clients, they are interested in LED tube lights with more product specifications, such as shatter-proof. After numerous rounds of discussions with our senior management on the product specification and production techniques, Customer F became customer of our LED tube light products under our LED luminaire lighting series in around October 2015. Customer G, one of our top five customers purchasing LED luminaire lighting products is a well-established PRC company engaging in the manufacturing and trading of LED lighting related products. Due to location proximity between our Group and Customer G, our Directors came across with Customer G in trade fairs and exhibitions. During the initial stage of launching the LED luminaire lighting products, our sales department sent out product samples to our potential customers, including Customer G who showed interest to our LED luminaire lighting series and placed its first purchase order to our Group in around August 2015. To further expand our customer base, we also attempted to develop sales channels other than the network of retailers and trading companies. Our Directors approached the chairman of the PRC hotel association to introduce our LED lighting products during a business commercial meeting held in Dongguan in early 2016. Shortly after the meeting, the

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management of the PRC hotel association had made a site visit at our factory and considered that both our LED decorative lighting and LED luminaire lighting products are suitable for its associate members' hotels. Our Group then signed a memorandum of understanding with the PRC hotel association for the supply of LED lighting products to its associate members in May 2016.

The following table sets out the breakdowns of our revenue by product series and operation model during the Track Record Period:

Revenue

	For the year ended 30 April					
	2015		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
LED decorative lighting	138,636	100.0	58,011	47.9	74,499	52.6
LED luminaire lighting	—	—	62,977	52.1	67,168	47.4
	138,636	100.0	120,988	100.0	141,667	100.0
	For the year ended 30 April					
	2015		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
ODM	78,783	56.8	80,755	66.7	90,968	64.2
OEM	59,853	43.2	40,233	33.3	50,699	35.8
	138,636	100.0	120,988	100.0	141,667	100.0

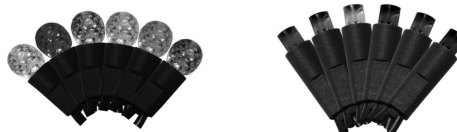
Set out below are some of our key products:

LED decorative lighting products

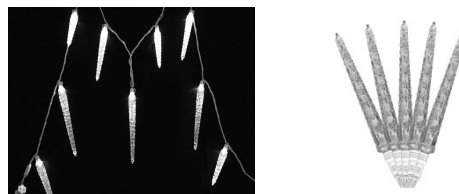
Key Products

Sample product picture

Straight line string light



Icicle string light



Beard garland string light



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Key Products

Sample product picture

Crab string light



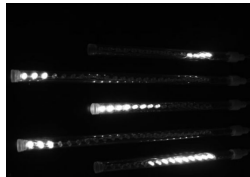
Wreath string light



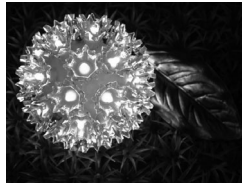
Flower string light



Meteor shower string light



Sphere string light



Net string light



Toy light



Smart string light



Key Products

Sample product picture

Blossom tree



Snow tree



Pine needle tree



Maple leaf tree



Apple tree



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LED luminaire lighting series

Key Products

Sample product picture

Tube light



Downlight



Spotlight



Light bulb



Panel light



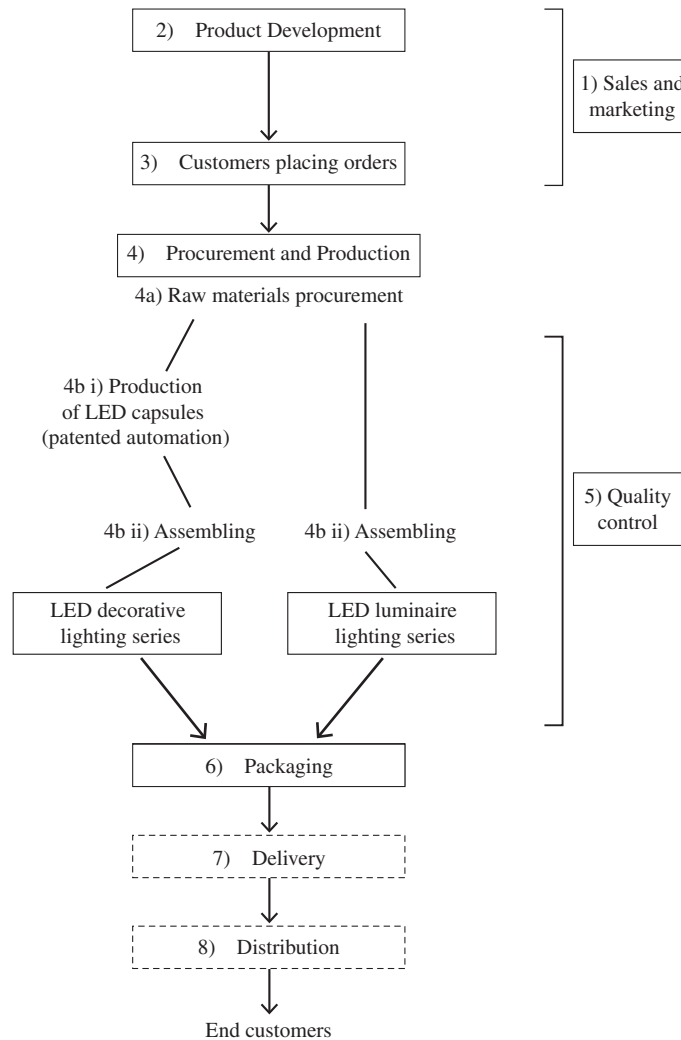
During the Track Record Period, the selling prices for our LED decorative lighting products and LED luminaire lighting products ranged from approximately HK\$11.0 to HK\$1,677.0 per unit and HK\$10.2 to HK\$678.4 per unit respectively.

During the Track Record Period, the average selling prices for (i) our LED decorative lighting products were approximately HK\$82.6, HK\$48.3 and HK\$45.5 per unit respectively; and (ii) our LED luminaire lighting products were nil, approximately HK\$37.2 and HK\$58.3 per unit respectively.

BUSINESS

BUSINESS MODEL

The following diagram shows the major stages and processes of our business:



Notes:

—— Solid lines represent processes and functions conducted by our Group

----- Dotted lines represent processes and functions conducted by third parties

1. SALES AND MARKETING

Our sales and marketing department is responsible for liaising with and handling enquiries from our customers, following up sales orders, arranging for delivery and exploring potential customers. Our sales staff works closely with our product development department to enable the team to gain a full understanding of the requirements of our customers and to effectively cater the customer's specifications of the manufacturing of light products. During the Track Record Period, with our sales team's effort, our customers have extended their purchase of our products from LED decorative lighting products to LED luminaire lighting products.

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As soon as sales orders are secured from our customers, our sales staff will take steps to ensure that the sales orders are timely handled. Our sales staff closely liaises with the product design, production and quality control personnel to ensure that the finished products will be ready for delivery as planned.

In order to provide our customers with updated market information and generate innovative ideas, the sales and marketing department gathers the latest market information and promotes our products through trade fairs, sending out product samples, industry research reports, communications with our customers and attending local and international lighting product exhibitions.

We also participate in trade fairs such as (i) The Hong Kong International Lighting Fair; (ii) China Import and Export Fair; and (iii) Canton Light Show from time to time. Our Directors believe that the trade fairs can promote our products and attract potential customers and business partners in the LED lighting product industry. Other than expanding our sales force and the measures to strengthen our recognition as detailed in the paragraph headed “Business Strategies and Prospects” in this section of this prospectus, our Group currently has no plan to carry out any other marketing activities. By attending trade fairs and international product exhibitions, our Group gains exposure to both customers and suppliers in the industry.

2. PRODUCT DEVELOPMENT

Our product development department is responsible for developing new product designs adhering to customers’ specification as well as to improve the production efficiency and quality of our existing products. Generally, our product variations are initiated by our customers. Our sales team approaches and communicates with our customers of their preferences, including the product dimensions, shapes, lengths, colours, lighting effects, the use of raw materials, safety requirements and production budget on our existing series of LED lighting products. Our customers might also provide new product concepts and designs with certain product specifications. Upon the prototyping/sampling request, our product development team would put forward our suggestions on the modification of product specifications according to the practicality of the production of the LED lighting products. According to the Ipsos Report, our Group operates on both ODM and OEM bases as we and our customers communicate and exchange ideas for developing new product designs which will adhere to our customers’ specification.

During our product development stage, different departments will work together and work out an estimated production costs if such product is to be launched and ensure that the product samples adhere to the design concepts of our customers, satisfy the required safety standards and quality controls. After producing the product prototypes for our customers, our marketing personnel will then collect feedbacks from our customers as well as the suggestions from our production department on different aspects such as production difficulties and cost estimations. Necessary revisions would be made to fine-tune our product design and production process.

During the Track Record Period, our Group had developed an extensive range of LED decorative lighting series and had further expanded our product portfolio to include LED luminaire lighting series, including products such as LED tube light, LED spotlight and LED downlight. For details of our products, refer to the paragraph headed “Products” in this section of this prospectus.

3. CUSTOMERS PLACING ORDER

Once our customers are satisfied with the samples we produced, we will provide quotations to our customers. Our customers will either agree on the price we quoted or request us to provide a revised quotation. When both our customers and us have agreed on the quotations, our customers will proceed to place orders with us by issuing a purchase order.

Pricing and discount policy

Our selling price is determined on a cost-plus basis. For each sales order, our sales and marketing department estimates the appropriate selling price by taking into account factors including:

- (i) the historical price for the specific type or similar type of product offered to our customer;
- (ii) the current price level of our products which are the same or most similar to the product required by our customer;
- (iii) our estimated production cost which depends on the technical requirement (for example, the energy efficiency level and the longevity), raw materials cost, labour cost and manufacturing overhead;
- (iv) the quantity of the specific order and the production lead time required by our customer;
- (v) the business relationship with our customers (our Group may lower the selling price to attract new customers); and
- (vi) the business terms, discount and certain fee which our Group has to bear as requested by our customer, including the marketing and advertising fee, recoverable cost and mandatory product liability insurance.

Having considered the factors mentioned above and after negotiating and liaising with our customers, we will then provide our final quotation and pricing to our customers. We generally do not offer discount to our customers or further mark-down under normal circumstances after the final quotations were provided or the purchase orders were issued. Our final quotations and purchase orders received normally include the business terms requested by our customers such as the marketing and advertising fee to be paid to our customers and the relevant payment terms. During the Track Record Period, we marked down our price which caused the amount of purchase orders decreased by approximately HK\$4.5 million due to the excessive orders placed by the respective customer in the year ended 30 April 2015 having considered the importance of and stable business relationship with us. Our Directors confirm that it was a one-off incident during the Track Record Period.

According to Hong Kong Accounting Standard 18, revenue is recognised when goods are delivered at the customers' premises which are taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes VAT tax or other sales taxes and is after deduction of any trade discounts.

BUSINESS

Our profit mark-up refers to the difference between the estimated cost of sales and the selling price of our products. Our annual gross profit margins ranged from approximately 26.1% to 31.1% during the Track Record Period.

After sales policy

We are requested by some of our customers who operate chain and department stores in North America, to warrant our products to be of merchantable quality free from defects and be fit and safe for the particular purpose. Failing which, our customers may seek for remedies including returning our products to us and recovering any damages sustained by way of discount. For the three years ended 30 April 2017, the total amount of discount offered to our customers was approximately HK\$7,086,000, HK\$228,000 and nil accounting for approximately 5.1%, 0.2% and nil of our total revenue, respectively, as a result of defective products. Such discount was net off against the selling price of each product unit when the revenue was recognised. Out of the amount of remedies claimed for the year ended 30 April 2015, approximately HK\$5.2 million was being claimed by Customer B regarding our LED blossom tree products mainly due to cosmetic defects (i.e. rusty surface of metal frame) and missing parts (i.e. screws). Our Group is responsible for costs associated with any defective products. We believe the major reasons were our inadvertent mistakes in packaging and quality check and we have already improved our internal procedures in such regards. Our Directors believe such claims by Customer B have not affected the relationship between our Group and Customer B as we continue to receive quotations and purchase requests from Customer B from time to time. Our Directors confirm that we have not received any material complaints from our customers regarding safety or being requested for product recall during the Track Record Period.

Credit management and payment terms

We usually require our customers who are trading companies to make a deposit of approximately 10% to 30% of the sales order amount upon the confirmation of their purchase orders. These customers are required to settle the remaining balance upon presentation of bills of lading products (i.e. no credit term is offered). For other major customers who operate department stores or warehouse stores, the payment terms range from approximately zero to 90 days upon receipt of our products. We determined the credit terms offered to our customers based on their payment history, length of business relationship with us and financial positions. The credit terms offered to our customers are approved and reviewed by our executive Directors and the head of finance department.

Further details on our receivable turnover day are set out in the section headed “Financial Information — Analysis of Various Items from Our Combined Statements of Financial Position — Trade receivables” in this prospectus.

Our customers settle payments with us mainly by telegraphic transfers. Sales are principally denominated and settled in US dollars. Our finance department is required to closely monitor our customers’ payment records and remind our sales staff to take appropriate follow up actions, such as making follow-up telephone calls and sending reminder emails, with our customers on outstanding payments. Our executive Directors determine the amount of specific provision for doubtful debts on a case-by-case basis. We did not make any provision for doubtful debts during the Track Record Period.

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Further details on our credit risk and foreign exchange risk management are set out in the paragraphs headed “Risk Management — Credit risk management” and “Risk Management — Foreign exchange risk management” in this section.

During the Track Record Period, we did not experience any bankruptcy or default on the part of any of export customer.

4. PROCUREMENT AND PRODUCTION

4a. Procurement

Our procurement department comprised three employees as at the Latest Practicable Date, who are responsible to monitor the raw materials consumption and procurement taking into account factors such as inventory in hand, sales orders received and sales forecasts on a regular basis. After the plans are reviewed and approved by our heads of production and procurement departments, such plans would be implemented by our procurement personnel. We also use ERP system to monitor purchases, production and inventory levels as well as to monitor deliveries.

LED decorative lighting series

The major raw materials which we use during the production of our LED decorative lighting series products are LEDs, copper wires, plugs, electronic components, plastic components, metal tree frames and packaging materials etc. LED is the lighting source of our products. Plastic coated copper wire is cut and attached with a number of LEDs to form our decorative lighting product which allows electricity passing through the LEDs to produce light. Plug is attached for connecting our product to the source of electricity. Plastic components include plastic receptacles, plastic cores and plastic shells for supporting and protecting the LEDs. Electronic components mainly represent different small parts of electronic devices for controlling the lighting effect of our products. Metal tree frames will be attached with string lights to form our tree light products.

LED luminaire lighting series

The major raw materials which we use for the production of our LED tube light products are PCB/PCBA and glass tubes. The PCB/PCBAs are where the LEDs are attached and electronically connected on a board. The glass tubes our Group procures are shatter-proof, which enhance the safety and also a main feature of our LED tube light products. The major raw materials we use for the production of spotlights include diode module (with LEDs), light gate, projector case, copper wires and electronic components while the LEDs are the light source, the diode module is a component in which the LEDs and laser diode are placed forming the light source. The light gate together with the case cover allows the light to pass through and forms the projected images. By changing the light gate and the cover, different images can be projected.

These materials are primarily sourced from our suppliers in the PRC and our payments for these raw materials are denominated and settled in Renminbi by telegraphic transfers.

4b. Production

We undertake all of our production activities at our production plant in Dongguan, Guangdong Province, the PRC. The production site and other ancillary facilities we operate have a total gross floor area of approximately 11,743.24 square metres. As at 30 April 2017, we had a total of 1,312 machines. We carry out inspection of our production facilities and equipment on an as-needed basis to ensure that our production lines operate smoothly.

As at the Latest Practicable Date, our Group had a production department comprised 133 personnel led by Mr. X.H. Shao and Mr. Chow Kwok On at our manufacturing plant in Dongguan, Guangdong Province, the PRC. Most of these production personnel work on one shift (eight hours per day) and normally for five days a week. We provide training to both new and current employees. We believe that our production personnel, coupled with our well-maintained production facilities, will continue to play a pivotal role in the future of our business.

Save for the relocation of our Group's factory and during which our production line was not in operation in October 2015, as at the Latest Practicable Date, our Directors confirm that we have not experienced any interruptions in the business of our Group which may have or have had a significant effect on our financial position during the Track Record Period.

Our Group relocated our factory in October 2015 upon expiry of the previous lease agreement. Our Directors are of the view that a larger factory is required for us to launch the LED luminaire lighting series and the relocation cost was approximately HK\$72,000. The floor area of the new factory for the production and warehousing is approximately 11,743.24 square metres, which is approximately 47.1% larger than that of the old factory and the total annual rental fee for the new factory (area for production and warehousing) is approximately HK\$2.1 million as compared to HK\$1.3 million of the old factory. With a larger area for production and warehousing, our Directors are of the view that our Group can expand our product portfolio by installing more production lines for our LED lighting products.

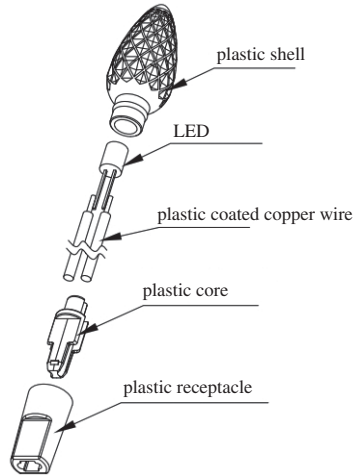
LED decorative lighting series

The following simplified chart illustrates the major steps to produce our LED decorative lighting series:



BUSINESS

The following diagram illustrates the structure of a LED capsule (a lamp) which is the key component of our LED decorative lighting series products:



Our production process remains labour intensive which are broadly classified into two phases (i) automatic production of LED capsules to form string lights; and (ii) manual assembling of spare parts into final products and packaging.

4bi. Production of LED capsules (patented automation)

The LED capsules are produced automatically with our machinery and the whole automated process takes about 2.4 seconds. The automated process involves the following steps: (i) copper wire cutting; (ii) immersing the copper wires into liquefied tin; (iii) attaching plastic receptacles into wires; (iv) soldering the LED into the copper wires; (v) inserting the plastic core between the anode and cathode of the LED; (vi) adding glue at the end of the plastic core; and lastly (vii) pushing the plastic core into the plastic receptacle to produce a string of LEDs.

4bii. Assembling

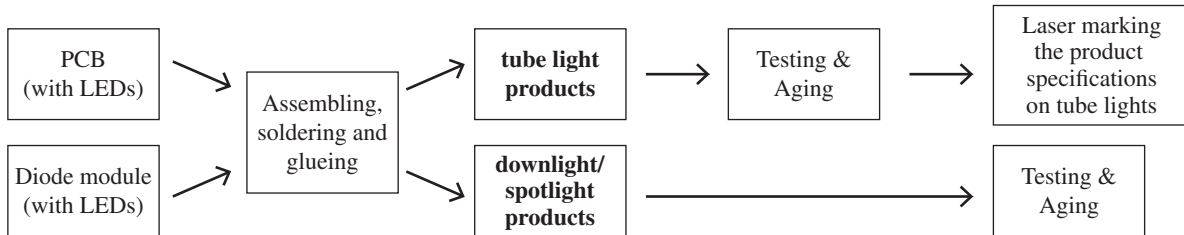
Once the string of LEDs has been produced, it will undergo three steps which are done manually before the string light is produced. The manual process involves the following steps: (i) twisting of plastic coated copper wires with the string of LEDs; (ii) inserting the shells (the shapes of which are specified by our customers) to the string of LEDs; and lastly (iii) attaching the string light to the rectifier and plug.

To produce tree light products, the string lights will be manually attached and wrapped to the metal tree frame according to the sketch design by our workers.

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LED luminaire lighting series

The following simplified chart illustrates the major steps of LED luminaire lighting series products production process:



4bii. Assembling

For the manufacturing of tube light products, the PCB we purchased is first tested for its quality including whether there are any unlit or colour variation in the LEDs. The PCBs will then be cut into the required length/size and will be assembled with the plug wires and glass tubes. Electric circuit will be connected to the glass tubes and lastly the plastic ends will be glued to the tube lights. The tube lights will undergo aging testings for four hours before laser marking the product specifications on the tube light and being packaged. For the manufacturing of downlight/spotlight products, our Group will purchase diode module in which the LEDs and laser diode are placed forming the light source. After soldering and glueing process, the diode module, projector case and light gate are assembled to form the spotlight products. The downlights/spotlights will then undergo aging testings for four hours before they are being packaged.

Save as some standard LED lighting products which our customers place repeated purchase orders to us, our products' development and production process is generally as aforementioned.

Seasonality

Our LED lighting products are categorized into LED decorative lighting products and LED luminaire products. Since our LED decorative lighting products are mainly used for festive seasons decorations in particular, Halloween and Christmas holidays, our production tends to be more intense during the second and third quarters of a calendar year. Majority of our finished good are delivered during the fourth quarter of a calendar year, and therefore we normally record most of our sales revenue for LED decorative lighting products in several months during our financial year and we expect seasonal fluctuation in our sales revenue. Our Directors are of the view that our LED luminaire lighting products are subject to seasonality effect in a much lesser extent.

Machinery and utilisation rate

Our production process requires the use of different machines. Most of our machines are purchased in the PRC. For the three years ended 30 April 2017, we acquired new machinery in the amount of approximately HK\$5.2 million, HK\$1.7 million and HK\$0.5 million respectively. As at 30 April 2017, we had a total of 1,312 machines and our machinery had a total net book value of approximately HK\$9.2 million. Our Group has 30 sets of welding machine and 15 sets of winding

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machine under finance lease with a lease term of five years. For further details about the capital commitment please refer to the section headed “Financial Information — Capital Expenditure and Commitments” in this prospectus.

We emphasise on the maintenance of our machinery. We believe that the condition of our machinery is crucial for us to produce quality LED lighting products efficiently. Depreciation is calculated on the straight-line basis. The average age of our machinery as at 30 April 2017 is approximately 4.5 years. The estimated useful life of our machines is approximately five to ten years as at 30 April 2017. The operation of each of our machines is monitored by our respective staff and our machines are inspected on an as-needed basis. Our machines are repaired as needed after inspection by our respective staff and the routine service of our machines are usually carried out during the non-peak season. As a result of our emphasis on the maintenance of our machinery, we regularly inspect our major machinery and we only dispose the aged machinery when necessary.

Our machinery production capacity and utilisation rate are summarised as follows:

Products	Estimated maximum capacity			Approximate production unit			Approximate utilisation rate		
	For the year ended 30 April			For the year ended 30 April			For year ended 30 April		
	2015	2016	2017	2015	2016	2017	2015	2016	2017
	units (‘000)	units (‘000)	units (‘000)	units (‘000)	units (‘000)	units (‘000)	%	%	%
LED capsules (<i>Notes 1, 3</i>)	110,160	151,920	149,760	60,388	27,078	58,872	54.8	17.8	39.3
Shatter-proof LED tube lights (<i>Notes 2, 4, 5</i>) (November 2015 — April 2017)	N/A	720	1,187	N/A	531	596	N/A	73.7	50.2

Notes:

- (1) The utilisation rates are calculated by taking the approximate number of LED capsules produced divided by the estimated maximum capacity of LED capsules production during the three years ended 30 April 2017.
- (2) The utilisation rate is calculated by taking the approximate number of shatter-proof LED tube lights produced divided by the estimated maximum capacity of shatter-proof LED tube light production by our machines (glueing and soldering machine) during the two years ended 30 April 2017. Our Group commenced the production of shatter-proof LED tube light in November 2015.
- (3) The maximum machinery production capacity of our production plant for LED capsules is estimated based on the assumption that our machines operate consecutively for eight hours per day for five days per week for the three years ended 30 April 2017. Ipsos is of the opinion that the assumption is one of the common market practices within the industry and our Directors are of the view that the adoption of the said assumption is based on our Group’s employee handbook which stated that manufacturing staff is to work for eight hours per day.
- (4) The maximum machinery production capacity of our production plant for shatter-proof LED tube lights is estimated based on the assumption that our machines operate consecutively for eight hours per day for five days per week for the two years ended 30 April 2017.
- (5) Our LED tube lights are either shatter-proof or non-shatter-proof. Generally, the production of shatter-proof LED tube lights will involve the use of machinery as shown in the utilisation table above. Our Group did not produce any shatter-proof LED tube lights but only non-shatter-proof LED tube lights during May, June and

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August 2016. For other months during the Track Record Period when shatter-proof LED tube lights were produced, our Group's utilisation rate of machines for the production of shatter-proof LED tube lights ranged from 2.4% to 97.2%.

For the three years ended 30 April 2017, the utilisation rate of our machinery production capacities for LED capsules are approximately 54.8%, 17.8% and 39.3% respectively. While LED capsules are principally the major components of our LED decorative lighting products, the change in the number of LED capsules produced during the Track Record Period are generally in line with the sales volume of our LED decorative lighting series. Also, as LED tree light products of our LED decorative lighting series, in general, required the use of more LED capsules in production, any increase in production of which during the year would further increase the demand for our LED capsules production. For the three years ended 30 April 2017, the utilisation rates of our machinery production capacities for shatter-proof LED tube lights, which are one of the major products in our LED luminaire lighting series are nil, 73.7% and 50.2% respectively.

Our Group launched the LED luminaire series in August 2015 which led to a relatively high utilisation rate for the shatter-proof LED tube lights under the LED luminaire lighting series for the year ended 30 April 2016 and reduced the production of the LED decorative lighting series since our Group did not undertake purchase orders from Customer B, detailed reasons of which are set out in the section headed "Business — Major Customers — Our Relationship with Customer B" in this prospectus. For the year ended 30 April 2017, our Group's utilisation rate of shatter-proof LED tube lights decreased to approximately 50.2% from 73.7% for the year ended 30 April 2016 since the purchase orders order from Customer F, who mainly purchased shatter-proof LED tube lights, decreased.

During the Track Record Period, our production staff and machinery normally work in an eight-hours-shift. Hence, the maximum machinery capacity of our production plant for LED capsules and shatter-proof LED tube lights are estimated based on the assumption that our machinery operates consecutively for eight hours (regular shift) per day for five days per week during the year. In cases when there are urgent purchase orders or the demand from our purchase orders exceeds our maximum capacity based on our regular eight-hour shift, our staff and machinery would take additional shifts to increase our production in order to meet the production demand.

Since these additional shifts, very often night shifts or weekend shifts, incur extra over-time cost of sales which is higher than normal shifts, our Directors constantly assess the opportunity cost of incurring additional cost of sales against not undertaking purchase orders exceeding our maximum production capacity (eight-hour shift).

As the production of our LED lighting products involve a series of labour intensive assembling procedures before they are packaged and delivered to our customers, our Directors are of the view that the utilisation of our Group's machinery production capacity greatly depends on the availability of our Group's labour, working capital and factory area in the long term because our production process, especially for LED decorative lighting products, is labour intensive and requires more assembling area than LED luminaire lighting products.

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Our factory production capacity and utilisation rate after taking into account the factory area for assembling procedures handled by direct labour are summarised as follows:

Products	<u>Estimated maximum capacity</u>			<u>Approximate production unit</u>			<u>Approximate utilisation rate</u>		
	<u>For the year ended 30 April</u>			<u>For the year ended 30 April</u>			<u>For year ended 30 April</u>		
	2015	2016	2017	2015	2016	2017	2015	2016	2017
	units (’000)	units (’000)	units (’000)	units (’000)	units (’000)	units (’000)	%	%	%
LED decorative lighting (<i>Notes 1, 3, 5</i>)	2,400	1,967	1,760	2,615	1,195	1,156	109.0	60.8	65.7
							<i>(Note 5)</i>		
LED luminaire lighting (<i>Notes 2, 4</i>)	N/A	2,400	2,880	N/A	1,687	1,153	N/A	70.3	40.0

Notes:

- (1) The utilisation rates are calculated by taking the approximate number of LED string lights produced divided by the estimated maximum capacity of LED string lights production in our factory during the three years ended 30 April 2017.
- (2) The utilisation rate is calculated by taking the approximate number of LED tube lights produced divided by the estimated maximum capacity of LED tube light production by our factory during the two years ended 30 April 2017.
- (3) The maximum production capacity of our production plant for LED decorative lighting products is estimated based on the assumption that approximately 4,500 square metres of the factory was allocated for the production of LED decorative lighting products for the year ended 30 April 2015 and for the two months ended 30 June 2015, 4,050 square metres for the three months ended 30 September 2015 and 3,300 square metres for the seven months ended 30 April 2016 and for the year ended 30 April 2017. The maximum production capacity of our production plant for LED decorative lighting is based on the assumption that our production workers work consecutively for eight hours per day for five days per week for the three years ended 30 April 2017.
- (4) The maximum production capacity of our production plant for LED luminaire lighting products is estimated based on the assumption that approximately 450 square metres of the factory was allocated for the production of LED luminaire lighting products for the ten months ended 30 April 2016 and the year ended 30 April 2017. The maximum production capacity of our production plant for LED luminaire lighting is based on the assumption that our production workers work consecutively for eight hours per day for five days per week for the ten months ended 30 April 2016 and for the year ended 30 April 2017. Ipsos is of the opinion that the assumption is one of the common market practices within the industry and our Directors are of the view that the adoption of the said assumption is based on our Group’s employee handbook which stated that manufacturing staff is to work for eight hours per day.
- (5) The utilisation rate for the production of LED decorative lighting products is above 100% since our factory operated additional shifts (i.e. for more than eight hours per day or more than five days per week) in order to meet our customers’ demand in cases when delivery schedule is tight.

The utilisation rates of our factory production capacities for LED decorative lighting series were approximately 109.0%, 60.8% and 65.7% for the three years ended 30 April 2017 respectively. The utilisation rates of our factory production capacities for LED luminaire lighting series were nil, approximately 70.3% and 40.0% for the three years ended 30 April 2017 respectively. The production of our LED decorative lighting series is highly seasonal as a majority of our finished goods were required to deliver to our customer during the second half of our financial year. Therefore, our production is concentrated in the first half of our financial year and hence we had additional shift of our staff and machinery to handle tight delivery schedule. During the Track Record Period, our utilisation rate of factory production capacities are mainly in line with the change in sales volume during the year, as detailed under the section headed “Financial Information — Discussion on Major Items of the Combined

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Statements of Profit or Loss and Other Comprehensive Income — Revenue — Revenue by product series” in this prospectus. In line with our utilisation rate of LED decorative lighting series for the year ended 30 April 2015, our revenue generated from the third and fourth quarters of the calendar year 2014 accounted for approximately 75.5% of our overall revenue for the respective financial year, solely from the sale of the LED decorative lighting products. As a result, despite utilising 4,500 square metres of the factory in the year ended 30 April 2015 solely for the production of LED decorative lighting series, we recorded an overall utilisation rate of 109.0% for the year ended 30 April 2015.

Upon the commencement of sale of LED luminaire lighting products in August 2015, our Directors expect that the effect of seasonal fluctuations to our business will be reduced going forward. While our decision to undertake a purchase order is subject to our factory production capacity during peak season, we also take into account other factors which might affect the profitability we could derive from that purchase orders, for more details of our considerations, please refer to the section headed “Financial Information — Discussion on Major Items of the Combined Statements of Profit or Loss and Other Comprehensive Income — Gross profit and gross profit margin” in this prospectus. Our decision not to undertake purchase orders from Customer B, as detailed under the paragraph headed “Major Customers — Our Relationship with Customer B” in this section, had led to a significant decrease in the production of our LED decorative lighting series for the year ended 30 April 2016. As a result, despite our Group reduced the factory area allocated for the production and assembling of our LED decorative lighting products, our utilisation rate of our factory production capacities for LED decorative lighting series decreased significantly from approximately 109.0% for the year ended 30 April 2015 to approximately 60.8% for the year ended 30 April 2016. The utilisation rate of our factory production capacities for LED luminaire lighting series was approximately 70.3% for the year ended 30 April 2016.

For the year ended 30 April 2017, we had recorded a slight increase in factory production utilisation rate for LED decorative lighting, which was mainly in line with the increase in sales volume of our LED decorative lighting series. Such increase was driven by the commencement of sales of LED toy light products. For the year ended 30 April 2017, our factory production utilisation rate of LED luminaire lighting is lower than that for the year ended 30 April 2016, this is mainly in line with the decrease in sales volume of our LED luminaire lighting series to Customer F and Customer G.

5. QUALITY CONTROL

Our Group places emphasis on our product quality. We have implemented stringent quality assurance measures at different production stages to ensure our product quality. We manufacture products according to our customers’ preference and requirements including safety standards such as UL and CSA which are the safety standards recognised in North America. In general, our customers (importers/buyers) would take the responsibility to understand the safety standards of the countries which they would further export/sell to and communicate with us clearly about the details of the relevant product and product safety requirements that have to be achieved. According to the agreed terms between our Group and our customers (importer/buyers), our Group only has the responsibility to ensure the product is able to meet the requirements requested by our customers (importers/buyers). In addition, we have our own laboratory to perform different tests on our finished products to ensure its overall safety.

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As at the Latest Practicable Date, our quality control department had a total of 12 staff. The quality control department's main duties include (i) overall quality assurance planning; (ii) formation of the quality assurance procedures and standards; (iii) education and training in respect of quality assurance; (iv) quality checks on raw materials and finished products; and (v) quality checks at different stages of the production of our products.

We were assessed and certified by Beijing East Allreach Certification Center that the requirements of ISO 9001: 2008 accreditation for our quality management system had been met. We also obtained other award and recognition, details of which are set out in the section headed "Award and Recognition" in this section.

The principal quality control procedures applied during our production process are set forth below:

Source from approved suppliers

Our quality assurance process begins with ensuring that we use only quality raw materials. Accordingly, we screen suppliers thoroughly and only use suppliers approved by our procurement department for our raw materials. We select suppliers based on the quality of raw materials that they supply as well as their experience, management expertise and reputation in the market. We constantly monitor the quality and performance of our suppliers and we review our list of approved suppliers regularly.

Raw materials quality check

Our quality control staff inspect each batch of incoming raw materials on a sampling basis to ensure that they are supplied by our approved suppliers, and that the quality, grade and quantity conform with our order specifications before they are stored as our raw material. In the event of detecting defective raw materials, we will return the defective raw materials to our suppliers for replacement.

In-production quality control

We implement in-production quality assurance measures throughout the production process to ensure that defective semi-finished products do not proceed to the next stage of the production process. During different stages of production, our quality control staff monitor the quality of semi-finished products by conducting quality assurance tests at different checkpoints upon completion of various production stages. Only those semi-finished products which pass quality tests are allowed to proceed to the next stage of production. We also issue production process flowcharts and specifications for each semi-finished product, which must be strictly complied with during the production process.

Final quality check

We have our own laboratory to carry out sampling checks for our finished products. Checking procedures generally include (i) visual inspection; (ii) key specification check; (iii) luminosity check; and (iv) various kinds of stress tests including low temperature, voltage and current fluctuation, anti-flaming and aging etc. For the production of LED decorative lighting products, the checking procedures include checks on the functionality of the LEDs, the connection

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between the rectifier and the plugs, the overall finished product and whether the packaging is in accordance to customers' specification; while the checking procedures of the LED luminaire lighting products include checks on the functionality PCB/PCBAs, the connection of power supply, aging test and whether the packaging is in accordance to customers' specification. Similar to raw materials quality check, we maintain a certain assurance quality level for our finished products. If the amount of substandard finished products exceeds our acceptable assurance quality level, the whole batch of finished products will be returned to our production department for investigation. Finished products which have passed our sampling quality checks are packaged according to customers' requirements before delivery.

It is our policy that all customer complaints should be handled promptly. At the request of our customers concerned, they may agree with us for deduction in their purchase amount. Goods delivered to our customers may be returned for full refund or for new goods redelivered in the event of dissatisfaction of our customers with the products produced by us due to defects. During the Track Record Period, our Director confirm that we did not receive any material complaints from our customers about the quality of our products which caused material adverse impact on our business, nor did we experience any material goods return from our customers.

6. PACKAGING

Our products will be packaged according to the designs provided and agreed by our customers. The packaging boxes and polybags are supplied by our suppliers and delivered to our factory. Our staff will then package the products and arrange for delivery.

7. DELIVERY

We export our LED lighting products mainly on the basis of FOB from the Yantian (鹽田) port to our major overseas customers. We are only responsible for their delivery up to the designated ports and overseas customers are responsible for products transportation arrangements and import tariff beyond the designated ports. We also outsource our delivery of products to third party logistics providers who are mainly responsible to transport our products from our warehouse to the ports in Guangdong Province, the PRC designated by our customers. These outsourcing arrangements allow us to minimise our capital investment. We do not take out insurance policy to cover the risks associated with shipping transportation because we are not responsible for any damage or loss of our products during the shipment to our customers. We have established long-term business relationships with quality logistics providers in order to lower the risk of goods damage during local transportation.

We generally agree with our customers on the time for delivering products to the designated ports in the PRC upon the confirmation of sales orders. We are not responsible to arrange shipments of products to the overseas countries of our customers. During the Track Record Period, we did not experience any material disruption to the delivery of our products which caused us to suffer loss or to pay compensation.

For the three years ended 30 April 2017, our expenses on transportation and delivery of our products represented approximately 1.4%, 1.0% and 0.7% of our revenue respectively.

8. DISTRIBUTION

Our LED lighting products will be sold by our customers through different channels in the overseas market. Please refer to the paragraph headed “Customers” in this section for further details of the distribution of our products through our customers.

INTRA-GROUP SALES BETWEEN BORTEX INTERNATIONAL AND BORTEX INDUSTRY

Bortex Industry is our production arm while most of our sales orders are handled by Bortex International with our customers. Upon receipt of the sales orders from our customers, Bortex International would channel the purchase orders to Bortex Industry to produce the LED lighting products. Most of our finished LED lighting products are exported on FOB basis and will be delivered to Yantian port or ports in the Guangdong Province as designated by our customers from Bortex Industry. The transactions between Bortex Industry and Bortex International are treated as sales from Bortex Industry to Bortex International and the selling prices are on a cost-plus basis. Our Directors confirm that the relevant intra-group transactions were conducted on normal commercial terms. As at the Latest Practicable Date, we are not aware of any enquiry, audit or investigation by any tax authority in the PRC or Hong Kong with respect to operations carried out by our Group and our PRC Tax Advisers further confirm that our intra-Group sales arrangement complied with all the relevant PRC laws and regulations. Our Hong Kong Tax Advisers also confirm that the sales of products between Bortex International and Bortex Industry were conducted on an arm’s length basis and the risk of these intra-group transactions being challenged by the Hong Kong Inland Revenue Department is minimal. Our PRC Tax Advisers have been an independent tax adviser to a company listed in Hong Kong in 2014, and providing tax advice to over 75 companies which have been given AAA grade by Shenzhen’s Tax Authority in 2016. Our PRC Tax Advisers are of the view that the risk that our Group may be challenged by the relevant tax authorities on the appropriateness of these transactions is minimal. Our PRC Tax Advisers also confirm that (i) the pricing of the intra-group transactions were comparable to the market players; (ii) our PRC subsidiary’s losses were not as a result of the transfer pricing arrangements; and (iii) the risk of tax exposure arising from our transfer pricing arrangement is minimal. Our PRC Tax Advisers are of the view that our PRC’s subsidiary’s losses for the year ended 31 December 2015 was mainly attributable to (i) the decrease in revenue of approximately RMB42.3 million or 43.2% from approximately RMB98.0 million for the year ended 31 December 2014 to approximately RMB55.7 million for the year ended 31 December 2015 as a result of our Group not undertaking purchase orders from Customer B and such effect was reflected in the audited account of the PRC subsidiary for the year ended 31 December 2015, which caused the gross profit decreased by approximately RMB2.9 million to approximately RMB8.9 million; and (ii) an increase in finance expenses of approximately 40.0% from approximately RMB2.0 million for the year ended 31 December 2014 to approximately RMB2.8 million for the year ended 31 December 2015, which was due to the increase in bank borrowing balance of approximately RMB10.0 million during the year ended 31 December 2015 for purchasing raw materials to produce LED luminaire lighting products. Please also refer to the section headed “ Risk Factors — Risks relating to Our Business and Industry — Our operations may be subject to transfer pricing adjustments by competent authorities” in this prospectus for the relevant details.

Bortex International undertakes overall sales and marketing activities including liaising with and handling enquiries from our customers, following up sales orders, arranging for delivery and exploring potential customers, price negotiation with customers and contracts conclusion in the name of Bortex International. After the purchase orders are finalised, Bortex Industry undertakes the production which

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includes (i) product development involving the development of new product designs in accordance with customers' specification; (ii) procurement involving supplier selection and raw materials price negotiation; (iii) production of the LED lighting products; and (iv) quality control.

Measures to ensure on-going compliance

Our intra-Group sales arrangement is part of our normal operation where a transaction price needs to be determined. Our Group has established a transfer pricing committee which is headed by our senior management, Mr. Chow Kwok On and the committee members include our executive Director, Mr. X. H. Shao, and our financial controller, Mr. Cheng Hok Wai. The transfer pricing committee will regularly review the arrangements between Bortex International and Bortex Industry every three months and we have appointed our PRC Tax Advisers to review if such transfer pricing arrangements have followed the arm's length principle.

CUSTOMERS

Our customers mainly include (i) retailers which operate chain department stores and warehouse stores and sell our products under their own brand names; (ii) trading companies which further distribute our products to the local and/or overseas consumer market under their own brand names and/or designated names; and (iii) other users which mainly include construction companies which purchase our products for their construction projects. During the Track Record Period, we served over 20 customers. We design and manufacture LED lighting products based on our customers' specifications. All of our products sold to our customers would be sold to the consumer market under our customers' own brand names or other designated names. While we derived over 60% of our total revenue during the Track Record Period from our export sales to overseas countries, we significantly increased our sales in Asia mainly including the PRC and Taiwan for the two years ended 30 April 2017.

During the Track Record Period, our sales to trading companies increased substantially and represented over half of our revenue. Our Directors are of the view that the nature of trading companies and retailers are substantially the same as both of them are not the end-users of our products but sell our products to their customers via their own sales channels. Our Group and trading companies, which are Independent Third Parties, have been maintaining common buyer-seller relationships that our Group does not allow trading companies to return unsold products to us for refund and does not require them to commit annual purchase quantity. According to the Ipsos Report, the LED lighting manufacturing industry in China is fragmented with no dominant player where pricing would be the main strategy for the market players to differentiate themselves. The one who is able to provide good quality of LED lighting products with reasonable prices is more competitive in the industry. Our Directors are of the view that it is not meaningful and impracticable to control or manage inventory levels and operational activities of the trading companies and the risk of channel stuffing is low having considered that (i) our market share in either the Christmas lighting manufacturing industry or LED indoor lighting manufacturing industry in 2016 is estimated to be below 0.5%, which is considered to be small, and therefore products built up at our customer level, if any, should have no effect on the overall competition in the industry; (ii) to the best knowledge, information and belief of our Directors, the trading companies would carefully assess their inventory level based on the orders, indicative orders and forecasts from their customers before placing orders with us to avoid stock obsolescence; and (iii) in the event that any of our existing customers place less orders with us, we would have more capacity to handle orders from our other customers or new customers. As we have not implemented any measure to

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monitor/manage the trading companies, we may be exposed to the risk associated with fluctuation in number of trading companies. For further details, please refer to the section headed “Risk Factors — Risks relating to Our Business and Industry — We have no control over the trading companies” in this prospectus. Instead, our Group would go through know-your-customer (KYC) procedures before doing business with trading companies. The procedures include obtaining documents and detailed information such as the business registration, name cards, contact details and other statutory documents. Further, through business meetings with potential customers, we can better understand their business models and respective sales channels. Our Group also physically visits the trading companies from time to time to understand their specific needs and demands.

The table below sets forth the number of trading companies which purchased our products during the respective financial years:

Total number of trading company for the year ended 30 April 2015	17
Number increased during the year	9
Number decreased during the year	9
Total number of trading company for the year ended 30 April 2016	17
Number increased during the year	9*
Number decreased during the year	7
Total number of trading company for the year ended 30 April 2017	19

* Including one trading company customer who had purchased our products in the year ended 30 April 2015.

The following table sets forth for the period indicated, the percentage breakdown of turnover categorised by our customer types.

Revenue

	For the year ended 30 April					
	2015		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Retailers	116,198	83.8	35,495	29.3	33,924	23.9
Trading companies	17,590	12.7	64,261	53.2	76,018	53.6
Other users (<i>Note 1</i>)	4,848	3.5	21,232	17.5	31,725	22.5
Total	138,636	100.0	120,988	100.0	141,667	100.0

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	For the year ended 30 April					
	2015		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
LED decorative lighting						
Retailers	116,198	83.8	35,495	29.3	33,924	23.9
Trading companies	17,590	12.7	10,604	8.8	26,117	18.4
Other users (<i>Note 1</i>)	<u>4,848</u>	<u>3.5</u>	<u>11,912</u>	<u>9.8</u>	<u>14,458</u>	<u>10.3</u>
Subtotal	<u><u>138,636</u></u>	<u><u>100.0</u></u>	<u><u>58,011</u></u>	<u><u>47.9</u></u>	<u><u>74,499</u></u>	<u><u>52.6</u></u>
LED luminaire lighting						
Trading companies	—	—	53,657	44.4	49,901	35.2
Other users (<i>Note 1</i>)	<u>—</u>	<u>—</u>	<u>9,320</u>	<u>7.7</u>	<u>17,267</u>	<u>12.2</u>
Subtotal	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>62,977</u></u>	<u><u>52.1</u></u>	<u><u>67,168</u></u>	<u><u>47.4</u></u>
Total	<u><u>138,636</u></u>	<u><u>100.0</u></u>	<u><u>120,988</u></u>	<u><u>100.0</u></u>	<u><u>141,667</u></u>	<u><u>100.0</u></u>

Note 1: Other users mainly include construction, property development, agricultural companies and hotels.

Please refer to the section headed “Financial Information — Discussion on Major Items of the Combined Statements of Profit or Loss and Other Comprehensive Income — Revenue by customer types” for more details.

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The following table sets out our five largest group customers of our Group during the Track Record Period:

For the year ended 30 April 2015

Rank	Group customer	Background	Headquarter location	Nature of product sold	Business relationship since	Revenue recognised <i>(HK\$'000)</i>	% of total revenue
1	Customer A	Listed company on Toronto Stock Exchange which engages in business operations that offer a range of retail goods and services, including general merchandise, apparel, sporting goods, petroleum, financial services including a bank and real estate operations, and which operates around 1,700 retail and gasoline outlets	Canada	LED decorative lighting series	January 2012	58,468	42.2
2	Customer B	Listed company on NASDAQ which engages in the membership warehouses with product categories including food, sundries, hardlines, fresh food, softlines, ancillary and others, and which, as of 1 September 2017, operates 741 warehouses in countries, including the US, the UK, Canada, Australia and Japan with 214,000 employees worldwide	the US	LED decorative lighting series	July 2009	57,032	41.1
3	Customer C	Private limited company which was incorporated in 2005 with manufacturing facilities in the PRC and on-site customer service and warehousing in the USA and Australia and engages in exporting LED lights	Hong Kong	LED decorative lighting series	September 2014	7,196	5.2
4	Customer D <i>(Note 1)</i>	US private company which was incorporated in 2009 and engages in import, distribution and wholesale of electrical components, including LED light sets, LED stringers and bulbs and Christmas lights around the world	the US	LED decorative lighting series	June 2009	7,151	5.2
5	Customer E <i>(Note 2)</i>	PRC limited liability company which was established in 2003 and engages in engineering and construction services	the PRC	LED decorative lighting series	July 2014	2,695	1.9
Total revenue contributed by our five largest group customers						132,542	95.6

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For the year ended 30 April 2016

<u>Rank</u>	<u>Group customer</u>	<u>Background</u>	<u>Headquarter location</u>	<u>Nature of product sold</u>	<u>Business relationship since</u>	<u>Revenue recognised</u>	<u>% of total revenue</u>
						<i>(HK\$'000)</i>	
1	Customer A	Listed company on Toronto Stock Exchange which engages in business operations that offer a range of retail goods and services, including general merchandise, apparel, sporting goods, petroleum, financial services including a bank and real estate operations, and which operates around 1,700 retail and gasoline outlets	Canada	LED decorative lighting series	January 2012	35,221	29.1
2	Customer F <i>(Note 3)</i>	Private limited liability company which was founded in 2010 and engages in the trading of LED lighting products in countries including Japan, Australia and Germany	Taiwan	LED luminaire lighting series	October 2015	33,087	27.4
3	Customer G	PRC joint stock limited company which was established in 2008 and has over 2,000 employees and engages in manufacturing and trading of LED integrated raw materials including LED chips, LED encapsulation, LED application light sources and LED light fixtures and which exported products to Europe, America, Australia, the Middle East, Southeast Asia, South Korea and more than 100 countries and regions	the PRC	LED luminaire lighting series	August 2015	17,247	14.3
4	Customer E <i>(Note 2)</i>	PRC limited liability company which was established in 2003 and engages in engineering and construction services	the PRC	LED decorative lighting series and LED luminaire lighting series	July 2014	12,165	10.1
5	Customer D <i>(Note 1)</i>	US private company which was incorporated in 2009 and engages in import, distribution and wholesale of electrical components, including LED light sets, LED stringers and bulbs and Christmas lights around the world	the US	LED decorative lighting series	June 2009	6,228	5.2
Total revenue contributed by our five largest group customers						<u>103,948</u>	<u>86.1</u>

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For the year ended 30 April 2017

Rank	Group customer	Background	Headquarter location	Nature of product sold	Business relationship since	Revenue recognised <i>(HK\$'000)</i>	% of total revenue
1	Customer A	Listed company on Toronto Stock Exchange which engages in business operations that offer a range of retail goods and services, including general merchandise, apparel, sporting goods, petroleum, financial services including a bank and real estate operations, and which operates around 1,700 retail and gasoline outlets	Canada	LED decorative lighting series	January 2012	33,891	23.9
2	Customer F <i>(Note 3)</i>	Private limited liability company which was founded in 2010 and engages in the trading of LED lighting products in countries including Japan, Australia and Germany	Taiwan	LED luminaire lighting series	October 2015	31,996	22.6
3	Customer H	US limited liability company which was incorporated in 2013 with offices and contacts throughout the world that specializes in the design and manufacture of unique and proprietary products, wholesale distribution and logistics	the US	LED decorative lighting series and LED luminaire lighting series	August 2015	11,472	8.1
4	Customer I <i>(Note 4)</i>	PRC limited liability company which was incorporated in 2011 and engages in real estate development	the PRC	LED decorative lighting series	August 2016	9,583	6.8
5	Customer G	PRC joint stock limited company which was established in 2008 and has over 2,000 employees and engages in manufacturing and trading of LED integrated raw materials including LED chips, LED encapsulation, LED application light sources and LED light fixtures and which exported products to Europe, America, Australia, the Middle East, Southeast Asia, South Korea and more than 100 countries and regions	the PRC	LED luminaire lighting series	August 2015	8,386	5.9
Total revenue contributed by our five largest group customers						95,328	67.3

Notes:

1. Based on the information provided by an independent search agent, there were eight employees in 2015.
2. No public information on the scale of operation of this customer is available.
3. Based on the information provided by an independent search agent, the registered capital of this customer is NTD3.9 million.
4. Based on the information provided by an independent search agent, the registered capital of this customer is RMB10 million.

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None of our Directors, their close associates or any Shareholder (who or which, to the best knowledge of our Directors owns more than 5% of the issued share capital of our Company) has any interest in any of our five largest group customers during the Track Record Period.

Major Customers

For the three years ended 30 April 2017, the sales to our five largest group customers amounted to approximately HK\$132.5 million, HK\$103.9 million and HK\$95.3 million, which accounted for approximately 95.6%, 86.1% and 67.3% of our Group's total revenue, respectively. The credit terms offered to these major customers range from zero to 120 days after receipt of goods. The sales to our largest group customer amounted to approximately HK\$58.5 million, HK\$35.2 million and HK\$33.9 million, which accounted for approximately 42.2%, 29.1% and 23.9% of our Group's total revenue for the three years ended 30 April 2017 respectively.

Our Relationship with Customer B

We commenced sales with Customer B since July 2009 and maintained a stable business relationship ever since. For the year ended 30 April 2015, our sales of LED decorative lighting series to Customer B accounted for approximately HK\$57.0 million, representing approximately 41.1% of our overall revenue. However, for the two years ended 30 April 2017, our Group did not undertake purchase orders from Customer B due to the following reasons:

- (i) *The relatively high bargaining power possessed by sizable retail customers which led to relatively unfavourable terms*

The transaction terms for our sales to Customer B included a return/refund policy upon the delivery of purchased goods, hence prolonging the respective cash receipt cycle and creating uncertainty on our revenue.

According to the Ipsos Report, it is a common market norm for the sizable retailers, especially those chained department stores and warehouse stores located in the US and Canada, to impose some unfavourable return and/or refund policies to their suppliers. Due to the large presence of chained stores and sourcing products in bulk, these sizable retailers often have stronger bargaining power than their suppliers. In view of their strong bargaining power, these sizable retailers tend to request transaction terms favourable to them, including (i) persistent price reduction request, (ii) comparatively long payment cycle; and (iii) more flexibility in returning or deferring the orders in anytime which may shift the cost and risk to the suppliers. Hence, suppliers (manufacturers) are of the view that the transactions with these sizable retailers are big in terms of monetary value but usually not as profitable as other purchase orders. While some suppliers (manufacturers) would prefer to maintain a long business relationship with these sizable retailers due to the large order amount, some suppliers (manufacturers) are less willing to accept those unfavourable transaction terms when they are dealing with these sizable retailers. Gradually, these suppliers (manufacturers) tend to reduce the transactions with the sizable retailers by diversifying their customer base and try to negotiate better transaction terms by improving their bargaining power through wider product portfolio and enhanced product quality.

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As compared to our transactions with other retailers (other than Customer B) and trading companies, these unfavourable transaction terms had our Group exposed to prolonged uncertainty on trade receivable for inventory we produced and delivered and difficulty in cash management. In general, credit periods of most of our FOB customers, including Customer A, began from the time our products are delivered to the designated port in the PRC as specified by our customers. However, our credit period granted to Customer B was different and it only started at the time our products arrived Customer B's overseas warehouse and the additional transportation time was usually more than two months. Our Directors observed that while our products for Customer B were delivered within the first three quarters of the year ended 30 April 2015, the relevant receivables for the year ended 30 April 2015 were not fully settled until the second quarter of the year ended 30 April 2016 and therefore the prolonged settlement of the receivables from Customer B made our cash receipt cycle uncertain. Furthermore, due to the relatively large sales volume related to Customer B and the relatively long cash receipt cycle, comparatively high finance cost was incurred for the year ended 30 April 2015 as a result of our bank borrowings used for business operations. For the two years ended 30 April 2017, our Group's finance costs decreased gradually because our Group did not undertake purchase orders from Customer B.

In addition, to the best knowledge of our Directors, Customer B offers a relax return policy to its retail customers which allows them to return and obtain refund easily. Upon which, Customer B would then claim the products defective and deduct the amount of our products returned from its retail customers when they settled the payments with our Group. Our Directors are of the view that Customer B had transferred the cost of offering its customers such relax return policy to our Group. Similar to our Group's other overseas customers, our products delivered to Customer B are on FOB basis, we might not be able to verify whether each product returned to Customer B is really defective considering that it is not cost-effective to send our staff overseas to examine each product returned by Customer B's end customers in detail. Instead, our Directors regard such return policy as part of the operating expense and prolonged the cash receipt cycle for the transactions with Customer B. Our Group strove to improve our quality control assurance measures to minimise the number of defective goods during the Track Record Period. For more details on our Group's internal control measure, please refer to the section headed "Business — Operational risk management — Internal control measure on prevention of recurrence of product defects" of this prospectus.

Having considered that (i) Customer B's credit period prolonged the cash receipt cycle; (ii) the high finance cost incurred for the year ended 30 April 2015 as a result of the relatively long cash receipt cycle for sales to Customer B; (iii) Customer B had transferred the cost of offering its retail customers a relax return policy to our Group creating uncertainty on our revenue; and (iv) our transaction terms with other customers (other than Customer B) during the Track Record Period do not contain similar return or refund clauses, our Directors are of the view that the transaction terms and return/refund policy of Customer B are the relevant factors for our Group not undertaking purchase orders from Customer B. For the total amount of returned/refunded goods by Customer B, please refer to the section headed "Business — Business Model — 3. Customers Placing Order — After sales policy" of this prospectus.

Despite the gross profit margin of Customer B was approximately 26.1% and the gross profit margin derived from sales of LED decorative lighting series to retail customers was approximately 24.2% for the year ended 30 April 2015, the gross profit margins derived from our retail customers

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(including Customer B) were generally lower than trading companies and other users. The gross profit margins of our sales of LED decorative lighting series to trading companies and other users were approximately 33.4% and 44.5% respectively for the year ended 30 April 2015, which are much higher than the gross profit margin derived from Customer B.

Our Directors are of the view that the additional liquidity risk resulted from the uncertain cash receipt cycle related to the transactions with Customer B, was not sufficiently compensated by the gross profit margin derived from the sales to whom during the year ended 30 April 2015.

Also, our Directors are of the view that the production schedule, working capital required and sales of our LED decorative lighting products were affected by seasonality during the Track Record Period. For the year ended 30 April 2015, our Directors observed that our production capacities including our Group's then factory size, manpower and resources for the production of our LED decorative lighting products during the first half of the year ended 30 April 2015 were fully utilised and had incurred extensive over-time cost as well as finance cost to fulfil our working capital requirement which led to a relatively low profitability to our Group. For the year ended 30 April 2015, the utilisation rate of our factory production capacity for LED decorative lighting products reached over 100% as our production staff worked for more than one shift during the first half of the financial year to cope with the seasonal demand from our customers. For more details on our production capacity and utilisation rate, please refer to the paragraph headed "4. Procurement and Production — Machinery and utilisation rate" in this section. For details on the uncertainty on trade receivable relating to Customer B, please refer to the paragraph headed "(i) The relatively high bargaining power possessed by sizable retail customers which led to relatively unfavourable terms" of this prospectus.

Upon the launch of LED luminaire lighting series in August 2015, our Directors re-arranged our production resources and manpower for the production of LED decorative lighting series and LED luminaire lighting series. As our on-going practices, we have been negotiating and accepting purchase orders from our LED decorative lighting series customers who offered us more favourable terms and conditions and/or higher profit margin as compared to our previous purchase orders.

Having considered that:

- (a) the seasonal demand from our two major customers (including Customer B), both of which are retailers in North America with similar expected delivery schedule, led to an overall increase in cost of sales as extensive over-time cost was incurred during peak season which lowered the overall gross profit margin of our Group;
- (b) the launch of LED luminaire lighting series can minimise the seasonality effect on our Group's production and reduce the extensive over-time cost which affects our Group's overall profitability;
- (c) our Group was unable to negotiate a more profitable margin or better terms with Customer B and it was difficult for our Directors to selectively undertake only part of the purchase orders of LED string light product from Customer B; and

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- (d) the mismatch between the profitability from our sales to Customer B and the aforementioned additional liquidity risk borne by us for our transactions with Customer B,

our Group eventually decided not to undertake the purchase orders from Customer B in order to: (i) reduce our Group's reliance on retail customers of LED decorative lighting series; (ii) reduce the pressure on our Group's production capacities during peak season; and (iii) avoid the extensive over-time cost and finance cost incurred and to improve our Group's overall profitability.

Consequent to which, our gross profit margin derived from sales of our LED decorative lighting series to retail customers increased from approximately 24.2% to approximately 28.0% for the year ended 30 April 2016 and remained stable at approximately 27.6% for the year ended 30 April 2017. Our finance costs also decreased from approximately HK\$5.0 million for the year ended 30 April 2015 to approximately HK\$4.0 million and approximately HK\$2.4million for the two years ended 30 April 2017 respectively, improving our overall profitability.

(ii) The positive outlook of LED luminaire lighting market

Further to the unfavourable transactions with Customer B, our Directors are of the view that LED luminaire lighting series has a great potential in the forthcoming five years after assessing the feedback from our existing and then potential customers and analysing the data from various internal market research. According to the Ipsos Report, the total revenue of LED indoor lighting manufacturing industry in China is estimated to increase consistently at a CAGR of approximately 16.9% from 2017 to 2021, which is faster than that of the total revenue of the Christmas lighting manufacturing industry in China at a CAGR of approximately 9.1%. As a result, our Group decided not to provide our LED decorative lighting products to Customer B and at the same time execute the production expansion plan.

The cessation of business with Customer B had a material impact to our business and financial position as Customer B contributed approximately 41.1% of our revenue for the year ended 30 April 2015, which constituted a significant part of the decrease in our sales and gross profit derived from our LED decorative lighting series during the year ended 30 April 2016. Such impact was partially offset by our sales of LED luminaire lighting series and the overall improvement in gross profit and gross profit margin during the year ended 30 April 2016. Please refer to the section headed "Financial Information — Gross profit and gross profit margin — Year ended 30 April 2015 compared to year ended 30 April 2016" in this prospectus for further details. Although our Group did not undertake purchase orders from Customer B for the two years ended 30 April 2017, our Directors are of the view that our Group has been maintaining a good business relationship with Customer B up to the Latest Practicable Date. During the year ended 30 April 2017 and up to the Latest Practicable Date, Customer B has been seeking quotations for our LED decorative lighting products and our Group has also been negotiating with Customer B for better commercial terms going forward. Customer B also physically visited our Group's factory in Dongguan in August 2015 to inspect our Group's production facility. In October 2016, we visited Customer B in the US to introduce our new products.

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Our Relationship with Customer C, Customer F and Customer G

To the best of knowledge, information and belief of our Directors, Customer C, one of our top five group customers and a trading company, reduced its purchase orders for the year ended 30 April 2016 as it had sufficient inventory for its customers during the year ended 30 April 2016. During the year ended 30 April 2017, our sales of LED decorative lighting products to Customer C amounted to approximately HK\$0.9 million.

For the two years ended 30 April 2017, our Group commenced sale of LED luminaire lighting series of which the target customers were trading companies and other users, resulting in Customers F and G accounted for approximately 27.4% and 14.3% of our total revenue for the year ended 30 April 2016 respectively and approximately 22.6% and 5.9% for the year ended 30 April 2017 respectively.

Our Directors are of the view, and the Sponsor concurs with their view, that our Group will be able to (i) maintain recurring business from our LED decorative and luminaire lighting customers; and (ii) generate sufficient demand from our new and existing customers to maintain the growth of the new LED luminaire lighting business, notwithstanding that our Group launched the LED luminaire lighting series since August 2015. In arriving our view, our Directors have taken into consideration of the following major factors:

- (i) though some of our top five customers, in particular our customers of LED luminaire lighting series, have relatively short business relationships with our Group, most of them would provide us their purchase forecasts for the forthcoming year allowing our Group to plan ahead for our production arrangement. For the year ended 30 April 2017, our Group recorded growth in sales of both of our LED decorative lighting series and LED luminaire lighting series by approximately 28.4% and 6.7% respectively, as detailed under section headed “Financial Information — Discussion on Major Items of the Combined Statement of Profit or Loss and Other Comprehensive Income — Revenue” of this prospectus, demonstrating the sustainability of the sales of our LED lighting series. All of our top five customers for the year ended 30 April 2016 remained as our major customers for the year ended 30 April 2017, demonstrating our ability to maintain business relationships with them. Our Directors confirm that as at 31 August 2017, six out of the nine top five customers of our Group during the Track Record Period, already placed purchase orders for the year ending 30 April 2018 and continued to maintain a stable business relationship with our Group;
- (ii) the fact that some of our existing customers extended their purchase orders from our LED decorative lighting series to our LED luminaire lighting series for the year ended 30 April 2017 substantiating the business relationship established by our Group from the sales of LED decorative lighting series during the Track Record Period;
- (iii) the fact that our Group has successfully expanded its customer base. We established business relationship with 17 new customers, including both PRC and overseas customers, for the year ended 30 April 2017 and five new customers during the four months ended 31 August 2017. Out of the 17 new customers for the year ended 30 April 2017, three new overseas customers were encountered in trade fairs, seven new customers were referred by customers/suppliers, five new customers were via our Directors and senior management’s network and two new PRC customers were associate members of the PRC hotel association. For example, two of our new PRC customers for the year ended 30 April 2017, purchasing a range of LED

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lighting products from our Group, are associate members of the PRC hotel association as our Group has signed a memorandum of understanding in May 2016 (the memorandum of understanding is valid from 1 May 2016 to 30 April 2020 and can be renewed automatically for one year upon expiry) with the PRC hotel association for the supply of LED lighting products to its associate members, as detailed under paragraph headed “Products — Expanding our product portfolio — (iii) Our Group’s ability to seek new opportunities in lieu of our Group’s extensive sales and distribution network” in this section. As advised by our PRC Legal Advisers, the memorandum of understanding is legally binding. This memorandum of understanding was a result of the recognition of the quality of our LED lighting products and our Group as an approved supplier of LED lighting products to the associate members of the PRC hotel association. While the memorandum of understanding sets out a cooperation framework and terms between our Group and the PRC hotel association, the terms of each sales order is required to be negotiated and agreed by individual associate member and our Group should any of them intends to purchase our LED lighting products. The main purpose of the memorandum is to recognise our Group’s status as being the approved supplier to the associate members of the PRC hotel association. Under the terms of the memorandum, the associate members of the PRC hotel association are allowed to (i) make purchases with our Group by issuing Commercial Acceptance Bill (商業承兌滙票) to our Group with amount not less than that and payment dates after the delivery of goods to be set out in the individual sales order; and (ii) the associate members are also allowed to pay by installments. As advised by our PRC Legal Advisers, the Commercial Acceptance Bill is a common payment practice which under the PRC laws, is a written instrument with an unconditional order whereby the drawee (付款人) would pay the stated amount of money to our Group upon instruction of the customers. Our Directors confirm that in practice, the transactions between the associate members of the PRC hotel association and our Group were under normal commercial terms and no arrangement in relation to the Commercial Acceptance Bill and installments was made between the associate members of the PRC hotel association and us up to the Latest Practicable Date. For the year ended 30 April 2017, our Group had transactions with two associate members of the PRC hotel association and the agreed terms, including the payment term, are substantially similar to the terms we offered to other customers. Meanwhile our new overseas customers for the year ended 30 April 2017, including an US and an Italian customer, placed purchase orders for our LED string light products and Smart Light products. Our 17 new customers for the year ended 30 April 2017, in aggregate had contributed revenue of approximately HK\$39.8 million to our Group for the respective year; and our four new customers for the four months ended 31 August 2017 in aggregate contributed approximately HK\$5.5 million to our Group for the year ending 30 April 2018; and

- (iv) the potential growth resulting from (a) the aforesaid memorandum of understanding that our Group entered into with the PRC hotel association for the supply of LED luminaire lighting products and LED decorative lighting products for the year ended 30 April 2017; and (b) the forecasted increase in global sales revenue of LED indoor lighting at a CAGR of approximately 16.8% from 2017 to 2021 according to the Ipsos Report.

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Our Group has also adopted and will continue to implement the following business strategies to maintain and expand our customer base:

- (a) our Directors strive to expand our product portfolio and believe our Group is able to obtain recurring business from our existing customers and expand our customer base. Our Group keeps abreast of the latest market trend and produces products which our Group believes has a good potential. While our Group commenced the selling of LED tube lights in around November 2015, Smart Light products are also one of our relatively new products which were launched in around August 2014 and the sales of which are gradually growing. As at 31 August 2017, our Smart Light products have contributed approximately HK\$13.3 million revenue to our Group since its launch. Furthermore, our Directors are also of the view that the patents owned by our Group have strengthened our bargaining power. Our Group will continue to strengthen our product design capability and submit patent applications for our products. For further details of our Group's business strategies on expanding our product portfolio and strengthening our product development capability, please refer to the paragraph headed "Business Strategies and Prospects — Expanding our product portfolio and strengthening our product development capability" in this section;
- (b) our Directors believe that providing our customers with quality LED lighting products is crucial to maintain recurring business from our customers. Our Group has implemented stringent quality control assurance measures on the production of LED lighting products and our internal acceptable level for substandard finished goods is currently set at 0.2% of each order. With the stringent quality control assurance measures, the total amount of discount offered to our customers in lieu of defective goods decreased significantly from 5.1% for the year ended 30 April 2015 to nil for the year ended 30 April 2017;
- (c) our Directors are of the view that effective marketing strategies enable our Group to build strong client relationship with our existing customers and enhance our corporate image to attract potential worldwide customers. Our Group participated in trade fairs and exhibitions during the Track Record Period and will continue to do so in future as it is a good platform for our Group to communicate with our existing customers and better understand their needs in the LED lighting market. Trade fairs and exhibitions allow our Group to showcase our latest products to the market players and build business relationships with them in order to expand our customer base. For further details of our Group's business strategies on expanding our sales force and sales channel, please refer to the sub-section headed "Business Strategies and Prospects — Expanding our sales force and sales channel" in this section; and
- (d) our Directors believe that keeping up-to-date with the latest technological advances on production will improve our production capacity to cope with more purchase orders and maintain and expand our customer base. For the three years ended 30 April 2017, our Group allocated resources to acquire new machinery in the amount of approximately HK\$5.2 million, HK\$1.7 million and HK\$0.5 million respectively. Our Group also plans to utilise the Listing proceeds to upgrade our production facilities in order to continuously improve our Group's production capacity for existing customers and better equip our Group for the expected increasing demand from our new customers. For further details of our Group's

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business strategies on upgrading our production facilities, please refer to the paragraph headed “Business Strategies and Prospects — Upgrading our production facilities” in this section.

Revenue by geographical locations of our customers

The following diagram illustrates the major sales coverage of our LED lighting products.



● Countries of our customers

The following table sets forth the breakdowns of revenue of our Group by geographical locations of our export sales during the Track Record Period:

	For the year ended 30 April					
	2015		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Canada	101,747	73.4	35,491	29.3	33,891	23.9
The PRC	4,462	3.2	34,614	28.6	48,015	33.9
Taiwan	682	0.5	33,179	27.4	32,707	23.1
The US	9,690	7.0	16,470	13.6	19,594	13.8
Hong Kong	8,801	6.3	1,021	0.8	1,009	0.7
Mexico	7,032	5.1	—	—	—	—
Others*	6,222	4.5	213	0.3	6,451	4.6
Total	138,636	100.0	120,988	100.0	141,667	100.0

* Others include the United Kingdom, Japan, Australia, Thailand, Spain, Italy and Denmark.

For the three years ended 30 April 2017, our revenue generated from North America, comprising Canada, United States and Mexico, was approximately HK\$118.5 million, HK\$52.0 million and HK\$53.5 million, accounting for approximately 85.5%, 42.9% and 37.7% of our total revenue, respectively. Our sales to Customer B including Canada, the US, Mexico, Asia-Pacific countries and others, which respectively accounted for approximately 30.7%, 1.0%, 5.1%, 1.5% and 2.8% of our

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Group's revenue for the year ended 30 April 2015. Despite the significant impact on our Group's export sales in North America resulted from not undertaking purchase orders from Customer B, our Group's export sales to the US, mainly LED decorative lighting series, increased from approximately 7.0% to 13.6% of our Group's revenue for the two years ended 30 April 2016 respectively and remained stable at approximately 13.8% for the year ended 30 April 2017. Such increase for the year ended 30 April 2016 was mainly attributable to the sales to one of our Group's existing customer, Customer D, and the then eight new customers, none of which are our Group's top five customers. Customer D, the only top five customer with its headquarter in the U.S., accounted for only approximately 5.2% and 3.7% of our Group's revenue for the year ended 30 April 2016 and 30 April 2017.

Our export sales to the US remained fairly stable for the year ended 30 April 2017 and accounted for approximately 13.8% of our Group's revenue. Following the development of LED luminaire lighting series, our Group has diversified and expanded our customer base in the PRC and Taiwan and our revenue derived from our sales in North America decreased significantly while our revenue derived from the PRC and Taiwanese customers increased significantly, in aggregate accounting for approximately 56.0% and 57.0% of our total revenue for the two years ended 30 April 2017 respectively. Please refer to the section headed "Financial Information — Discussion on Major Items of the Combined Statements of Profit or Loss and Other Comprehensive Income — Revenue by geographical locations of our export sales" in this prospectus for more details.

We anticipate that North America and Asia will continue to be our major markets in future and our business is highly correlated with the demand for our products in these overseas markets. As a result, should there be any material adverse change in the political, economic, legal or social conditions in North America and Asia and our Group is unable to divert sales to markets outside of North America and Asia or the demand for our Group's products does not grow as expected or at all in North America and Asia, the business, results of operations, financial condition and future prospects of our Group may be adversely affected. Further details of the risk related to our reliance on our customers in North America and Asia are set out in the section headed "Risk Factors" in this prospectus.

SUPPLIERS

For the three years ended 30 April 2017, our procurement from our five largest suppliers amounted to approximately HK\$19.3 million, HK\$42.8 million and HK\$40.1 million, which accounted for approximately 41.8%, 61.4% and 48.8% of our total procurement, respectively. Our procurement from our largest supplier amounted to approximately HK\$6.0 million, HK\$15.7 million and HK\$10.0 million, which accounted for approximately 13.1%, 22.5% and 12.1% of our total procurement for the three years ended 30 April 2017, respectively. As at the Latest Practicable Date, there were over 100 suppliers on our list of approved suppliers but limited suppliers of key types of raw materials with high technological requirements such as bluetooth LEDs, shatter-proof glass tubes, printed circuit board and LED alternating current modules. Limited pool of suppliers of essential components is one of the entry barriers of the LED indoor lighting manufacturing industry in China according to the Ipsos Report.

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The following table sets out our five largest suppliers during the Track Record Period:

For the year ended 30 April 2015

Rank	Supplier	Background	Raw materials/services	Location	Business relationship since	Purchases recognised	% of total purchases
						<i>(HK\$'000)</i>	
1	Supplier A	Private limited company which engaged in sale of moulding materials	Plastic components	Hong Kong	January 2009	6,022	13.1
2	Supplier B	PRC limited liability company which engaged in manufacturing and sale of moulding materials and metal-ware	Metal materials and plastic components	the PRC	July 2014	4,327	9.4
3	Supplier C	PRC limited liability company which engaged in research, manufacturing and sale of LEDs	LEDs	the PRC	July 2008	3,393	7.3
4	Supplier D	PRC listed company which engaged in manufacturing, sale and services of high-performance advanced materials	Plastic components	the PRC	May 2007	3,180	6.9
5	Supplier E	PRC limited liability company which engaged in trading of moulding material	Plastic components	the PRC	August 2012	2,338	5.1
Total purchase contributed by our five largest suppliers						19,260	41.8

For the year ended 30 April 2016

Rank	Supplier	Background	Raw materials/services	Location	Business relationship since	Purchases recognised	% of total purchases
						<i>(HK\$'000)</i>	
1	Supplier F	PRC limited liability company which engaged in manufacturing and trading of LED integrated raw material	Glass tubes	the PRC	October 2015	15,652	22.5
2	Supplier B	PRC limited liability company which engaged in manufacturing and sale of moulding materials and metal-ware	Metal materials and plastic components	the PRC	July 2014	8,658	12.4
3	Supplier G	PRC limited liability company which engaged in sales of LED lighting products	PCB and LED electronic components	the PRC	October 2015	8,632	12.4
4	Supplier C	PRC limited liability company which engaged in research, manufacturing and sale of LEDs	LEDs	the PRC	July 2008	6,459	9.2
5	Supplier H	PRC limited liability company which engaged in research, manufacturing and sale of LED power supply	LED electronic components	the PRC	October 2015	3,400	4.9
Total purchase contributed by our five largest suppliers						42,801	61.4

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For the year ended 30 April 2017

Rank	Supplier	Background	Raw materials/services	Location	Business relationship since	Purchases recognised <i>(HK\$'000)</i>	% of total purchases
1	Supplier C	PRC limited liability company which engaged in research, manufacturing and sale of LEDs	LEDs	the PRC	July 2008	9,971	12.1
2	Supplier G	PRC limited liability company which engaged in sales of LED lighting products	PCB and LED electronic components	the PRC	October 2015	9,808	11.9
3	Supplier I	PRC limited liability company which engaged in research, manufacturing and sale of LEDs	Glass tubes	the PRC	May 2016	7,685	9.4
4	Supplier J	PRC limited liability which engaged in sale of chemical products, building materials and metal-ware	Polystyrene	the PRC	May 2016	7,533	9.2
5	Supplier B	PRC limited liability company which engaged in manufacturing and sale of moulding materials and metal-ware	Metal materials and plastic components	the PRC	July 2014	5,061	6.2
Total purchase contributed by our five largest suppliers						40,058	48.8

Overlapping of Major Suppliers and Customers

During the Track Record Period, we sold LED tube lights to Customer G and purchased glass tubes from Supplier F, which Customer G and Supplier F were associated. The associated group of Customer G and Supplier F is an integrated LED raw material supplier, LED manufacturer and LED product retailer. To the best knowledge of our Directors, the transactions with Customer G were due to the fact that Customer G decided to phase out their production of tube light (which is a component of its LED product) by sourcing from the market, while the transaction with Supplier F was due to the fact that Supplier F was our preferred supplier at the material time for the non-shatter-proof glass tubes which had been used for the production of our LED luminaire lighting products supplied to Customer G and also the shatter-proof glass tubes used for the production of our other LED luminaire lighting products supplied to other customers as well. As a result, Customer G has become our customer purchasing LED tube lights from us while Supplier F provided our Group with shatter-proof and non-shatter-proof glass tubes as raw materials. In about July 2016, in order to reduce the associated risk of reliance on the associate group of Customer G and Supplier F, as both our major supplier and major customers, our Group ceased to engage Supplier F as our raw materials supplier since our Group engaged two new suppliers (“**Supplier I**” and “**Supplier K**”) to supply both shatter-proof and non-shatter-proof glass tubes for the production of LED luminaire lighting products for Customer G and other customers at comparable prices and quality. Furthermore, Supplier I is more flexible than Supplier F in supplying glass tubes of different lengths which allows our Group to produce LED tube lights in accordance with the specification of our customers and Supplier K is able to offer non-shatter proof glass tubes at a lower price but comparable quality with Supplier F. Our Directors are of the view that such arrangement has not affected our Group’s relationship with Customer G because it has continued to be our customer

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up to the Latest Practicable Date. Our Directors confirm that the transactions with Customer G and Supplier F had been conducted at arm's length and on normal commercial terms except for the arrangement that Supplier F was the raw material supplier specified by Customer G.

Despite the variance in the gross profit margin of the transactions with Customer G and the overall profit margin of LED luminaire lighting series for the two years ended 30 April 2017, the Directors confirm that the transactions with Customer G were conducted at arm's length and on normal commercial terms based on following reasons:

- (i) the raw material (glass tube) price, as a substantial part of unit cost of LED luminaire lighting, offered by Supplier F for the production of LED luminaire lighting products provided to Customer G is comparable to the raw material (glass tube) price offered by other new suppliers, Supplier I and Supplier K. In about July 2016, our Group purchased glass tubes from other suppliers for the production of LED tube lights for Customer G with comparable prices and quality; and
- (ii) the gross profit margin of approximately 20.1% which our Group derived from the LED luminaire lighting products sold to Customer G was lower than the overall gross margin of LED luminaire lighting series of approximately 31.1% for the year ended 30 April 2016, which was mainly a result of (a) the relatively less product specifications requested in their purchases orders; and (b) price reduction for the bulk purchase we offered to Customer G.

During the Track Record Period, since the introduction of LED luminaire lighting series, majority of the sales of LED luminaire series of our Group were derived from Customer F and Customer G, which in aggregate accounted for approximately 79.9% and 60.1% of our Group's revenue derived from LED luminaire lighting series for the two years ended 30 April 2017 respectively. While our Group sold mainly LED tube lights to Customer F and Customer G during the Track Record Period, our Directors are of the view that the more product features, including shatter proof, high energy efficiency, electricity leakage preventive, high luminosity, all voltage compatible and without flickering, requested by Customer F resulted in a better bargaining power for a higher margin derived from the LED tube lights sold to Customer F. Whereas the product specification required by Customer G are relatively simple in the market from the view of our Directors, which resulted in a relatively lower profit margin for the LED luminaire lighting products sold to Customer G. For the two years ended 30 April 2017, our Group sold approximately 1.0 million and 0.2 million units of LED luminaire lighting products to Customer G, which accounted for approximately 54.6% and 12.5% of the total sales volume of LED luminaire lighting series of the respective financial year. The decrease in sales volume of LED luminaire lighting products sold to Customer G was mainly attributable to our Directors' decision (i) not to follow Customer G's request to lower our selling prices of the products which it purchased during the year ended 30 April 2016 since our Group already offered Customer G a lower price in consideration of the relatively large volume of LED luminaire lighting products Customer G purchased; and (ii) to selectively undertake purchase orders of LED tube light products with higher selling prices but less volume from Customer G.

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The table below sets forth the amount of our transaction dealings with Customer G and Supplier F during the Track Record Period:

Our Group as a supplier to Customer G

	For the year ended 30 April		
	2015	2016	2017
Relevant product we provided to Customer G	—	LED tube lights	LED tube lights
Revenue (HK\$'000) to our Group	—	17,247	8,386
As a percentage of total revenue	—	14.3%	5.9%
Gross profit margin	—	20.1%	21.6%

Our Group as a customer of Supplier F

Relevant product we purchased from Supplier F	—	glass tubes	—
Cost (HK\$'000)	—	15,652	—
As a percentage of total purchase	—	22.5%	—

Given the business nature of the associated group of Customer G and Supplier F, we believe the transactions with Customer G and Supplier F have been commercially sounding and reasonable. Please refer to the section headed “Financial Information — Discussion on Major Items of the Combined Statements of Profit or Loss and Other Comprehensive Income — Analysis of gross profit margin of LED luminaire lighting products” in this prospectus for more details of the analysis of the gross profit margin of LED luminaire lighting products.

None of our Directors, their close associates or any Shareholder (who or which, to the best knowledge of our Directors owns more than 5% of the issued share capital of our Company) has any interest in any of our five largest suppliers during the Track Record Period.

Raw materials suppliers

Our procurement department conducts assessments on potential suppliers. The selection criteria include their capabilities, financial positions and reputation in the industry. Those raw materials suppliers who fulfill our requirements would be included in our list of approved suppliers. Our procurement department carries out regular review of our suppliers to ensure the approved suppliers are able to meet our requirements. We make purchasing decisions based on several major factors which include pricing, quality, reliability and delivery timeliness. The credit terms provided by our major suppliers generally range from zero to 180 days after our receipt of payment notice. We settle payments with suppliers mainly by way of telegraphic transfers.

We do not enter into any long-term agreement with our raw materials suppliers and do not commit ourselves to a specific amount of purchases from them unless and until we place our orders based on our needs. As such, we are flexible in sourcing raw materials and supplies from a number of suppliers and we have effective control on inventory level. We believe our payment records have enabled us to obtain favourable credit terms from our suppliers. During the Track Record Period, we did not experience any material price fluctuations for raw materials which caused a significant adverse impact to our business operation and we did not encounter any material production disruption due to shortages of supplies. As

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our selling price is determined on a cost-plus basis, we were generally able to pass on most of the increases in procurement costs of raw materials to our customers, and therefore our overall gross profit margin slightly increased over the Track Record Period.

Inventory Management

We strive to reduce excess levels of raw materials and finished goods in our inventory while maintaining our ability to meet the supply demands of our customers. We maintain a certain level of inventories of finished products and procure raw materials according to the production plan based on our prediction of the demand from our customers. We generally seek to maintain a consistent level of inventories of LED capsules for the production of some basic types of LED decorative lighting products and also the raw materials used to produce them because LED capsules are the basic parts of the LED string light products and to minimise the seasonality effect on the production of our LED decorative lighting products. We do not maintain steady inventories of our LED luminaire lighting products as the production lead time is relatively short and the effect of seasonality is immaterial. Orders are usually placed one month to six months in advance of delivery of raw materials.

Our inventory balances as at 30 April 2015, 2016 and 2017 were approximately HK\$27.9 million, HK\$25.4 million and HK\$22.6 million respectively and our inventory turnover days were approximately 175.1 days, 116.5 days and 88.2 day respectively. Further details of our Group's inventories, please refer to the paragraph headed "Financial Information — Analysis of Various Items from Our Combined Statements of Financial Position" in this prospectus.

Sensitivity Analysis

During the Track Record, the cost of sales of our Group mainly consist of cost of raw materials. Assuming that our cost-plus pricing model cannot cover fluctuation in costs, and all other variables remained constant, the following tables illustrate the impact of hypothetical fluctuations in material costs on our profit before tax during the Track Record Period:

Hypothetical fluctuations in cost of raw materials	+/-5%	+/-10%	+/-15%	+/-20%	+/-25%
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Changes in profit before tax					
For the year ended 30 April 2015	+/-3,818	+/-7,636	+/-11,454	+/-15,273	+/-19,091
For the year ended 30 April 2016	+/-3,509	+/-7,017	+/-10,526	+/-14,035	+/-17,544
For the year ended 30 April 2017	+/-4,215	+/-8,430	+/-12,645	+/-16,860	+/-21,075

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For the three years ended 30 April 2017, our profit before tax amounted to approximately HK\$12.4 million, HK\$15.0 million and HK\$21.2 million respectively. For illustrative purpose only, we would have recorded breakeven in our profit before tax if our raw materials cost increased by approximately 16.2%, 21.4% and 20.6% respectively for the three years ended 30 April 2017.

PRODUCT LIABILITY

While we are not able to totally eliminate the possibility of any product liability and intellectual property rights infringement claims, we have strictly followed and produced our LED lighting products in accordance with the relevant safety requirements and standards as specified by our overseas customers which our products are sold and exported. We also collect intelligence from the market such as exhibitions and closely communicate with our customers on any negative feedbacks of our products and will promptly take appropriate rectification actions as soon as practicable.

For details in this respect, please refer to the section headed “Risk Factors — Risks relating to Our Business and Industry — Potential product liability claims may materially affect our Group’s operation and financial condition” in this prospectus.

EMPLOYEES

As at the Latest Practicable Date, we had 187 employees who were directly employed by our Group in Hong Kong and the PRC. A breakdown of our employees by function as at the Latest Practicable Date is set forth below:

<u>Employee by function</u>	<u>The PRC</u>	<u>Hong Kong</u>	<u>Total</u>
Management	2	6	8
Sales and marketing	7	—	7
Production	133	—	133
Procurement	3	—	3
Finance	5	1	6
Product development	8	—	8
Quality control (including production material control)	12	—	12
Administrative	4	—	4
Human resources	3	—	3
Technical engineering	3	—	3
	<u>180</u>	<u>7</u>	<u>187</u>

The relationship and cooperation between our management and employees have been good and are expected to remain amicable in the future. Our Directors confirm that there has not been any incidence of labour shortage and work stoppage during the Track Record Period and up to the Latest Practicable Date, which adversely affected our operations.

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We believe that our employees are important assets to our Group. New employees are required to undergo training to familiarise themselves with work safety and the requirements of their job before they start working. They are also subjected to a three-month probation period. At the end of the probation period, they will be confirmed as full-time employees if their respective supervisors are satisfied with their performance during the probationary period.

We also provide training programmes to our relevant employees to assist them in acquiring advanced knowledge and skills in respect of machinery operation, work safety and quality control. We consider that our training programme is not only used as a platform to constantly upgrade the skills of our employees, but also to encourage greater cohesion within our Group, so as to increase overall efficiency and loyalty to our Group, and also as a means of retaining quality employees.

We aim to review the performance of our employees on a regular basis, the results of which are used in determining annual bonus, salary adjustments and promotion appraisals. We conduct research on remuneration packages offered for similar positions in the industry, and we believe this will help us remain competitive in the labour market.

Social insurance

We contribute to various social insurance plans, such as pension insurance, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance for our employees in accordance with the applicable PRC laws and regulations on social insurance. Please also refer to the section headed “Regulatory Overview — A. PRC Rules and Regulations” in this prospectus.

Our contributions paid to the social insurance plans described above for the three years ended 30 April 2017 amounted to approximately HK\$1.2 million, HK\$1.3 million and HK\$1.3 million respectively.

COMPETITION

According to Ipsos Report, in 2016 the top five Christmas lighting manufacturers (which operate on ODM and OEM bases) only accounted for approximately a 14.5% share of the total industry revenue, and the rest of the industry players accounting for a 0.09% market share on average. In 2016, our Group is estimated to have a market share of approximately 0.4% in the Christmas lighting manufacturing industry based on its revenue for the year ended 30 April 2016. On the other hand, the top five LED indoor lighting manufacturers had a combined market share of approximately 15.8% of the total LED indoor lighting manufacturing industry in 2016, while our Group is estimated to have a market share of approximately 0.06% in the LED indoor lighting manufacturing industry in 2016 based on its revenue for the year ended 30 April 2016.

Our Directors consider that there are entry barriers of the Christmas lighting manufacturing industry in the PRC which hinder new players from entering into the industry. Such entry barriers, according to the Ipsos Report include (i) intense competition; (ii) high initial costs; and (iii) rising labour wages, details of which are described in the section headed “Industry Overview — Overview of the Christmas Lights Manufacturing Industry in China — Overview of the competitive landscape of the Christmas lighting manufacturing industry in China — Entry barriers of the Christmas lighting manufacturing industry in China” in this prospectus. Further, the industry barriers of LED indoor lighting manufacturing industry in the PRC includes (i) technological barriers — high sunk costs in

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research and development and increasing importing standards; (ii) presence of large scale manufacturers, specialised manufacturers, foundry vendors and micro enterprises in the industry; and (iii) high requirement of financial strength and company scale, details of which are described in the section headed “Industry Overview — Overview of the LED Indoor Lighting Manufacturing Industry in China” in this prospectus.

Our Directors believe that our competitive strengths will enable us to maintain our position as one of the active market players in the LED decorative and LED luminaire lighting manufacturing industry in China. Our competitive strengths include the followings:

- Well-established worldwide sales network and capability to broaden our customer base;
- Varied and flexible product development capability with stringent quality control; and
- Experienced and dedicated management team.

Details of our Group’s competitive strengths are set out in the sub-section headed “Competitive Strengths” in this section.

PROPERTIES

Our Group has leased one property in Hong Kong and one property in the PRC from Independent Third Parties. Our Group does not own any premises. The following table sets out the address, approximate gross floor area and the term of the properties leased by our Group.

<u>Address</u>	<u>Particulars of occupancy</u>	<u>Approximate gross floor area</u>	<u>Lease term</u>	<u>Rent</u>
1. Unit H on the 7th Floor, King Palace Plaza, 55 King Yip Street, Kwun Tong, Kowloon, Hong Kong	The property comprises an office unit of a 28-storey office building. The property is leased to and occupied by our Group for office use.	968 square feet	For a term of 2 years from 8 February 2017 to 7 February 2019	Monthly rent of HK\$22,000 exclusive of government rates, government rent, service charges and all other outgoings
2. A5 and A6, at Kaida Creative Industry Base, 80 Shishuikou segment, Qiaochang Road, Qiaotou Town, Dongguan City, Guangdong Province, the PRC	Part of the property is leased to and occupied by our Group for production and warehousing. Part of the property is leased to and occupied by our Group for staff quarters’ use.	11,743.24 square metres	For a term of 10 years from 1 October 2015 to 30 September 2025	Monthly rent of RMB146,790.5
		4,563 square metres	For a term of 10 years from 1 October 2015 to 30 September 2025	Monthly rent of RMB57,037.5

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INTELLECTUAL PROPERTY

Our intellectual property rights, including trademarks and patents, are important to our business development. Our Group requires confidentiality agreements to be entered with our staff in the product development department. The standard employment agreements with our staff in the product development department include a clause that any intellectual property rights developed or obtained during the course of their employment belong to our Group. Our Group submits patent applications for products that we have developed to protect our intellectual property rights.

Our ODM operation involves the use of utility model patents or invention patents, which are owned by our Group, in the manufacturing process while our OEM operation does not involve the use of our utility model patents or invention patents.

The table below sets forth the patents which our Group is the registered owner of and its applications on our products:

Description	Summary	Place of registration	Patent number	Type of patent	Period of validity	Products application
Detachable, waterproof luminary design	A method of assembling wire, light cover, and luminaires into one piece while retaining its detachable function and water-proof ability	PRC	ZL200810147150.X	invention	20 August 2028	LED decorative lighting series
String light product design	A design that can connect multiple strings of lighting products into one socket	PRC	ZL200820183259.4	utility model	22 December 2018	LED decorative lighting series
LED street light design	A design that packs a heat sink and detachable LED base on the back of a power adaptor	PRC	ZL200920167036.3	utility model	23 July 2019	LED luminaire lighting series
Decorative Lamp	An utility model with a dissociable closed combination structure that is simple and convenient to assemble and is also waterproof	PRC	ZL201220233100.5	utility model	21 May 2022	LED decorative lighting series
A double-sided cable-laying board for LED	A double-sided cable-laying board for LED which comprises LEDs and the cable-laying board. It is characterized by its simple structure, environmental friendliness and low costs	PRC	ZL201520334292.2	utility model	19 May 2025	LED decorative lighting series
Lamp socket and string light	A lamp socket and string light which can accommodate both screw bulbs and bayonet bulbs	PRC	ZL201620435273.3	utility model	11 May 2026	LED decorative lighting series

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<u>Description</u>	<u>Summary</u>	<u>Place of registration</u>	<u>Patent number</u>	<u>Type of patent</u>	<u>Period of validity</u>	<u>Products application</u>
A multifunctional glass fluorescent tube	A fluorescent tube which support AC/DC dual power supply and can charge external electronic devices	PRC	ZL201620550738.X	utility model	7 June 2026	LED luminaire lighting series
A tempered glass fluorescent tube	A fluorescent tube with tempered glass	PRC	ZL201620550773.1	utility model	7 June 2026	LED luminaire lighting series
Waterproof decorative lamp	A waterproof decorative lamp that is conveniently assembled, including a lampshade, a luminophor and conductive wires connected to the luminophor	USA	8,746,953	N/A	28 December 2032	LED decorative lighting series
A decorative lamp without a lamp hood	A decorative lamp which, compared with prior art, is simpler in structure, saves costs, is convenient to assemble, and also is waterproof	PRC	ZL201320891753.7	utility model	30 December 2023	LED decorative lighting series
A waterproof decorative lamp	A decorative lamp, comprising a lampshade, a luminophor and conductive wires connected with the luminophor	Canada	2800352	N/A	28 December 2032	LED decorative lighting series
Lamp socket and lighting fixture	A lamp socket and lighting fixture which has fewer ridges, saves time and improves efficiency during the installation of screw-based light bulbs	PRC	ZL201621083636.8	utility model	25 September 2026	LED decorative lighting series

As at the Latest Practicable Date, we had registered one domain name in the PRC.

For details about information relating to our intellectual property rights, please refer to the section headed “Statutory and General Information — B. Further Information about Our Business — 2. Intellectual property rights” in Appendix IV to this prospectus.

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AWARD AND RECOGNITION

We have been accredited with award and recognition. The table below sets out the award and recognition obtained by us in the past:

<u>Year awarded</u>	<u>Description of award/recognition</u>	<u>Awarding organization</u>
2016	Outstanding Enterprise of the year 2015	People's Government of Qiaotou Town (橋頭鎮人民政府)
2016	ISO 9001: 2008 Quality Management System	Beijing East Allreach Certification Center
2012	Creditable Enterprise of the year 2011 in Guangdong Province (2011年度廣東省誠信示範企業)	Guangdong Provincial Enterprise Confederation (廣東省企業聯合會) and Guangdong Provincial Association of Entrepreneurs (廣東省企業家協會)
2012	Enterprise of Staff Satisfaction (員工滿意企業)	People's Government of Qiaotou Town (橋頭鎮人民政府)

INSURANCE

In accordance with the regulatory requirements of local governments in the PRC, we maintain insurance that covers unemployment, pension, work-related injury, maternity and medical expenses for our employees in the PRC. As required by relevant laws and regulations of Hong Kong, we maintain basic insurance for our employees who work at our office in Hong Kong. We also maintain credit insurance for some of our non-new customers to protect our trade receivable from loss due to credit risks of these customers such as protracted default, insolvency or bankruptcy. We also maintained life insurance for one of our Directors. For further details of the life insurance, please refer to the section headed "Financial Information — Analysis of Various Items from Our Combined Statements of Financial Position" in this prospectus.

Under the relevant PRC laws and regulations, we are not required to maintain product liability insurance. We do not maintain business interruption insurance or third-party liability insurance for claims of personal injury or property damage arising from accidents relating to our operations. Our Directors believe that our Group's insurance coverage is in line with industry practice. Our Group has not had any claims or liabilities arising from any accidents relating to our operations or experienced any material production interruptions or product liability incidents during the Track Record Period.

PRODUCTION SAFETY

Our Directors confirm that our operations were in compliance with the applicable safety laws and regulations in all respects and we did not experience any accidents that, individually or in the aggregate, led to business disruption or had a material adverse effect on our financial conditions and results of operations during the Track Record Period. We have in place safety guidelines and operating manuals setting out safety measures for our production process. We also provide our employees with training

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programmes on work safety to ensure that all of our employees are aware of our safety procedures and policies, which include guidelines for safety management, emergency situations and proper operation and usage of equipment and machinery.

Our PRC Legal Advisers have advised that, based on the certification dated 11 August 2015, 4 March 2016, 30 May 2016, 22 May 2017 and 25 September 2017 issued by the Work Safety Supervision and Management Bureau of Dongguan City (東莞市安全生產監督管理局), Bortex Industry has not been subjected to any penalties as to in violation of relevant work safety laws and regulations up to 22 September 2017.

ENVIRONMENTAL MATTERS

Our business is subject to relevant PRC environmental laws and regulations. Our production process in general is unlikely to generate environmental hazards and our Group does not allow unauthorised discharge of waste water and gas emissions. Our Directors are of the view that our environmental protection measures are adequate to comply with all applicable current PRC regulations.

The wastes at our production plant include normal solid industrial wastes such as scrap packaging metal, plastic materials and various residues from production. We have contracted a PRC licensed collection company to handle such industrial wastes discharged from our production at our production plant. Our PRC Legal Advisers have advised that our Group and our Directors are not jointly and/or severally liable for any breach by the PRC licensed collection company.

For the three years ended 30 April 2017, our Group had no capital expenditure on environmental protection. No capital expenditure for the year ending 30 April 2018 is expected to be spent on environmental protection on a yearly basis unless there is a change to the relevant laws and regulations in the PRC.

Our Group monitors compliance with statutory regulations and our internal standards of environmental protection. During the Track Record Period, our Group has not violated any applicable PRC environmental regulations in all material aspects. During the Track Record Period, our Group has not been subject to any material claims or penalties in relation to environmental protection and has not been involved in any environmental accidents or fatalities.

Our PRC Legal Advisers have advised that, based on the certification dated 6 June 2016, 27 May 2017 and 17 October 2017 issued by the relevant environmental protection bureaus, Bortex Industry has not been subjected to any penalties as to in violation of relevant environmental law and regulations up to 23 September 2017.

INTERNAL CONTROL

Our internal control system covers our major business aspects such as revenue and receipt, cost management, human resources and payroll, fixed assets, intellectual property, treasury and cash management, financial statements preparation, quality control and information technology. Our internal control measures mainly include controls over segregation of duties, approvals and authorisations, accounting systems, assets, budgets and performance evaluation of our suppliers etc., which are supervised by our financial controller. Our financial controller and the management team including executive Directors are responsible to identify risks and internal control deficiencies, evaluate our

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internal control system from time to time and implementing additional control measures, if necessary, to improve our internal control system. Further details of our risk management are set out in the paragraph headed “Risk Management” in this section. Results of our internal assessments, internal surveys and routine inspections would be reported to the audit committee in our Board, which is responsible to review our financial information and supervise our financial reporting system and internal controls procedures.

In addition, it is our Board’s responsibility to ensure that we maintain a sound and effective internal control and corporate governance system to safeguard our Shareholders’ interest and our Group’s assets at all times. To this end, we have adopted a series of corporate governance measures which are set out in the paragraph headed “Corporate Governance Measures” in this section.

RISK MANAGEMENT

Our Directors confirm that during the ordinary course of our business, we are primarily exposed to (i) control risks relating to our overall monitoring system; (ii) regulatory risks in relation to our business; (iii) operational risk; (iv) credit risks relating to accounts receivable; (v) foreign exchange risk; and (vi) market risks relating to changes in macroeconomic environment.

In order to manage our external and internal risks and to ensure the smooth operation of our business, our Group has engaged an independent internal control reviewer (the “**Internal Control Reviewer**”) in April 2016 to assist our Group in reviewing our internal control system and provide recommendations for improving our internal control system.

The following sets out the key risks for our business and the mitigating internal control procedures thereof:

Risk control

Our risk register has identified certain risks that require management, including inappropriate and inconsistent practices, failure to detect unethical behaviors, wrong doings or potential frauds and unauthorised access to confidential information. In order to control such risk, our Group has endorsed staff handbook and Company policies which requires all Directors and employees of our Group to observe.

Regulatory risk management

Upon Listing, our Group may be exposed to the risks of non-compliance with the GEM Listing Rules. We have assigned designated personnel to update the context of Company policies at least annually and to distribute to all Directors and employees new amendments of the GEM Listing Rules. We have appointed Ample Capital Limited as compliance adviser to advise us on compliance issues. All Directors and employees will be required to attend training to refresh their understanding of staff handbook and Company policies at least annually. Our Group will also retain a legal adviser to advise us on compliance matters with applicable Hong Kong and PRC laws and regulations.

Operational risk management

Our senior management are responsible for overseeing our operation and assessing the operational risks of our business. They are responsible for implementing our internal policies and procedures. Our senior management monitor our operation and they will report irregularities to our executive Directors for directions. Our Group emphasises on ethical value and prevention of fraud and bribery. We have established a whistleblower program, which will allow and facilitate communication among departments and business units to report any irregularities.

Internal control measures on intellectual property rights:

To manage and minimise the risk of infringing third parties' intellectual property rights during the course of business, our Group has adopted the following measures in September 2013 and the measures will be reviewed by the intellectual property committee of our Company referred to below annually:

- our Group has established an intellectual property committee which is currently headed by our executive Director, Mr. X.H. Shao and the committee members include our senior management, Mr. Chow Kwok On and Mr. Pan Liang Bo, to oversee and monitor matters involving intellectual property rights;
- for new product designs/production method, our Group has engaged an external patent consultant which will conduct intellectual property rights search on the new product designs/production method to ensure our Group will not infringe any third parties' intellectual property rights before the production of our new products/adopting the new production method;
- all new intellectual property rights application will be reviewed by our intellectual property committee and our external patent consultant;
- our product development department and intellectual property committee will have regular meetings to discuss on the latest intellectual property rights/patent information in relation to the LED lighting industry; and
- the intellectual property committee will arrange orientation briefing and seminar to be provided by our Group's legal advisers to the management, sales and marketing and product development staff to enhance their legal awareness and knowledge of compliance with laws and regulations in relation to intellectual property rights.

Our Group's Internal Control Reviewer is of the view that our Group's current internal control measures to avoid the infringement of third parties rights are effective, and the Sponsor concurs with their view.

Internal control measure on prevention of recurrence of product defects:

To prevent the recurrence of product defects, our Group has adopted the following additional measures:

- our Group's quality department performs quality control and it has implemented stringent quality assurance measure at different production stages, especially after the products have been packaged and pending for loading and delivery, and regularly reports the quality results to our senior management, Mr. Chow Kwok On and Mr. Pan Liang Bo;
- our Group's quality assurance measures on products which have been packaged and pending for loading and delivery include checks on the packaging of the products to ensure (i) the products are properly packaged and will not be susceptible to damage or product deterioration (such as rust) during the delivery; and (ii) adequate and sufficient amount of spare parts of the LED lighting products are included in the package;
- if the regular reports from the quality control department show any irregular quality control issues or the amount of substandard finished products exceeds our acceptable level (0.2% of each order), our senior management will re-examine the manufacturing process;
- if the defected goods level of each order is not improved after re-examination, our senior management will instruct the production department to temporarily suspend the production line until the irregular quality control issue has been solved; and
- our Directors and senior management will regularly review (i) our Group's quality control measures to ensure they are sufficient to satisfy our customers' expectations; and (ii) our Group's defected goods acceptance level to ensure it is more stringent than our customers' acceptance level as stated in the purchase orders.

Our Group's Internal Control Reviewer is of the view that our Group's current internal control measures are sufficient.

Credit risk management

Our Group is exposed to credit risk which may cause financial loss to our Group if our counterparties failed to discharge an obligation. In order to minimise the credit risk, our Group has policy and procedure for determination of credit limits, credit approvals and other monitoring procedures. The payment terms must be approved by our Directors. Besides, on a monthly basis, a payment report summarising the payment status of our customers is reviewed by our Directors. Before deciding whether to provide credit term to a customer, our Group will consider factors such as creditworthiness of the customer and its background.

In addition, our executive Directors also take into account the length of business relationship, past reputation, financial strength and repayment history of each of our customers to monitor payments. Settlement is monitored by our finance department. For overdue balances, our executive Directors and senior management will be alerted and appropriate follow up action will be taken. When the accounts

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trade receivable balances remain unsettled after the expected payment date, they will be classified as overdue. For the three years ended 30 April 2017, our Group did not make any provision for doubtful debts relating to accounts receivable.

Foreign exchange risk management

A significant portion of our turnover was derived from our sales to customers located in North America and Taiwan which are primarily denominated and settled in US Dollars, while we generally settle our cost of sales and operating expense in Renminbi and Hong Kong dollars. We are therefore exposed to exchange rate risk. During the Track Record Period, we had experienced exchange loss of approximately HK\$0.1 million, HK\$1.6 million and HK\$0.9 million for the three years ended 30 April 2017, respectively. For the sensitivity analysis of foreign currency risk, please refer to the paragraph headed “35. Financial Risk Management — (b) Currency risk — Sensitivity analysis” in Appendix I — Accountants’ Report to this prospectus.

Our Group did not presently hedge the foreign exchange risk. To minimise exchange risk, we closely monitor the movements in the exchange rates of US dollar and RMB. We also adopted procedures such that updates on foreign currencies are reported to our management team on a regular basis. We did not engage in any hedging activities during the Track Record Period but we will monitor from time to time to consider if there is such a need in future.

Market risk management

Our Group is exposed to general market risks related to changes in global macroeconomic environment and movements in market variables such as GDP and interest rates, and other market changes. Our executive Directors and senior management are responsible for identifying and assessing potential market risks and from time to time formulating policies to mitigate these market risks. Such risk has been included in our Group’s risk register.

CORPORATE GOVERNANCE MEASURES

We recognise the value and importance of achieving high corporate governance standards to enhance corporate performance, transparency and accountability, earning the confidence of shareholders and the public. In order to comply with the requirements under the GEM Listing Rules, in particular, the code provisions contained in the corporate governance code as set out in Appendix 15 (the “Code”) of the GEM Listing Rules, we have adopted the following measures as at the Latest Practicable Date:

- (i) we have established the audit committee, remuneration committee and nomination committee with respective written terms of reference in accordance with the code provisions contained in the Code. The section headed “Directors and Senior Management — Board Committees” in this prospectus set out further information;
- (ii) our Board has adopted the terms of reference with regard to corporate governance and a shareholders’ communication policy in accordance with the code provisions of the Code;
- (iii) we will arrange appropriate insurance cover on our Directors’ liabilities in respect of legal actions against our Directors arising out of corporate activities before the Listing;

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- (iv) we have appointed three independent non-executive Directors representing more than one third of the Board and at least one of them has accounting expertise;
- (v) the chairman of our Board is Mr. Shiu Kwok Leung whereas the chief executive officer of our Company is Mr. Chow Kwok On. The roles of the chairman and the chief executive officer will be separate and distinct;
- (vi) our Directors will operate in accordance with the Articles which require the interested Director not to vote (nor be counted in the quorum) on any resolution of our Board approving any contract or arrangement or other proposal in which he/she or any of his/her close associates is materially interested except in certain circumstances as set out in the Articles;
- (vii) pursuant to the Code, our Directors, including our independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our cost;
- (viii) our Company will adopt a comprehensive Company policies covering legal and regulatory compliance with reference to the Code;
- (ix) our Company will consider engaging an independent internal control consultant to perform regular review on corporate governance to ensure on-going compliance after Listing; and
- (x) our Directors will attend professional development seminar including the corporate governance to ensure on-going compliance after Listing.

LITIGATION

Prior to the Track Record Period

Prior to the Track Record Period, our Group was involved in legal proceedings with a company incorporated in the United States, which is an Independent Third Party (the “**US Company**”).

Background

Mr. Shao Chi Liang had been developing techniques for LED lighting products which were manufactured with a construction technique developed by him and characterised by its ability to hold components together using certain molding techniques (the “**Previous Technology**”). In November 2003, he applied for a patent with the State Intellectual Property Office of the PRC for a model of LED lighting product assembled with the Previous Technology (the “**PRC Patent**”). The PRC Patent was granted in January 2005 with Mr. Shao Chi Liang being listed as the inventor.

In 1999, Mr. Shao Chi Liang’s company, namely Dongguan Chihua, participated in a lightshow in Guangzhou, the PRC, where he was approached by representatives from the US Company who expressed keen interest in the products displayed by his company and at their request, he showed them the Previous Technology. Subsequently, starting from around May 2002, Mr. Shao Chi Liang and representatives of the US Company worked closely on arrangements for business cooperation, and Mr. Shao Chi Liang provided the US Company with prototypes of his LED lighting products manufactured

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with the Previous Technology. In around October 2003, the cooperative relationship between Mr. Shao Chi Liang and the US Company ceased, mainly due to disagreement about the involvement of other manufacturers.

The US Company filed for two patents with the United States Patent and Trademark Office in February 2006 and April 2007 respectively and the two patents were granted in May 2007 and May 2011 respectively (together, the “**US Company Patents**”). The US Company Patents relate to assembling LED light strings using different molding techniques and the Previous Technology forms one part of such assembling method, but Mr. Shao Chi Liang was not named as an inventor of the US Company Patents. In August 2007, the US Company commenced a patent infringement action against a company in Massachusetts, USA (the “**Massachusetts Company**”) which imported LED lighting products manufactured by Bortex Industry, using in part the Previous Technology. The Massachusetts Company was then a customer of Dongguan Chihua but owing to capacity constraints of Dongguan Chihua at the material time, Mr. Shao Chi Liang recommended the Massachusetts Company to place its purchase orders with Bortex Industry instead. To help Bortex Industry manufacture the LED lighting products in accordance with the specific requirements of the Massachusetts Company, Mr. Shao Chi Liang allowed Bortex Industry to use, and advised Mr. X.H. Shao in detail the relevant knowledge and skills pertaining to, the Previous Technology free of charge in view of his personal assurance to the Massachusetts Company and his long-term relationship with Mr. X.H. Shao’s father. In defence to such action, the Massachusetts Company filed a request for re-examination of the US Company Patents to challenge their validity (the “**Re-examination**”) in December 2008, with the knowledge and financial support (in terms of the legal expenses incurred by the Massachusetts Company in connection with the Re-examination) of Mr. Shao Chi Liang because any adverse determination against the Massachusetts Company could seriously affect his reputation and ability to continue to use the Previous Technology to manufacture and export LED lighting products to USA. The examiner initially was in favour of the Massachusetts Company and issued his preliminary findings after an exhaustive search in April 2011 that the US Company Patents shall be invalidated. In July 2011, upon further submission from the US Company, the examiner reversed his decision and upheld the validity of the US Company Patents. The Massachusetts Company appealed against the examiner’s decision in August 2011, but withdrew the appeal in May 2012 as part of the settlement of the litigation of the US Company in or around the same month without the knowledge of Mr. Shao Chi Liang.

After Bortex International was incorporated in December 2008, we continued adopting the Previous Technology in part for assembling our LED decorative lighting products. The Previous Technology was introduced to our Group by Mr. Shao Chi Liang, who at that time assisted our Group in our design, research and development of lighting products (for further details, please see the section headed “History, Reorganisation and Corporate Structure — History and Development” in this prospectus). During that time, the Re-examination was underway and given that (i) Mr. Shao Chi Liang was the registered owner of the PRC Patent; (ii) Mr. Shao Chi Liang has been working with LED lighting products with the Previous Technology since 1999; and (iii) the examiner initially found in favour of the Massachusetts Company that the US Company Patents were invalid as early as in April 2011, at the material time, both Mr. Shiu and Mr. X.H. Shao were of view that the Re-examination had a good chance of success and did not consider that selling of LED decorative lighting products manufactured in part with the Previous Technology to customers in the USA would amount to any patent infringement since the US Company Patents were believed to be invalid over prior art patents considered by the examiner and the Previous Technology. Despite the settlement by the Massachusetts Company which withdrew the appeal during the Re-examination, our Group commenced additional legal action in

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the United States in July 2012 believing it had a good chance to invalidate the US Company Patents to protect its other existing customers from additional litigation involving the US Company Patents by the US Company.

The legal proceedings in the USA involving our Group

In December 2011, our Group was being informed that a complaint was filed in the United States by the US Company against one of our Group's customers (who is also identified as "**Customer D**" in the paragraph headed "Customers" in this section) alleging patent infringement of the US Company Patents. The US Company has brought an action against Customer D for allegedly infringing the US Company Patents based on jacketed LED assemblies and light strings manufactured by us using in part the Previous Technology and sold to Customer D and in response, our Group brought an action against the US Company, asserting that the US Company Patents were invalid, unenforceable and not infringed by our Group's products while the US Company filed a counterclaim against our Group for patent infringement as well as a motion for preliminary injunction (collectively, the "**US Litigation**").

In December 2013, the United States District Court for the Eastern District of Pennsylvania issued a memorandum opinion that it was unsatisfied with the litigation behavior of Mr. Shao Chi Liang, who was our Group's representative to give deposition in the U.S. in light of his technical experience in the LED lighting industry, described him as "flagrant and bad faith", and entered a judgment in favour of the US Company. Mr. Shao Chi Liang is neither a Director nor member of our Company's senior management. Further information on the relationships between our Group and Mr. Shao Chi Liang are set out in the section headed "History, Reorganisation and Corporate Structure — History and Development" in this prospectus.

Subsequently, our Group entered into a settlement and release agreement and an amendment agreement (collectively, the "**Settlement Agreement**") with the US Company to settle the dispute and lawsuit as the Directors did not intend to lengthen the process and further divert our Group's resources in this matter. According to the Settlement Agreement, upon full and timely receipt of US\$1,250,000 payable by our Group (which our Group has already fully paid and settled), the US Company agrees, among others, to dismiss its counterclaims against our Group and our Group agrees to dismiss our claims against the US Company. Also, our Group is permitted to sell or otherwise dispose of up to but not more than 62,200 units of products which was then in inventory, no later than 31 December 2014. Pursuant to the mutual releases in consideration of the settlement, our Group and the US Company have agreed to settle, release, and forever discharge the other party from any and all past and existing claims relating to or arising out of the lawsuits and disputes.

Our Directors confirm that as at the Latest Practicable Date, the 62,200 units of products had been sold of approximately HK\$4,573,000 and impaired at cost of approximately HK\$1,273,000.

Our Group had developed in 2012 and adopted in 2014 a method that advances the Previous Technology in water-resistant capabilities and provides our Group with cost advantages. Our Group has been granted with a patent with the new technology by the Director of the United States Patent and Trademark Office and the Canadian Intellectual Property Office on 10 June 2014 and 11 October 2016 respectively regarding our Group's new method and no longer adopted the Previous Technology that allegedly infringed the US Company Patents. Further details of our Group's registered patents are set out in the section headed "Statutory and General Information — B. Further Information about Our Business — 2. Intellectual property rights" in Appendix IV to this prospectus.

During the Track Record Period and as at the Latest Practicable Date

We are from time to time involved in legal proceedings arising from the ordinary course of our business during the Track Record Period but none of them is material to us. As at the Latest Practicable Date, there was no outstanding litigation or arbitration proceedings or administrative proceedings pending or threatened against us or any of our Directors which would have a material adverse effect on our financial condition or results of operations.

Considering that (i) our executive Directors (except Mr. Yuen, who joined us after the incident) (the “**Relevant Directors**”) were at the relevant time preoccupying themselves for launching a new production method for lighting products with better water-resistant capabilities in replacement of the products that allegedly infringed the US Company Patents using in part the Previous Technology so as to enhance the cost competitiveness of our Group’s products in the long run as well as minimise the negative impact of the US Litigation should it be adversely determined against our Group, it is therefore not inappropriate for them to delegate to Mr. Shao Chi Liang to handle the US Litigation having regard to his role in the Previous Technology and his ample experience and technical knowledge in the design of lighting products (for further details, please see the section headed “History, Reorganisation and Corporate Structure — History and Development” in this prospectus); (ii) we had engaged a US legal counsel with extensive experience in both contentious and non-contentious intellectual property matters to advise and assist Mr. Shao Chi Liang to manage the US Litigation; (iii) the US Litigation is the only overseas litigation of our Group and the unfortunate litigation behavior of Mr. Shao Chi Liang arose primarily from his unfamiliarity with the US legal process (in particular, his misunderstanding of the applicable legal requirements concerning the pre-trial discovery of documents and depositions due to the English abilities of Mr. Shao Chi Liang) rather than the dishonesty or lack of integrity on the part of any of Relevant Directors, who had relied upon Mr. Shao Chi Liang and were not intimately involved in such pre-trial discovery process; (iv) the lapse in oversight by the Relevant Directors over Mr. Shao Chi Liang in the course of the US Litigation, which was a one-off incident, was attributable, to a great extent, to their placing reliance on Mr. Shao Chi Liang because of his intimate knowledge and involvement in the development of the Previous Technology as well as his mutual trust with the Relevant Directors but such failure should not, by itself, cast doubt on their overall competence of properly supervising our staff in the conduct of our Group’s business; (v) we had reached a swift settlement of the US Litigation with the US Company following the judgment of the US court and expedited the adoption of the new method for the production of lighting products, thereby limiting the business disruption, financial and reputational loss to our Group; and (vi) we have drawn up detailed policies for our staff to monitor the intellectual property rights of our Group and adopted the recommendations of our Internal Control Reviewer to strengthen our ability to detect and prevent unsatisfactory behavior of our staff (including, without limitation, the establishment of an intellectual property committee comprising, among others, two of our senior management who are unrelated to any of our executive Directors to monitor our intellectual property affairs and the engagement of an external patent consultant to alert us on any possible infringement of third party intellectual property rights before we commence production of any new products or adopt any new production method (for further details, please refer to the paragraph headed “Risk Management — Internal control measures on intellectual property rights” of this section)), our Directors are of the view, and the Sponsor concurs with their view, that the unsatisfactory litigation behavior of Mr. Shao Chi Liang during our legal action against the US Company should not render any of the Relevant Directors unsuitable to act as a director of a listed issuer for want of integrity or the degree of skill, care and competence as required under Rules 5.01 and 5.02 of the GEM Listing Rules.

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COMPLIANCE

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, there was no non-compliance incident which is material impact non-compliance or systemic non-compliance.

Our Group member in the PRC — Bortex Industry

Our PRC Legal Advisers have advised that we have complied with all applicable laws and regulations of the PRC in all material aspects.

Our legal advisers as to Hong Kong law and PRC Legal Advisers have advised that we have obtained all material licences, permits and certificates and completed all the required examination and approval formalities from the relevant government authorities for our business in Hong Kong and the PRC. Set out in the section headed “Regulatory Overview” in this prospectus are the relevant laws and regulations applicable to our operations and business. Nevertheless, there is no assurance that such laws and regulations will not change in the future.

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You should read this section in conjunction with our Group's audited combined financial statements, including the notes thereto, as set out in the accountants' report set out in Appendix I to this prospectus. Our Group's financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards. You should read the entire accountants' report and not merely rely on the information contained in this section.

The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by our Group in light of our Group's experience and perception of historical trends, current conditions and expected future developments, as well as other factors our Group believes are appropriate under the circumstances. However, whether actual outcomes and developments will meet our Group's expectations and projections depend on a number of risks and uncertainties over which our Group does not have control. For further information, see the section headed "Risk factors" in this prospectus.

Any discrepancies in any table or elsewhere in this prospectus between totals and sums of amounts listed herein are due to rounding.

OVERVIEW

We are a developing manufacturer and exporter of LED lighting products with a production plant located in Dongguan, Guangdong Province, the PRC. We principally engage in the manufacturing and sales of quality LED lighting products to our customers in North America, Europe and Asia Pacific. Our Group is able to handle one-stop production process by offering prototyping, sampling, manufacturing, assembling, and packaging of LED lighting products in accordance to the specification of our customers on a mix of ODM and OEM bases. Our LED lighting products are broadly classified into two major series, including (i) LED decorative lighting series — which are mainly used for festive decorations; and (ii) LED luminaire lighting series — which are mainly used for indoor lighting. Details of our business overview are set out in the section headed "Business — Overview" in this prospectus.

For the three years ended 30 April 2017, we generated revenue of approximately HK\$138.6 million, HK\$121.0 million and HK\$141.7 million respectively while our gross profit was approximately HK\$36.2 million, HK\$37.6 million and HK\$42.4 million respectively.

BASIS OF PREPARATION

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law. Through a corporate reorganisation as more fully explained in the paragraph headed "History, Reorganisation and Corporate Structure — The Reorganisation" in this prospectus, our Company became the holding company of the companies now comprising our Group on 24 October 2017. The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the Track Record Period which include the results, changes in equity and cash flows of the companies comprising our Group have been prepared as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of acquisition or incorporation/establishment, where this is a shorter period.

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The Financial Information (as defined in the Appendix I — Accountants' Report) has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosures required by the GEM Listing Rules and the Hong Kong Companies Ordinance. HKFRSs comprise Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations.

The Financial Information has been prepared by our Directors based on the combined financial statements or where appropriate, unaudited management accounts of the companies now comprising our Group.

PRINCIPAL FACTORS AFFECTING THE RESULTS OF OPERATIONS

Market demand of our products

We relied on a few major customers during the Track Record Period and we have not entered into any long-term contracts with our major customers. Any significant reduction in purchase from our major customers or any termination of business relationship between our major customers and us, our business, financial condition and results of operations might be adversely affected.

However, we have established strong and diverse business relationships with our overseas customers, particularly in North America and Asia Pacific. The majority of our customers are overseas companies which operate department stores, warehouse stores and trading business. For the year ended 30 April 2016, we began to establish a strong business relationship with a Taiwanese distributor for our LED luminaire lighting products. Product quality and price are two key factors affecting our relationship with our customers. The relationship between us and our major customers is important for business retention and generation, and it can be leveraged upon to increase account profitability.

Our customers sell the products manufactured by us to the end-users, and therefore our results of operations are directly affected by the success of our customers in their business. If our customers fail to market and sell the products manufactured by us, they (i) may not place new orders, (ii) may reduce the quantity to be ordered, or (iii) ask us to reduce the unit price of our products, which could adversely affect our total turnover and also our operation results.

Cost of raw materials

Cost of raw materials is a major component of our cost of sales, representing approximately 74.5%, 84.1% and 84.9% of our total cost of sales for the three years ended 30 April 2017 respectively. Fluctuation in the cost of our raw materials and our ability to pass on any increase in raw material costs to our customers will affect our total cost of sales and our gross profit margins. During the Track Record Period, the principal raw materials used in our manufacturing of LED decorative lighting products and LED luminaire lighting products were glass tubes, electronic components, plastic/plastic components, LEDs, wire and packaging materials manufactured by our suppliers according to our requests. Key factors affecting the purchase price of our principal raw materials include supply and demand in the market and market competition. Our results of operation may be either favourably or unfavourably affected by the fluctuation of our principal raw materials. Our Group generally maintains our gross profit margin level by adopting a cost-plus pricing model. During the Track Record Period, we did not enter into any long-term supply contracts with our raw material suppliers because we wish to retain the

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flexibility to choose a supplier that provides us with relatively competitive price on raw materials in the market. We did not have any hedging facilities to minimise the risk of raw materials price fluctuation. As a result, the costs of our principal raw materials will subject to market fluctuation.

Seasonality

Our business and operating results are subject to seasonal fluctuations related to the festive seasons, in particular, in Halloween and Christmas holidays. Majority of our finished good are delivered during the third and fourth quarters of a calendar year, and therefore we normally record higher sales revenue for LED decorative lighting products in several months during our financial year and we expect seasonal fluctuation in our sales revenue. As a result, our revenue generated from the third and fourth quarters of the calendar year 2014 accounted for approximately 75.5% of our Group's revenue for the year ended 30 April 2015, solely from the sale of the LED decorative lighting products. Upon the commencement of sale of LED luminaire lighting products in August 2015, our revenue generated from the third and fourth quarters of the calendar years 2015 and 2016 accounted for approximately 65.2% and 59.7% of our Group's revenue for the two years ended 30 April 2017 respectively. Accordingly, our sales revenue usually experiences seasonal fluctuation during the year. However, upon the introduction of our newly introduced LED luminaire lighting products to our product portfolio, our Directors expect that the effect of seasonal fluctuations to our business will be reduced going forward.

The fluctuation in foreign exchange rates

As sales to our customers for our products are primarily denominated in US dollars whereas some of our purchases of materials and payment of wages and salaries to our workers in the PRC are denominated in RMB, we are exposed to exchange rates risk. Our profit margins will be negatively affected when we are unable to pass any appreciation of the RMB against the US dollars to our customers by raising the selling price of our products in US dollars. Any significant fluctuations in the exchange rates in future will also have an impact on our reported cost and earnings, and therefore, our operation results. In addition, we are exposed to the risks associated with the currency conversion and exchange rate system in the PRC.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our Group has identified certain accounting policies that are significant to the preparation of the combined financial statements in accordance with HKFRS. These significant accounting policies are important for an understanding of the financial condition and results of operation of our Group and such accounting policies are set forth in "Accountants' Report — Notes to the historical financial information — Notes 3 and 4" in Appendix I to this prospectus. Some of the accounting policies involve subjective assumptions and estimates, as well as complex judgment related to accounting items such as assets, liabilities, income and expenses. We base our estimates on historical experience and other assumptions which our management believes to be reasonable under the circumstances. Results may differ under different assumptions and conditions.

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SUMMARY RESULTS OF OPERATIONS

The following table sets out a summary of the audited financial results of our Group for each of the three years ended 30 April 2017. For more detailed information, please refer to the Accountants' Report in Appendix I to this prospectus. The financial information contained herein and in the accountants' report in the Appendix I to this prospectus is prepared in accordance with HKFRS and is presented as if our current group structure had been in existence throughout the years presented.

	For the year ended 30 April		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Revenue	138,636	120,988	141,667
Cost of sales	<u>(102,468)</u>	<u>(83,416)</u>	<u>(99,272)</u>
Gross profit	36,168	37,572	42,395
Other income	381	140	133
Selling and distribution expenses	(5,122)	(3,874)	(4,257)
Administrative expenses	(14,059)	(14,800)	(14,675)
Finance costs	<u>(5,002)</u>	<u>(4,004)</u>	<u>(2,374)</u>
Profit before taxation	12,366	15,034	21,222
Taxation	<u>(3,753)</u>	<u>(3,065)</u>	<u>(5,161)</u>
Profit for the year	<u>8,613</u>	<u>11,969</u>	<u>16,061</u>
Other comprehensive income/(loss) for the year, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of available-for-sale financial assets	372	248	(144)
Exchange differences on translation of foreign operations	<u>18</u>	<u>(450)</u>	<u>(660)</u>
Other comprehensive income/(loss) for the year, net of tax	<u>390</u>	<u>(202)</u>	<u>(804)</u>
Total comprehensive income for the year	<u>9,003</u>	<u>11,767</u>	<u>15,257</u>
Profit for the year attributable to equity owners of our Company	<u>8,613</u>	<u>11,969</u>	<u>16,061</u>
Total comprehensive income for the year attributable to equity owners of our Company	<u>9,003</u>	<u>11,767</u>	<u>15,257</u>

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DISCUSSION ON MAJOR ITEMS OF THE COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

We generate our revenue principally from the sales of our (i) LED decorative lighting series; and (ii) LED luminaire lighting series. Our revenue represents the net amounts received and receivable for goods sold by our Group to our customers during the Track Record Period. Our revenue is generally affected by the selling price, volume, and the mix of our products sold.

Revenue by product series

The following table sets forth the breakdowns of revenue of our Group by product series during the Track Record Period:

	For the year ended 30 April					
	2015		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
LED decorative lighting	138,636	100.0	58,011	47.9	74,499	52.6
LED luminaire lighting	—	—	62,977	52.1	67,168	47.4
Total	<u>138,636</u>	<u>100.0</u>	<u>120,988</u>	<u>100.0</u>	<u>141,667</u>	<u>100.0</u>

The following table sets forth a summary of the sales volume and average selling price of our Group's LED lighting products during the Track Record Period:

	For the year ended 30 April					
	2015		2016		2017	
	approximately unit '000	% of total sales volume	approximately unit '000	% of total sales volume	approximately unit '000	% of total sales volume
Sales volume						
LED decorative lighting	1,678	100	1,202	41.5	1,638	58.7
LED luminaire lighting	—	—	1,692	58.5	1,153	41.3
Total	<u>1,678</u>	<u>100</u>	<u>2,894</u>	<u>100</u>	<u>2,791</u>	<u>100</u>
Average selling price	HK\$/unit		HK\$/unit		HK\$/unit	
LED decorative lighting	82.6		48.3		45.5	
LED luminaire lighting	—		37.2		58.3	

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(i) LED decorative lighting series

Our LED decorative lighting series includes a variety of LED string light products, which are mainly used for festive season decoration, in particular, Halloween and Christmas. For the three years ended 30 April 2017, the revenue derived from our LED decorative lighting series amounted to approximately HK\$138.6 million, HK\$58.0 million and HK\$74.5 million, accounting for 100%, approximately 47.9% and 52.6% of our total revenue, respectively.

(ii) LED luminaire lighting series

Our LED luminaire lighting series includes mainly LED tube lights which are used for indoor lighting. For the three years ended 30 April 2017, the revenue derived from our LED luminaire lighting series amounted to nil, approximately HK\$63.0 million and HK\$67.2 million, accounting for nil, approximately 52.1% and 47.4% of our total revenue, respectively.

Our product mix

Since the commencement of our business, our LED decorative lighting series has been the key driver of our revenue. Our revenue for the year ended 30 April 2015 was solely derived from the sale of the LED decorative lighting products. Upon the launch of our LED luminaire lighting series in the year ended 30 April 2016, we strategically diversified the sale of our product series to both LED decorative lightings series in order to gradually reduce the seasonal effect of and reliance on our LED decorative lighting series. For further details, please refer to the section headed “Business — Products — Expanding our product portfolio” in this prospectus. Furthermore, as our Group did not undertake purchase orders from Customer B (reasons of which are set out in the section headed “Business — Major Customers — Our Relationship with Customer B” in this prospectus), the portion of our revenue derived from our LED decorative lighting series dropped from 100% to approximately 47.9% while our revenue derived from LED luminaire lighting series accounted for approximately 52.1% of our overall revenue for the respective financial year. For the year ended 30 April 2017, the portion of our revenue derived from our LED decorative lighting series and LED luminaire lighting series accounted for approximately 52.6% and 47.4% respectively as the growth in our sales of LED decorative lighting series was more than the growth in our sales of LED luminaire lighting series in terms of monetary value and percentage.

Sales volume and average selling price

During the Track Record Period, our Group encountered fluctuations in the sales volume and average selling price of our LED lighting products. The changes in our total sales volume were mainly related to (i) the mix of purchase orders of LED lighting products received and accepted by our Group; (ii) the market demand and our production capacity for each of our LED lighting products; (iii) the gross profit margins and terms of the purchase orders placed by our customers; and (iv) our Directors’ decision on the allocation of internal resources for handling the purchase orders. On the other hand, the changes in average selling price depended on the cost of sales of different products which was correlated with product specifications including length and size and product features such as shatter-proof and high luminosity etc. as required by our customers. For example, in some occasions our Directors may receive purchase orders of LED lighting products with more product specifications and features due to the

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higher selling price and/or higher profit margin but in smaller sales volume. For our Group's pricing and discount policy, please refer to the section headed "Business — Business Model — 3. Customers Placing Order — Pricing and discount policy" of this prospectus.

The total sales volume of our LED lighting products increased from approximately 1.7 million for the year ended 30 April 2015 to approximately 2.9 million for the year ended 30 April 2016. Such increase in total sales volume for the year ended 30 April 2016 was mainly attributable to the net effect of (i) the commencement of sales of our LED luminaire lighting series in August 2015; and (ii) the decrease in sales volume of LED decorative lighting series, which is in line with the aforementioned drop in our sales of respective series and the fact that we did not undertake purchase orders from Customer B during the respective year.

Our total sales volume for the year ended 30 April 2017 remained stable and decreased slightly to approximately 2.8 million units, which was mainly attributable to the net effect of (i) an increase in sales volume of LED string light products in our LED decorative lighting series to Customer H and Customer I; (ii) an increase in sales volume of LED luminaire lighting series to our new customers who are associate members of the PRC hotel association; and (iii) the decrease in sales volume of our LED luminaire lighting series to Customer F and Customer G upon the receipts of purchase orders for products of different product specifications with higher selling prices but in smaller volumes.

The average selling price of LED decorative lighting series decreased from approximately HK\$82.6/unit for the year ended 30 April 2015 to approximately HK\$48.3/unit for the year ended 30 April 2016 and decreased to approximately HK\$45.5/unit for the year ended 30 April 2017 respectively. The significant decrease in average selling price during the year ended 30 April 2016 was mainly attributable to (i) the decrease in the number of LED tree light products sold by approximately 65.3% from approximately 50,613 units for the year ended 30 April 2015 to approximately 17,588 units for the year ended 30 April 2016 where the average selling price of which also decreased from approximately HK\$692.9 for the year ended 30 April 2015 to approximately HK\$275.7 for the year ended 30 April 2016; and (ii) the lower selling price of our LED decorative lighting series sold to our overseas customers in view of the depreciation of RMB against USD since 2015. The further decrease in our average selling price of LED decorative lighting series for the year ended 30 April 2017 was mainly attributable to the net effect of: (i) the decrease in the average selling price of our LED string light products from approximately HK\$44.9/unit to approximately HK\$38.1/unit and with the overall growth in our sales volume of LED decorative lighting products; and (ii) the increase in sales volume of our LED tree light products from approximately 17,588 units to approximately 22,312 units, with a higher average selling price from approximately HK\$275.7/unit to approximately HK\$582.6/unit. Our Directors are of the view that the significant fluctuation in our average selling price of LED decorative lighting series during the Track Record Period was mainly driven by the changes in selling price, sales volume and product mix. For example, the selling price of LED tree light products are significantly higher than that of other LED decorative lighting products and the selling price of which greatly depends on the size required by our customers (i.e. the taller the LED tree light product, the greater the selling price). Therefore, if there is any substantial change in number of LED tree light products sold or general size of LED tree light products required by our customers, our average selling price of LED decorative lighting series may be affected.

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According to the Ipsos Report, the average import prices of Christmas lighting products to the US and Canada increased at a CAGR of approximately 1.8% and 0.9% respectively from 2010 to 2016. While the average import prices of Christmas lighting products to the US and Canada increased from 2010 to 2013 respectively, both prices have shown a decreasing trend since 2013. The decreasing average prices since 2013 was due to the technological advancement in producing LEDs, resulting in a lower production cost of LEDs and Christmas lighting products in China. Thus, it is also predicted that the average import prices of Christmas lighting products to the US and Canada will further decrease. Our Directors are of the view that our Group's average selling price of LED decorative lighting series depended on number of factors such as the changes in selling price, sales volume and product mix within the LED decorative lighting series as detailed in the paragraph above and the fluctuations may or may not follow the overall market trend.

During the Track Record Period, the LED luminaire lighting products which our Group sold to Customer F are mostly LED tube light products with specific features such as high-energy efficiency, shatter-proof, electricity leakage preventive, high luminosity, all voltage compatible and without flickering, and the selling price of which is relatively higher; whereas the LED luminaire lighting products which our Group sold to Customer G are mostly LED tube light products with less specific features, i.e. they are mostly non-shatter proof, and have a relatively lower selling price. The average selling price of our LED luminaire lighting series increased from approximately HK\$37.2/unit for the year ended 30 April 2016 to approximately HK\$58.3/unit for the year ended 30 April 2017. The significant increase in average selling price was mainly due to (i) the increased average selling price caused by the increase in length of LED luminaire lighting products sold to Customer F, which accounted for approximately 47.6% of our revenue derived from our LED luminaire lighting series, from approximately HK\$54.4/unit for the year ended 30 April 2016 to approximately HK\$101.6/unit for the year ended 30 April 2017; and (ii) the decrease in sales volume to LED luminaire lighting series to Customer G, which had a lower selling price as compared our sales to other customers of LED luminaire series, as detailed under the section headed "Business — Overlapping of Major Suppliers and Customers" in this prospectus.

According to the Ipsos Report, the average selling price of LED indoor lighting products in China steeply decreased from RMB330.9 per piece in 2010 to RMB28.2 per piece in 2016, at a CAGR of approximately -33.7%. The average selling price of LED indoor lighting products, however, in 2016 began to stabilise and declined at a slower rate than in previous years. The stabilisation in average selling price of LED indoor lighting products could be explained by the mature technological landscape in the manufacturing and Ipsos anticipated that the declining trend of the price of LED indoor lighting products will plateau in the future given the maturity of industrial landscape. Our Directors are of the view that the overall trend in the LED indoor lighting market may or may not be representative of our Group's average selling price of LED luminaire lighting products since our Group strived to undertake purchase orders of LED luminaire lighting products with higher selling price while at the same time will consider to undertake purchase orders with lower selling price from new customers to broaden our customer base. Our Group's average selling price mainly depends on the mix of LED luminaire lighting products sold and the product specifications our customers required.

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Revenue by customer types

The following table sets forth a summary of our revenue by customer types during the Track Record Period:

	For the year ended 30 April					
	2015		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Retailers	116,198	83.8	35,495	29.3	33,924	23.9
Trading companies	17,590	12.7	64,261	53.2	76,018	53.6
Other users (<i>note 1</i>)	4,848	3.5	21,232	17.5	31,725	22.5
Total	<u>138,636</u>	<u>100.0</u>	<u>120,988</u>	<u>100.0</u>	<u>141,667</u>	<u>100.0</u>
LED decorative lighting						
Retailers	116,198	83.8	35,495	29.3	33,924	23.9
Trading companies	17,590	12.7	10,604	8.8	26,117	18.4
Other users (<i>note 1</i>)	4,848	3.5	11,912	9.8	14,458	10.3
Subtotal	<u>138,636</u>	<u>100.0</u>	<u>58,011</u>	<u>47.9</u>	<u>74,499</u>	<u>52.6</u>
LED luminaire lighting						
Trading companies	—	—	53,657	44.4	49,901	35.2
Others users (<i>note 1</i>)	—	—	9,320	7.7	17,267	12.2
Subtotal	<u>—</u>	<u>—</u>	<u>62,977</u>	<u>52.1</u>	<u>67,168</u>	<u>47.4</u>
Total	<u>138,636</u>	<u>100.0</u>	<u>120,988</u>	<u>100.0</u>	<u>141,667</u>	<u>100.0</u>

Note 1: Other users mainly include construction, property development, agricultural companies and hotels.

We have provided our LED decorative lighting series and LED luminaire lighting series for different types of customers who can be broadly classified by nature as: (i) retailers, (ii) trading companies; and (iii) other users.

For the year ended 30 April 2015, a majority of our revenue was derived from the sales to our retail customers who are mainly overseas customers that operate chain warehouses, department stores and online stores across the world. Our revenue derived from such type of customers was approximately HK\$116.2 million, HK\$35.5 million and HK\$33.9 million for the three years ended 30 April 2017, respectively, representing approximately 83.8%, 29.3% and 23.9% of our total revenue for the respective years. Our sale to our retailers dropped significantly by approximately 69.4% during the year ended 30 April 2016 as our Group did not undertake purchase orders from Customer B (reasons of which are set out in the section headed “Business — Major Customers — Our Relationship with Customer B” in this prospectus) for the year ended 30 April 2016. The sales to our retailers further dropped by

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approximately 4.5% for the year ended 30 April 2017 on a year-to-year basis due to the decrease in sales to Customer A by approximately HK\$1.3 million for the year ended 30 April 2017 as compared to the previous financial year.

Trading companies mainly represented our customers in the US, the PRC, Taiwan and Hong Kong, who further distributed our products locally and/or to other countries. Some of the purchase orders of this type of customers might also require us to package according to their end customer's specification or under their brands. Our revenue derived from trading companies was approximately HK\$17.6 million, HK\$64.3 million and HK\$76.0 million for the three years ended 30 April 2017 respectively, representing approximately 12.7%, 53.2% and 53.6% of our total revenue for the respective financial years. The increase in our sales to trading companies for the year ended 30 April 2016 was mainly driven by the commencement of the sales of our LED luminaire lighting series to our customers in Taiwan and the PRC, amounted to approximately HK\$50.3 million which was partially offset by the decrease in our sales of LED decorative lighting series to trading companies of approximately HK\$7.0 million. Our Directors consider that such change was the result of our strategic product diversification by selling LED luminaire lighting series with gross profit margin of around 30% in general for the year ended 30 April 2016 to our Asian customers who offered us better terms of purchase orders. The further increase in our sales to trading companies for the year ended 30 April 2017 was mainly attributable to (i) the increase in our sales of LED decorative lighting series to Customer D and Customer H, in aggregate amounting to approximately HK\$16.2 million; (ii) the sales of Smart Light products to our new customer in Italy of approximately HK\$5.5 million for the year ended 30 April 2017; partially offset by (iii) the decrease in our sales of LED luminaire lighting series to Customer G of approximately HK\$8.9 million.

Our Group also derived revenue from other users mainly include construction and property development companies who purchase our products for construction and property development projects. The sales to other users were approximately HK\$4.8 million, HK\$21.2 million and HK\$31.7 million for the three years ended 30 April 2017 respectively, representing approximately 3.5%, 17.5% and 22.5% of our total revenue for the respective financial years. The increase in our sales to other users for the year ended 30 April 2016 was mainly attributable to (i) the sales of our LED luminaire lighting series to four new PRC customers amounted to approximately HK\$9.3 million in aggregate for the year ended 30 April 2016; and (ii) the increase in sales of our LED decorative lighting series to two new customers in the PRC and the US respectively, amounting to approximately HK\$7.4 million in aggregate for the year ended 30 April 2016. The increase in our sales to other users from approximately HK\$21.2 million for the year ended 30 April 2016 to approximately HK\$31.7 million for the year ended 30 April 2017 was mainly attributable to the net effect of (i) the significant increase in sales of LED luminaire lighting series resulted from our aforesaid memorandum of understanding entered with the PRC hotel association and the commencement of the sales of our new LED luminaire lighting series for agricultural use during the year ended 30 April 2017; (ii) the increase in our sales to other users of LED decorative lighting series, mainly resulting from the purchase orders from our new customer, Customer I, which purchased our LED decorative lighting series for their construction and property development projects, amounting to approximately HK\$9.2 million for the year ended 30 April 2017; partially offset by (iii) the decrease in our sales of LED decorative lighting series to Customer E. Our Directors are of the view that the increase in our sales to other users was mainly due to the business nature of our other-users-customers which are mainly project based. The purchase orders received from our other-users-customers are generally subject to the progress of their construction and property development projects.

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Revenue by operation model

The following table sets forth the revenue of our Group by operation model during the Track Record Period:

	For the year ended 30 April					
	2015		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
ODM	78,783	56.8	80,755	66.7	90,968	64.2
OEM	59,853	43.2	40,233	33.3	50,699	35.8
	<u>138,636</u>	<u>100.0</u>	<u>120,988</u>	<u>100.0</u>	<u>141,667</u>	<u>100.0</u>

Our ODM operation involves the use of utility model patents or invention patents, which are owned by our Group, in the manufacturing process and enables our Group to have a stronger bargaining power on our selling price. The revenue derived from our ODM operation increased from approximately HK\$78.8 million, accounting for approximately 56.8% of our total revenue for the year ended 30 April 2015 to approximately HK\$80.8 million, accounting for approximately 66.7% of our total revenue for the year ended 30 April 2016 and further to approximately HK\$91.0 million, accounting for approximately 64.2% of our total revenue for the year ended 30 April 2017. The increasing trend of revenue derived from our ODM operation is mainly due to our Directors' preference for accepting purchase orders involving our ODM operation which have higher gross profit margin than that of our OEM operation in general.

Revenue by geographical locations of our export sales

The following table sets forth the breakdowns of revenue of our Group by geographical locations of our export sales during the Track Record Period:

	For the year ended 30 April					
	2015		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Canada	101,747	73.4	35,491	29.3	33,891	23.9
The PRC	4,462	3.2	34,614	28.6	48,015	33.9
Taiwan	682	0.5	33,179	27.4	32,707	23.1
The US	9,690	7.0	16,470	13.6	19,594	13.8
Hong Kong	8,801	6.3	1,021	0.8	1,009	0.7
Mexico	7,032	5.1	—	—	—	—
Others	6,222	4.5	213	0.3	6,451	4.6
Total	<u>138,636</u>	<u>100.0</u>	<u>120,988</u>	<u>100.0</u>	<u>141,667</u>	<u>100.0</u>

* Others include the United Kingdom, Japan, Australia, Thailand, Spain, Italy and Denmark.

We derived a significant portion of our revenue from the sales of LED lighting products in North America comprising Canada, United States and Mexico. Our sales to North America in aggregate was approximately HK\$118.5 million, HK\$52.0 million and HK\$53.5 million, accounting for approximately 85.5%, 42.9% and 37.7% of our revenue for the three years ended 30 April 2017, respectively. The

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decline in our sales to North America for the year ended 30 April 2016 as compared to the year ended 30 April 2015 was mainly attributable to (i) the fact that our Group did not undertake purchase orders from Customer B; and (ii) our strategic product diversification by selling LED luminaire lighting series with gross profit margin of around 31.1% in general to our Asian customers who offered us better terms of purchase orders.

Our sales to Asia, mainly including the PRC and Taiwan increased significantly, accounting for approximately 3.7%, 56.0% and 57.0% of our total sales for the three years ended 30 April 2017 respectively. Such significant increase was driven by the commencement of sales of our LED luminaire lighting products to our PRC and Taiwan customers including Customer G and Customer F during the year ended 30 April 2016. The increase was further driven by (i) the sales of our LED lighting series to Customer I (PRC customer) during the year ended 30 April 2017; (ii) the aforesaid memorandum of understanding entered with the PRC hotel association, which increased our sales in the PRC during the year ended 30 April 2017; and (iii) the commencement of sales of our new LED lighting products to our new PRC customers during the year ended 30 April 2017. Such increase was partially offset by the decline in our sales of LED decorative lighting products to Hong Kong, where our sales to Hong Kong decreased from approximately HK\$8.8 million for the year ended 30 April 2015 to approximately HK\$1.0 million for each of the two years ended 30 April 2017.

Year ended 30 April 2015 compared to Year ended 30 April 2016

For the year ended 30 April 2016, our revenue decreased by approximately HK\$17.6 million or 12.7% from approximately HK\$138.6 million to HK\$121.0 million. The decline was mainly attributable to the net effect of (i) the decrease in sales of our LED decorative lighting series by approximately HK\$80.6 million or 58.2%; and (ii) the commencement of sales of our LED luminaire lighting series, which accounted for approximately HK\$63.0 million. Such changes was mainly driven by the aforesaid strategic product diversification as detailed in the section headed “Business — Products — Expanding our product portfolio” in this prospectus and the fact that our Group did not undertake purchase orders from Customer B during the year ended 30 April 2016 as detailed in the section headed “Business — Major Customers — Our Relationship with Customer B” in this prospectus.

Year ended 30 April 2016 compared to Year ended 30 April 2017

Our revenue increased by approximately HK\$20.7 million or 17.1% from approximately HK\$121.0 million for the year ended 30 April 2016 to approximately HK\$141.7 million for the year ended 30 April 2017. The increase was mainly attributable to the effect of (i) the increase in sales of our LED luminaire lighting series by approximately HK\$4.2 million or 6.7%; and (ii) the increase in sales of our LED decorative lighting series by approximately HK\$16.5 million or 28.4%. Such changes were mainly driven by (i) the aforesaid memorandum of understanding entered with the PRC hotel association regarding the supply of our LED lighting products; (ii) the commencement of the sales of our new LED luminaire lighting products, including LED luminaire lighting products for agricultural use and LED light bulb, to our new PRC customers; and (iii) the significant increase in sales of our LED decorative lighting products to Customer I and Customer H.

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Cost of sales

The following table sets forth the breakdowns of the cost of sales of our Group during the Track Record Period:

	For the year ended 30 April					
	2015		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
LED decorative lighting	102,468	100.0	40,026	48.0	52,837	53.2
LED luminaire lighting	—	—	43,390	52.0	46,435	46.8
Total cost of sales	<u>102,468</u>	<u>100.0</u>	<u>83,416</u>	<u>100.0</u>	<u>99,272</u>	<u>100.0</u>

During the Track Record Period, the trend of the cost of sales of LED decorative lighting series and LED luminaire lighting series were in line with the trend of the revenue contribution of these series respectively.

	For the year ended 30 April					
	2015		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Direct material costs	76,363	74.5	70,174	84.1	84,301	84.9
Manufacturing overheads	16,070	15.7	8,430	10.1	8,587	8.7
Direct labour costs	10,035	9.8	4,812	5.8	6,384	6.4
Total cost of sales	<u>102,468</u>	<u>100.0</u>	<u>83,416</u>	<u>100.0</u>	<u>99,272</u>	<u>100.0</u>

The following table sets forth the breakdowns of direct material costs by major items during the Track Record Period:

	For the year ended 30 April					
	2015		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Glass tubes	—	—	17,939	25.6	16,935	20.0
Electronic components (<i>Note 1</i>)	6,661	8.7	16,647	23.7	16,235	19.3
Plastic components	16,126	21.1	12,899	18.4	16,023	19.0
LED	16,721	21.9	9,599	13.7	13,395	16.0
Wires (<i>Note 2</i>)	20,952	27.4	4,282	6.1	9,380	11.1
Packaging materials	7,827	10.2	2,352	3.3	4,806	5.7
Metal materials (<i>Note 3</i>)	4,319	5.7	2,111	3.0	2,851	3.4
Others	3,757	5.0	4,345	6.2	4,676	5.5
	<u>76,363</u>	<u>100.0</u>	<u>70,174</u>	<u>100.0</u>	<u>84,301</u>	<u>100.0</u>

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Notes:

1. Electronic components include PCB/PCBA, rectifier and electric materials.
2. Wires include electric wires and copper wires.
3. Metal materials include metal tree frames and other metal materials.

Our cost of sales comprised (i) direct material costs, (ii) manufacturing overheads; and (iii) direct labour costs. Direct material costs mainly represented our purchase costs of raw materials for production, such as wire, plastic components, LED, glass tubes, packing materials, electric components, metal materials and others. Our direct material costs remained as the largest portion of our total cost of sales during the Track Record Period, which accounted for over 70% of our total cost of sales. Our direct material costs were affected by the market price of the materials we used in our production, the scale of our purchases and the mix of our products sold. According to the Ipsos Report, the global average price of LEDs will decrease by over 50% from 2012 to 2021. Our Directors are of the view that this expected decrease in the cost of LEDs will not have significant impact on our Group's operations and financial position since LEDs only accounted for approximately 13.7% and 16.0% of our direct material costs for the two years ended 30 April 2017 respectively. Moreover, according to the Ipsos Report, the effect of a price reduction of the LEDs is limited since the relative share of the LEDs to the total LEDs production cost has declined over the past few years, and such decline is expected to continue in the near future. Our manufacturing overhead included utilities, social insurance for our production staff, depreciation expense of our machinery and other miscellaneous items. Our direct labour costs represented wages and benefits provided to our staff responsible for manufacturing, inspection and quality control procedures. The production of our LED decorative lighting series is more labour-intensive and mainly requires copper wires and plastic components while the production of our LED luminaire lighting series is less labour-intensive and mainly requires glass tubes and electric components.

Year ended 30 April 2015 compared to Year ended 30 April 2016

Our overall cost of sales decreased by approximately 18.6% from approximately HK\$102.5 million for the year ended 30 April 2015 to approximately HK\$83.4 million for the year ended 30 April 2016. Such drop was mainly attributable to the aforementioned significant drop in our revenue derived from the sales of our LED decorative series; partially offset by the recognition of cost of sales derived from our LED luminaire lighting series. As mentioned above, the production of our LED decorative lighting series is more labour-intensive and mainly requires copper wires and plastic components while the production of our LED luminaire lighting series is less labour-intensive and mainly requires glass tubes and electric components.

For the year ended 30 April 2016, our direct material costs decreased from approximately HK\$76.4 million to HK\$70.2 million on a year-to-year basis. Such drop was mainly due to the aforementioned strategic product diversification and the decrease in sales of our LED tree light product under our LED decorative lighting series which requires more wires and packaging materials for production in view of its size and features. The decrease in our consumption of wires and packaging materials outweighed the increase in our consumption of electronic components and glass tubes during our production, leading to the overall drop in our direct material costs during the respective financial year.

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For the year ended 30 April 2016, our direct labour costs decreased by approximately 52.1% to approximately HK\$4.8 million. Such drop was mainly attributable to the aforementioned decrease in the sales of LED decorative lighting series. While our production of which in general had been more labour-intensive as compared to the production of our LED luminaire lighting series. Of the decrease in our sales amount of LED decorative lighting series, the significant drop in our LED tree light products had further reduced our direct labour cost incurred for the year ended 30 April 2016 since the production of which particularly consumes more labour resources.

For the year ended 30 April 2016, our manufacturing overheads decreased by approximately 47.5% to approximately HK\$8.4 million. Our LED decorative lighting series, in particular LED tree light products, in general, requires more manufacturing overheads, such as, electricity, production plant area, indirect raw materials wastage from production and machinery repairing cost than LED luminaire lighting series. Consequently, the decrease in the production of LED decorative lighting series and the commencement of production of LED luminaire lighting series for the year ended 30 April 2016 resulted in a significant decrease in our manufacturing overheads. In addition to the above, a further decrease in our manufacturing overheads during the respective year was also attributable to (i) the exchange difference of our expense in manufacturing overheads by approximately HK\$1.9 million due to the depreciation in RMB/HKD during the year ended 30 April 2016; and (ii) the decrease in our export VAT by approximately HK\$1.7 million, which was in line with the significant decrease in our export sales to North America during the year ended 30 April 2016.

Year ended 30 April 2016 compared to Year ended 30 April 2017

Our overall cost of sales increased by approximately 19.1% from approximately HK\$83.4 million for the year ended 30 April 2016 to approximately HK\$99.3 million for the year ended 30 April 2017, which was generally in line with the increase in our total revenue. Such increase was mainly attributable to the net effect of (i) the increase in consumption of LEDs, plastic components and wires due to the increase in sales of LED tree light products under our LED decorative lighting series for the year ended 30 April 2017, where LEDs, plastic components and wires are the major materials used for the production of LED tree light products; and (ii) partially offset by the decrease in consumption of glass tubes due to the decrease in the sales volume of LED luminaire lighting products.

Our direct labour costs increased significantly by approximately 32.7% from approximately HK\$4.8 million for the year ended 30 April 2016 to approximately HK\$6.4 million for the year ended 30 April 2017. The significant increase was due to (i) the fact that the production of LED decorative lighting series is more labour-intensive and the sales of which increased by approximately 28.4% for the year ended 30 April 2017; and (ii) the increase number of production employees to cope with our overall business growth.

Our manufacturing overheads remained stable at approximately HK\$8.6 million for the year ended 30 April 2017.

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Gross profit and gross profit margin

The following table sets forth the gross profit and gross profit margin of our Group during the Track Record Period:

	Year ended 30 April					
	2015	Margin	2016	Margin	2017	Margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%
LED decorative lighting						
Retailers	28,131	24.2	9,924	28.0	9,377	27.6
Trading companies	5,881	33.4	3,809	35.9	7,965	30.5
Other users (<i>note 1</i>)	<u>2,156</u>	<u>44.5</u>	<u>4,251</u>	<u>35.7</u>	<u>4,321</u>	<u>29.9</u>
Subtotal	<u>36,168</u>	<u>26.1</u>	<u>17,984</u>	<u>31.0</u>	<u>21,663</u>	<u>29.1</u>
LED luminaire lighting						
Trading companies	—	—	16,341	30.5	15,154	30.4
Other users (<i>note 1</i>)	<u>—</u>	<u>—</u>	<u>3,247</u>	<u>34.8</u>	<u>5,578</u>	<u>32.3</u>
Subtotal	<u>—</u>	<u>—</u>	<u>19,588</u>	<u>31.1</u>	<u>20,732</u>	<u>30.9</u>
Total	<u>36,168</u>	<u>26.1</u>	<u>37,572</u>	<u>31.1</u>	<u>42,395</u>	<u>29.9</u>
LED lighting						
ODM	21,450	27.2	26,746	33.1	28,693	31.5
OEM	<u>14,718</u>	<u>24.6</u>	<u>10,826</u>	<u>26.9</u>	<u>13,702</u>	<u>27.0</u>
Total	<u>36,168</u>	<u>26.1</u>	<u>37,572</u>	<u>31.1</u>	<u>42,395</u>	<u>29.9</u>

Note 1: Other users mainly include construction, property development, agricultural companies and hotels.

During the Track Record Period, our overall gross margin is affected by (i) the mix of types of products sold; (ii) the mix of types of our customers; (iii) materials costs; (iv) our product differentiation in terms of products quality, advancement and development; (v) the demand in consumer market and overall product's market trend; (vi) the prevailing market prices of similar products and the bargaining power of our customers; and (vii) whether the production of products involves, ODM or OEM operation.

Analysis of gross profit margin of LED decorative lighting series

The gross profit margin of LED decorative lighting series sold to our retailer customers were generally lower than that of those sold to trading companies and other users. This was mainly attributable to the strong bargaining power of our reputable retailer customers in North America, resulting in less favorable terms and a lower margin for our LED decorative lighting series. Our overall gross profit margin increased from approximately 26.1% to approximately 31.1% for the two years ended 30 April 2016 respectively, mainly as a result of the fact that our Group (i) did not undertake purchase orders from Customer B during the year ended 30 April 2016 (reasons of which are set out in

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the section headed “Business — Customers — Major Customers — Our Relationship with Customer B” in this prospectus); and (ii) selectively accepted purchase orders from our customers who offered more favourable terms and conditions going forward. Our gross profit margin of LED decorative lighting series decreased slightly to approximately 29.1% for the year ended 30 April 2017, mainly as a result of the net effect of (i) the decrease in gross profit margin for other users mainly caused by the lower profit margin for our new PRC customers; and (ii) the decrease in gross profit margin of trading companies mainly caused by the commencement of sales of LED toy light products to Customer H and Customer D, both of them were our top five customers during the Track Record Period. Such products had a relatively lower profit margin as compared to other LED decorative lighting products.

Analysis of gross profit margin of LED luminaire lighting products

We started selling our LED luminaire lighting series during the year ended 30 April 2016 and our total gross profit margin of which was approximately 31.1% and 30.9% for the two years ended 30 April 2017 respectively. The overall relatively high margin of LED luminaire lighting products was mainly driven by the sales to our customers who are categorised as other users. The respective gross profit margin was approximately 34.8% and 32.3% for the two years ended 30 April 2017 respectively. For instance, (i) Customer E, a PRC construction company, which purchased our products for its construction projects for the two years ended 30 April 2017; and (ii) our new PRC customer who purchased our shatter-proof LED tube light products for its property development project for the year ended 30 April 2017. The gross profit margin of our LED luminaire lighting series sold to trading companies was approximately 30.5% and 30.4% for the two years ended 30 April 2017 respectively. The slight decrease in the gross profit margin of LED luminaire lighting series during the year ended 30 April 2017 was mainly due to the commencement of sales of our LED light bulb and LED tube light products for agricultural use to our new PRC customers, which had a lower gross profit margin but our Directors are of the view that given the relatively large quantity purchased, it was commercially beneficial to offer a reduced price to attract our new customers, which would enable our Group to expand customer base, diversify product range and improve market share.

Analysis of gross profit margin of ODM and OEM products

The gross profit margin of LED lighting products involving ODM operation were generally higher than that involving OEM operation because ODM production involves the use of our utility model patents or our invention patents where we have a stronger bargaining power on selling price. The gross profit margin derived from ODM operation were approximately 27.2%, 33.1% and 31.5% for the three years ended 30 April 2017 respectively. The gross profit margin derived from OEM operation were approximately 24.6%, 26.9% and 27.0% for the three years ended 30 April 2017 respectively, which is generally lower than ODM operation.

Year ended 30 April 2015 compared to Year ended 30 April 2016

Our overall gross profit was approximately HK\$36.2 million and HK\$37.6 million, representing a gross profit margin of approximately 26.1% and 31.1% for the two years ended 30 April 2016, respectively. While our gross profit was solely driven by the sales of our LED decorative lighting series for the year ended 30 April 2015, our gross profit was derived from the sales of both of our LED decorative and luminaire lighting series which accounted for approximately 47.9% and 52.1% of our total gross profit, respectively, for the year ended 30 April 2016. Despite the slight decrease in our total revenue during the year, the increase in our overall gross profit by approximately 5.0% was mainly

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attributable to (i) the commencement of sale of our LED luminaire lighting series which had an overall gross profit margin of around 31.1%; and (ii) the improvement in the profitability derived from the sales of our LED decorative lighting series due to the fact that we did not undertake purchase orders from Customer B as abovementioned. Through the diversification of our product portfolio and customer base, our Directors consider that we gained the flexibility to select purchase orders from our customers with more favourable terms and higher profitability.

Year ended 30 April 2016 compared to Year ended 30 April 2017

Our overall gross profit was approximately HK\$37.6 million and HK\$42.4 million, representing a gross profit margin of approximately 31.1% and 29.9% for the two years ended 30 April 2017, respectively. The growth in our gross profit derived from LED luminaire lighting series during the year ended 30 April 2017 was in line with the growth in sales despite a slight drop in gross profit margin during the respective year, details of which were explained in the paragraphs headed “Revenue by product series” and “Analysis of gross profit margin of LED luminaire lighting products” in this section of this prospectus. The increase in our gross profit derived from our LED decorative lighting series for the respective year was in line with the increase in sales of which and the slight drop in gross profit margin during the respective period, details of which were explained in the paragraphs headed “Revenue by product series” and “Analysis of gross profit margin of LED decorative lighting series” in this section of this prospectus. Our overall gross profit margin decreased slightly from approximately 31.1% for the year ended 30 April 2016 to approximately 29.9% for the year ended 30 April 2017, which was mainly attributable to the decrease in gross profit margin of LED decorative lighting products sold to trading companies, details of which were explained in the paragraph headed “Analysis of gross profit margin of LED decorative lighting series” in this section of this prospectus.

Other income

Other income principally comprised the gain on sales of scrap material and interest income. For the year ended 30 April 2016, our Group recorded a decrease of other income by approximately HK\$241,000 or 63.3%, from approximately HK\$381,000 for the year ended 30 April 2015 to HK\$140,000 for the year ended 30 April 2016. For the year ended 30 April 2017, our Group recorded a further decrease in other income of approximately HK\$7,000 or 5.0%, from approximately HK\$140,000 for the year ended 30 April 2016 to HK\$133,000 for the year ended 30 April 2017. Our other income remained immaterial to our Group during the Track Record Period.

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Selling and distribution costs

The following table sets forth the breakdowns of selling and distribution costs of our Group during the Track Record Period:

	For the year ended 30 April		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Certification and inspection fees	964	418	274
Transport fees	1,877	1,280	1,058
Staff cost	899	1,228	1,488
Marketing and advertising fee	1,256	911	1,425
Others	126	37	12
Total	5,122	3,874	4,257

The selling and distribution costs mainly comprised certification and inspection fee, transport fees and marketing and advertising fee etc. For the two years ended 30 April 2016, our selling and distribution costs amounted to approximately HK\$5.1 million and HK\$3.9 million respectively. The decrease in selling and distribution costs was mainly due to the aforementioned decrease in our export sales to North America for the year ended 30 April 2016. The subsequent increase for the year ended 30 April 2017 of approximately HK\$0.4 million or 9.9%, was mainly due to (i) the increase in marketing and advertising fee charged by customer A to promote our Group's products on Customer A's website; and (ii) our Group's participation in more trade fairs and exhibitions for the year ended 30 April 2017.

Administrative expenses

The following table sets forth the breakdowns of administrative expenses of our Group during the Track Record Period:

	For the year ended 30 April		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Salaries and benefits	6,220	5,696	4,944
Listing expenses	214	2,799	4,437
Office expenses	3,262	2,061	1,911
Foreign exchange loss	101	1,594	871
Legal and professional fee	883	1,048	977
Entertainment and travelling expenses	1,415	713	571
Depreciation	142	262	504
Others	1,822	627	460
Total	14,059	14,800	14,675

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The administrative expenses mainly comprised salaries and benefits, Listing expenses, office expenses, legal and professionals fees, entertainment and travelling expenses, foreign exchanges loss, depreciation and others. For the three years ended 30 April 2017, our administrative expense amounted to approximately HK\$14.1 million, HK\$14.8 million and HK\$14.7 million respectively. The overall increasing trend of our administrative expense was mainly attributable to the recognition of Listing expenses of approximately HK\$0.2 million, HK\$2.8 million and HK\$4.4 million for the three years ended 30 April 2017 respectively. Such growth in our administrative expense during the Track Record Period was partially offset by (i) the decrease in our salaries and benefits and office expense as we had a decreasing number of back office staff; and (ii) the decrease in the expenses incurred for repair and maintenance for the year ended 30 April 2016 since some major repair and maintenance work such as rearranging and upgrading electricity supply system was performed in our old factory site for the year ended 30 April 2015 before the relocation.

Finance costs

Finance costs mainly comprised interest expenses on bank borrowings and finance lease, bank charges and finance charges. Our Group utilised bank borrowings in Hong Kong and the PRC to maintain the level of our working capital for our business operation. Our finance costs decreased by approximately 20.0% from approximately HK\$5.0 million to approximately HK\$4.0 million for the two years ended 30 April 2016 respectively and further by approximately 40.7% to approximately HK\$2.4 million for the year ended 30 April 2017 mainly due to the expiry and repayment of some of our bank loans in the second half of the year ended 30 April 2016. Our Group has renewed two of the existing bank borrowings amounting to approximately HK\$10.1 million and HK\$6.8 million in December 2016 and February 2017 respectively to finance our Group's working capital needs. Therefore, our bank borrowing decreased from approximately HK\$53.3 million as at 30 April 2015 to approximately HK\$21.8 million as at 30 April 2016 and subsequently increased to approximately HK\$24.1 million as at 30 April 2017. For details of our bank borrowings, please refer to the paragraph headed "Bank borrowings" of this section in this prospectus.

Income tax expense

Hong Kong Profits Tax

Hong Kong Profits Tax is calculated at 16.5% for each of the assessable profits for the Track Record Period.

PRC enterprise income tax ("EIT")

PRC EIT is calculated at the applicable tax rates in accordance with the relevant laws and regulation in the PRC.

Under the PRC Enterprise Income Tax Law (the "EIT Law") and the Implementation Regulations of the EIT Law, the tax rate of a PRC subsidiary is 25% from 1 January 2008 onward.

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The following table sets forth the breakdowns of income tax expense of our Group during the Track Record Period:

	For the year ended 30 April		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Current tax			
— the PRC	560	137	1,745
— Hong Kong	3,229	2,970	3,446
	3,789	3,107	5,191
Deferred tax	(36)	(42)	(30)
Income Tax expense	3,753	3,065	5,161

Taxation represents income tax paid or payable by us at the applicable tax rates in accordance with the relevant laws and regulations in each tax jurisdiction we operate or domicile. We had no tax payable in other jurisdictions other than the Hong Kong profit tax and PRC EIT during the Track Record Period. The effective tax rates for the three years ended 30 April 2017 were approximately 30.4%, 20.4% and 24.3% respectively. For the two years ended 30 April 2016, the effective tax rate was higher than the Hong Kong profit tax rates, which was mainly due to our loss-making operation of the PRC subsidiaries and our provision of inventories and other non-deductible expenses under the PRC tax jurisdictions. For the year ended 30 April 2017, the effective tax rate was higher than the Hong Kong profit tax rates mainly due to the recognition of Listing expenses which was non-deductible for tax purposes and our profit-making operation of the PRC subsidiaries.

Tax implications of intra-group transactions

In our ordinary course of business, there are intra-group sales between Bortex International and Bortex Industry and cross-border business arrangements under which (i) most of our sales orders are taken by Bortex International which was incorporated in Hong Kong with our customers; and (ii) Bortex International would channel the purchase orders to Bortex Industry which was incorporated in the PRC to produce the LED lighting products. The pricing policies have been consistently applied since the commencement of the aforesaid intra-group transactions. The aforesaid intra-group transactions between Bortex International and Bortex Industry are subject to the applicable transfer pricing requirements pursuant to the applicable PRC tax laws and regulations. Please refer to the section headed “Business — Intra-group Sales between Bortex International and Bortex Industry” in this prospectus for details.

According to our PRC Tax Advisers, our Group has been in compliance with the relevant PRC tax laws and regulations during the Track Record Period. Our Hong Kong Tax Advisers also confirm that the sales of products between Bortex International and Bortex Industry were conducted on an arm’s length basis and the risk of these intra-group transactions being challenged by the Hong Kong Inland Revenue Department is minimal.

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Furthermore, our PRC Tax Advisers have performed a review on our transfer pricing arrangement during the Track Record Period. Based on such review, under which our PRC Tax Advisers compared our intra-group pricing with the benchmarks which were derived from comparable companies engaged in similar industries with similar functions under the “Transaction Net Margin Method” as compared to related parties in our intra-group sales arrangement, our PRC Tax Advisers agree with our Directors’ view that the intra-group transactions were conducted on arm’s length basis and in compliance with the relevant PRC laws and regulations on transfer pricing.

Profit for the year and net profit margin

Our Group’s net profit was approximately HK\$8.6 million, HK\$12.0 million and HK\$16.1 million for the year ended 30 April 2015, 2016 and 2017, representing a net profit margin of approximately 6.2%, 9.9% and 11.3%, respectively. The increase in net profit for the year ended 30 April 2016 was mainly attributable to the increase in our gross profit and the drop in finance costs and selling and distribution expenses despite a slight increase in our administrative expenses of approximately HK\$741,000 during the year ended 30 April 2016. The increase in net profit of our Group for the year ended 30 April 2017 was mainly attributable to the net effect of the increase in our gross profit and the decrease in finance costs despite an increase in our selling and distribution expenses of approximately HK\$0.4 million for the year ended 30 April 2017.

We had a relatively insignificant amount of other comprehensive profit or loss, being (i) the change in fair value of available-for-sale financial assets of approximately a gain of HK\$372,000, a gain of HK\$248,000 and a loss of HK\$144,000 for the three years ended 30 April 2017 respectively; and (ii) exchange differences on translation of foreign operations representing a gain of HK\$18,000, a loss of HK\$450,000 and a loss of HK\$660,000 for the three years ended 30 April 2017 respectively.

LIQUIDITY AND CAPITAL RESOURCES

Our Group had met its liquidity requirements principally through a combination of internal resources and bank borrowings during the Track Record Period. Our Group’s principal uses of cash have been, and are expected to continue to be, operational costs for our production. Upon Listing, our sources of funds will be a combination of internal-generated funds, bank loans and net proceeds from the Share Offer. As at the Latest Practicable Date, we had not experienced any difficulty in raising funds by bank loans and we had not experienced any liquidity problems in settling our payables in the normal course of business and repaying our bank loans when they fall due.

FINANCIAL INFORMATION

The following table sets forth the cash flows for the periods indicated:

	For the year ended 30 April		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Cash and cash equivalents at the beginning of the year	14,231	39,378	13,485
Net cash generated from/(used in) operating activities	23,758	15,615	(3,086)
Net cash used in investing activities	(4,164)	(4,693)	(408)
Net cash generated from/(used in) financing activities	<u>5,247</u>	<u>(34,531)</u>	<u>(1,593)</u>
Net increase/(decrease) in cash and cash equivalents	<u>24,841</u>	<u>(23,609)</u>	<u>(5,087)</u>
Effect of foreign exchange rate changes on cash and cash equivalents	<u>306</u>	<u>(2,284)</u>	<u>104</u>
Cash and cash equivalents at the end of year	<u><u>39,378</u></u>	<u><u>13,485</u></u>	<u><u>8,502</u></u>
Operating cash flows before working capital changes	<u><u>19,654</u></u>	<u><u>21,197</u></u>	<u><u>25,841</u></u>

Net cash flows generated from or used in operating activities

Our Group mainly derives our cash flow from operating activities from the receipt of payment from the sales of our lighting products. Our Group's cash outflow from operating activities are principally the payment for production material sourcing.

For the year ended 30 April 2015, we generated net cash from operating activities of approximately HK\$23.8 million while our profit before income tax was approximately HK\$12.4 million. The difference was mainly attributable to the net effect of (i) adjustment for interest expenses of approximately HK\$5.0 million and depreciation expenses of approximately HK\$1.9 million; (ii) the decrease in inventories of approximately HK\$42.6 million mainly attributable to the sales of finished goods; (iii) the decrease in trade receivables of approximately HK\$8.6 million; (iv) the decrease in deposits, prepayments and other receivables of approximately HK\$5.0 million; (v) the decrease in trade payables of approximately HK\$40.0 million; and (vi) the decrease in accruals, other payables and receipts in advance of approximately HK\$3.3 million.

For the year ended 30 April 2016, we generated net cash from operating activities of approximately HK\$15.6 million while our profit before income tax was approximately HK\$15.0 million. The difference was mainly due to the net effect of (i) adjustment for interest expenses of approximately HK\$4.0 million and depreciation expenses of approximately HK\$2.2 million; (ii) the decrease in inventories of approximately HK\$2.5 million; (iii) the decrease in deposits, prepayments and other receivables of approximately HK\$1.2 million; (iv) the increase in trade payables of approximately HK\$3.8 million; (v) the increase in trade receivables of approximately HK\$5.6 million; and (vi) the decrease in accruals, other payables and receipts in advance of approximately HK\$0.3 million.

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For the year ended 30 April 2017, we recorded net cash used in operating activities of approximately HK\$3.1 million while our profit before income tax was approximately HK\$21.2 million. The difference was mainly due to the net effect of (i) adjustment for interest expenses of approximately HK\$2.4 million and depreciation expenses of approximately HK\$2.3 million; (ii) the decrease in inventories of approximately HK\$2.8 million; (iii) the increase in trade receivables of approximately HK\$32.8 million; (iv) the increase in deposits, prepayments and other receivables of approximately HK\$2.6 million; (v) the increase in trade payables of approximately HK\$7.7 million; and (vi) the increase in accruals, other payables and receipts in advance of approximately HK\$1.9 million.

Please refer to the paragraph headed “Analysis of Various Items from Our Combined Statements of Financial Position” in this section for explanations of fluctuations of items mentioned above.

Net cash flows used in investing activities

For the year ended 30 April 2015, we had net cash flow used in investing activities of approximately HK\$4.2 million, which was mainly attributable to net effect of (i) the purchase of property, plant and equipment of approximately HK\$5.4 million, and (ii) proceed from disposal of property, plant and equipment of approximately HK\$1.5 million.

For the year ended 30 April 2016, we had net cash flow used in investing activities of approximately HK\$4.7 million, which was mainly attributable to the purchase of property, plant and equipment of approximately HK\$4.9 million.

For the year ended 30 April 2017, we had net cash flow used in investing activities of approximately HK\$0.4 million, which was mainly attributable to net effect of (i) the interest received of approximately HK\$91,000; and (ii) purchase of property, plant and equipment of approximately HK\$499,000.

Net cash flows generated from or used in financing activities

For the year ended 30 April 2015, we had net cash flow generated from financing activities of approximately HK\$5.2 million, which was mainly due to (i) our proceeds from borrowings of approximately HK\$82.0 million; (ii) advance from a Director of approximately HK\$15.7 million; (iii) offset by repayment to a Director of approximately HK\$34.1 million; (iv) repayment on borrowings of approximately HK\$58.1 million; and (v) repayment of obligation under finance lease approximately HK\$0.3 million.

For the year ended 30 April 2016, we had net cash flow used in financing activities of approximately HK\$34.5 million, which represented a net effect of (i) proceeds from bank borrowings of approximately HK\$21.7 million; (ii) advance from a Director of approximately HK\$9.9 million; offset by (iii) repayment on borrowings of HK\$50.4 million; (iv) repayment of obligation under finance lease of approximately HK\$0.8 million; (v) repayment of a loan to a Director of approximately HK\$9.4 million; and (vi) dividends paid to equity owners of our Company of approximately HK\$5.5 million.

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For the year ended 30 April 2017, we had net cash flow used in financing activities of approximately HK\$1.6 million, which was mainly due to (i) our proceeds from borrowings of approximately HK\$27.2 million; (ii) offset by repayment on borrowings of approximately HK\$23.9 million; (iii) repayment of obligation under finance lease of approximately HK\$0.9 million; and (iv) dividends paid to equity owners of our Company of approximately HK\$4.0 million.

NET CURRENT ASSETS

The following table sets forth the breakdown of our current assets and liabilities:

	As at 30 April			As at 31 August
	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)
Current assets				
Inventories	27,855	25,398	22,571	43,181
Trade receivables	2,026	7,584	39,323	12,609
Deposits, prepayments and other receivables	8,994	7,303	9,631	10,582
Amounts due from a Director	504	—	—	—
Cash and cash equivalents	<u>39,378</u>	<u>13,485</u>	<u>8,502</u>	<u>10,108</u>
	<u>78,757</u>	<u>53,770</u>	<u>80,027</u>	<u>76,480</u>
Current liabilities				
Trade payables	10,335	13,684	20,684	13,143
Accruals, other payables and receipts in advance	3,934	3,432	5,175	5,851
Dividend payable	—	4,000	—	—
Obligation under finance lease — due within one year	833	872	912	922
Bank borrowings	53,310	21,779	24,052	23,094
Tax payables	<u>3,729</u>	<u>3,685</u>	<u>5,270</u>	<u>5,422</u>
	<u>72,141</u>	<u>47,452</u>	<u>56,093</u>	<u>48,432</u>
Net current assets	<u><u>6,616</u></u>	<u><u>6,318</u></u>	<u><u>23,934</u></u>	<u><u>28,048</u></u>

Our Group's net current assets slightly decreased from approximately HK\$6.6 million as at 30 April 2015 to approximately HK\$6.3 million as at 30 April 2016, mainly due to the combined effect of (i) the increase in trade receivables of approximately HK\$5.6 million; (ii) the decrease in cash and cash equivalents of approximately HK\$25.9 million; (iii) the decrease in bank borrowings of approximately HK\$31.5 million; and (iv) the increase in dividend payable of approximately HK\$4.0 million.

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Our Group's net current assets increased significantly from approximately HK\$6.3 million as at 30 April 2016 to approximately HK\$23.9 million as at 30 April 2017. Such increase was mainly due to (i) the increase in trade receivables from approximately HK\$7.6 million as at 30 April 2016 to HK\$39.3 million as at 30 April 2017 (Please refer to the paragraph headed "Trade receivables" in this section); (ii) the increase in deposits, prepayments and other receivables from approximately HK\$7.3 million as at 30 April 2016 to approximately HK\$9.6 million as at 30 April 2017; partially offset by (iii) the decrease in inventories from approximately HK\$25.4 million as at 30 April 2016 to approximately HK\$22.6 million as at 30 April 2017; (iv) the decrease in cash and cash equivalents from approximately HK\$13.5 million as at 30 April 2016 to approximately HK\$8.5 million as at 30 April 2017; (v) the increase in trade payables from approximately HK\$13.7 million as at 30 April 2016 to approximately HK\$20.7 million as at 30 April 2017; (vi) the increase in accruals, other payables and receipts in advance from approximately HK\$3.4 million as at 30 April 2016 to approximately HK\$5.2 million as at 30 April 2017; (vii) the increase in bank borrowings from approximately HK\$21.8 million as at 30 April 2016 to approximately HK\$24.1 million as at 30 April 2017; and (viii) the increase in tax payables from approximately HK\$3.7 million as at 30 April 2016 to approximately HK\$5.3 million as at 30 April 2017.

Our Group's net current assets increased from approximately HK\$23.9 million as at 30 April 2017 to approximately HK\$28.0 million as at 31 August 2017. Such increase was mainly due to (i) the increase in inventories from approximately HK\$22.6 million as at 30 April 2017 to approximately HK\$43.2 million as at 31 August 2017; (ii) the increase in deposits, prepayments and other receivables from approximately HK\$9.6 million as at 30 April 2017 to approximately HK\$10.6 million as at 31 August 2017; (iii) the increase in cash and cash equivalents from approximately HK\$8.5 million as at 30 April 2017 to approximately HK\$10.1 million as at 31 August 2017; (iv) the decrease in trade payables from approximately HK\$20.7 million as at 30 April 2017 to approximately HK\$13.1 million as at 31 August 2017; and (v) the decrease in bank borrowings from approximately HK\$24.1 million as at 30 April 2017 to approximately HK\$23.1 million as at 31 August 2017; partially offset by (vi) the decrease in trade receivables from approximately HK\$39.3 million as at 30 April 2017 to HK\$12.6 million as at 31 August 2017; (vii) the increase in accruals, other payables and receipts in advance from approximately HK\$5.2 million as at 30 April 2017 to approximately HK\$5.9 million as at 31 August 2017; and (viii) the increase in tax payables from approximately HK\$5.3 million as at 30 April 2017 to approximately HK\$5.4 million as at 31 August 2017.

FINANCIAL INFORMATION

ANALYSIS OF VARIOUS ITEMS FROM OUR COMBINED STATEMENTS OF FINANCIAL POSITION

Inventories

The following table sets forth the breakdowns of the inventories of our Group as at 30 April 2015, 2016 and 2017:

	As at 30 April		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Raw materials	3,127	4,515	4,124
Work-in-progress	13,720	13,535	14,264
Finished goods	<u>11,008</u>	<u>7,348</u>	<u>4,183</u>
Total	<u><u>27,855</u></u>	<u><u>25,398</u></u>	<u><u>22,571</u></u>

Our raw materials and supplies inventories primarily consists of wires, plastic components, LEDs, glass tubes and electronic components. Our work in progress primarily consists of components for production of finished goods.

We conduct a physical count on all inventories on a monthly basis or at the request of the management in order to determine whether provisions should be made in respect of any obsolete and defective inventories identified.

Our Group makes provision for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of slow-moving stock and obsolete inventories requires the use of judgement and estimates on the conditions and usefulness of the inventories.

For raw materials that can be used for a variety of products, we procure such materials based on our projection of the demand from our customers to ensure that we have sufficient quantity to support our production once the orders from our customers are confirmed. For such raw materials, we generally maintain inventory level that is sufficient for approximately three months usage. The inventory level of our Group decreased slightly from approximately HK\$27.9 million as at 30 April 2015 to approximately HK\$25.4 million as at 30 April 2016, and further to approximately HK\$22.6 million as at 30 April 2017, which was mainly driven by the drop in inventory level of our finished goods.

The following table sets forth the inventory turnover day (calculated as the average of beginning and ending inventory balances for the year divided by cost of sales for the year, multiplied by the number of the days in the year) for the period indicated:

	For the year ended 30 April		
	2015	2016	2017
Inventory turnover day	175.1 days	116.5 days	88.2 days

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The inventory turnover day for the three years ended 30 April 2017 were approximately 175.1 days, 116.5 days and 88.2 days respectively.

The decrease in our inventory turnover days was attributable to the decrease in balance of finished goods which was due to the decrease in sales of our LED decorative lighting series during the year ended 30 April 2016. The further decrease in turnover days was mainly in line with the decrease in the level of our finished goods held as at 30 April 2017.

Our Directors are of the view that the high inventory turnover day caused no liquidity pressure on our Group as (i) our Group's inventory turnover day over the Track Record Period was generally comparable to the industry average since the industry average inventory turnover day was approximately 161.2 days; (ii) during the Track Record Period, no inventory was written off as a result of becoming obsolete inventory under normal course of business; and (iii) we maintain our inventory level based on the amount of purchase order received and our projection of the demand from our customers which is made by relevance to historical order amounts.

During the year ended 30 April 2015, our Group decided to dispose and write off approximately HK\$1.3 million inventories which were LED string light products, and were classified as obsolete inventories as they could no longer be sold in the North America according to the settlement agreements, future details of which are set out in the section headed "Business — Litigation" in this prospectus.

The following table illustrates the aging analysis of our inventories as of the end of each of the reporting periods:

	As at 30 April		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Within 90 days	17,688	17,643	8,125
91–180 days	822	1,673	2,013
181–270 days	3,022	4,857	8,547
271–365 days	6,323	53	3,886
Over 365 days	—	1,172	—
Total	27,855	25,398	22,571

Our Group had approximately HK\$1.2 million of inventories aged over 365 days as at 30 April 2016, as compared to nil as at 30 April 2015 and 30 April 2017. All of the inventories aged over 365 days as at 30 April 2016 were a batch of work-in-progress inventories with luminosity that is different from the standard requested by our overseas retailer customer in North America, which was noted by our respective staff before being further processed. Our management had assessed the quality of this batch of work-in-progress inventories and decided to put them on hold for future purchase orders. Such batch of work-in-progress was subsequently sold to our customers in the PRC where the quality requirement is different. All of the inventories aged over 365 days as at 30 April 2016 were subsequently sold or utilised.

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As at 31 August 2017, approximately 99.4% of the inventories as at 30 April 2017 were subsequently sold or utilised.

Trade receivables

The following table set forth the breakdowns of the trade receivables of our Group as at 30 April 2015, 2016 and 2017:

	As at 30 April		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Trade receivables	2,026	7,584	39,323

Our Group's trade receivables are attributable to a number of independent customers with credit terms ranging from zero days to 120 days to its customers. We generally require customers to prepay a certain percentage, ranging from 10% to 30% of value of the purchase orders before we commence our production.

Our trade receivables amounted to approximately HK\$2.0 million, HK\$7.6 million and HK\$39.3 million as at 30 April 2015, 2016 and 2017 respectively. Our Group's credit terms generally request the repayment of bills from its customers from zero days to 120 days. Considering the seasonal effect of the sales of our solely LED decorative lighting series for the year ended 30 April 2015, the increase in our trade receivables as at 30 April 2016 was mainly attributable to the amount receivable from our customer of LED luminaire lighting series in Taiwan (Customer F), who was granted credit terms of 90 days, amounting to approximately HK\$4.4 million. As at 30 April 2017, our trade receivables further increased to approximately HK\$39.3 million. The increase was mainly attributable to the significant amount of sales made by our Group in the two months ended 30 April 2017, the receivable of which was still within the credit terms ranged from 60 to 120 days.

As at 31 August 2017, approximately HK\$39.3 million or 100% of trade receivables as at 30 April 2017 were subsequently settled.

The following table sets forth the aging analysis of the trade receivables, based on the invoice date of our Group as at 30 April 2015, 2016 and 2017:

	As at 30 April		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Within 60 days	149	5,018	36,110
61–90 days	—	—	1,416
91–180 days	541	229	1,797
181–365 days	1,334	2,333	—
Over 365 days	2	4	—
Total	2,026	7,584	39,323

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Approximately HK\$2.0 million, HK\$3.1 million and HK\$7.8 million of our trade receivables as at 30 April 2015, 2016 and 2017 respectively were past due as at the end of reporting period but our Group had not made provision as our Directors considered that the amounts were still recoverable. Our Group does not hold any collateral over these balances.

	As at 30 April		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Overdue by:			
Within 60 days	149	557	7,754
61–90 days	106	—	—
91–180 days	1,554	229	—
181–365 days	215	2,333	—
Over 365 days	2	4	—
	2,026	3,123	7,754

Trade receivables that were neither past due nor impaired related to a wide range of customers for whom there were no recent history of default. Trade receivables that were past due but not impaired related to a number of customers that had a good track record of credit with our Group. Based on past credit history, our Directors believe 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 to be fully recoverable.

Our policy for impairment loss on trade receivable is based on an evaluation of collectability and aging analysis of the receivables which requires the use of judgement and estimates. Provisions are applied to the receivables when there are events or changes in circumstances indicate that the balance may not be collectible and assessments on collectability would be made by our Directors.

The following table sets forth the trade receivables' turnover day of our Group (calculated as the average of beginning and ending trade receivable balances for the period divided by revenue for the period, multiplied by the number of the days in the period) for the year indicated:

	As at 30 April		
	2015	2016	2017
Trade receivables' turnover day	16.6 days	14.5 days	60.4 days

We generally grant our customers credit period of 0 to 120 days and our debtors' turnover day for the three years ended 30 April 2017 was approximately 16.6 days, 14.5 days and 60.4 days respectively. The turnover day is within our Group's maximum credit period of 120 days and the slight decrease for the year ended 30 April 2016 was mainly due to (i) the drop in our average trade receivable balance for the year ended 30 April 2016 resulted from the higher opening balance of our trade receivable for the year ended 30 April 2015 (i.e. as at 1 May 2014); partially offset by (ii) the slight decrease in our total revenue for the year ended 30 April 2016. The increase for the year ended 30 April 2017 was mainly as a result of the significantly higher balance of our trade receivables as at 30 April 2017, mainly attributable to the completion of purchase orders of certain customers in the last two months of the

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financial year which was still within the credit terms ranged from 60 days to 120 days. Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, our Group had not experience of any material default in payment from our customers.

Deposits, prepayments and other receivables

The following table set forth the other receivables, prepayments and deposits of our Group as at 30 April 2015, 2016 and 2017:

	As at 30 April		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Deposits	2,924	3,819	3,553
Prepayments	6,028	2,934	5,469
Other receivables	446	550	609
	9,398	7,303	9,631
Less: Prepayment for acquisition of property, plant and equipment which classified as non-current assets	(404)	—	—
	<u>8,994</u>	<u>7,303</u>	<u>9,631</u>

Our prepayment represented the payment in advance to some to our suppliers for the purchase of goods and to the professional parties in preparation for the Listing. Our deposits represented our deposits for our utilities, loan and the leasing of factory. Our other receivables mainly represented the interest and VAT to be received. Our deposits, prepayments and other receivables decreased slightly by approximately HK\$1.7 million from HK\$9.0 million as at 30 April 2015 to HK\$7.3 million as at 30 April 2016. Such decrease in our deposits, prepayments and other receivables was mainly due to the decrease in our prepayments by approximately HK\$3.1 million or 51.3% as a result of the drop in our prepayment for purchase of plastic components from one of our suppliers as at 30 April 2015. The balance increased by approximately HK\$2.3 million from approximately HK\$7.3 million as at 30 April 2016 to approximately HK\$9.6 million as at 30 April 2017. The increase was mainly attributable to the increase in our prepayment to various professional parties in relation to the Listing of approximately HK\$4.5 million.

Amount due from a Director

The following table sets forth the breakdowns of amount due from a Director as at 30 April 2015, 2016 and 2017:

	As at 30 April		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Due from a Director — Mr. X.H. Shao	504	—	—

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The amount due from a Director were approximately HK\$0.5 million, nil and nil, as at 30 April 2015, 2016 and 2017 respectively. The amount due from Mr. X.H. Shao was unsecured, interest-free, and recoverable on demand as at 30 April 2015. The amount due from Mr. X.H. Shao as at 30 April 2015 was settled by cash during the year ended 30 April 2016.

Available-for-sale financial assets

We have a life insurance product of approximately HK\$2.7 million and HK\$2.6 million in fair value as at 30 April 2016 and 2017 respectively as security for our bank borrowings. Our Directors are of the view that the aforesaid life insurance product, which represents a key-man insurance, could provide a favourable protection to our Group with an aim to compensate any financial loss that would arise from the death of our executive Director and facilitate our Group's business continuity. Such key-man insurance was also pledged as collateral with a bank in Hong Kong to obtain a bank facility with a term loan of approximately HK\$4.9 million for the year ended 30 April 2015, approximately HK\$4.1 million for the year ended 30 April 2016 and approximately HK\$5.1 million for the year ended 30 April 2017. Mr. X.H. Shao, our executive Director, is the insured person of the key-man insurance. He is insured with a sum of US\$1.0 million during his lifetime and the beneficiary of the key-man insurance is Bortex International. The amount of the upfront payments paid in the year ended 30 April 2014 was US\$280,000 and the guaranteed interest rate for the key-man insurance is 3.6% per annum for the first year and then a minimum of 2.0% per annum in subsequent year thereafter. A compensation, which refers to the payment arising under the insurance policy, will be paid on the death of the insured person.

Trade payables

The following table sets forth the breakdowns of the trade payables of our Group as at 30 April 2015, 2016 and 2017:

	As at 30 April		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Trade payables	10,335	13,684	20,684

Our suppliers generally provide us with a credit period ranging from 0 to 180 days.

The trade payables of our Group increased from approximately HK\$10.3 million as at 30 April 2015 to approximately HK\$13.7 million as at 30 April 2016 and further to HK\$20.7 million as at 30 April 2017 due to the increase in purchases of raw materials from the new suppliers with credit term of 30 to 90 days during the year ended 30 April 2016 and the year ended 30 April 2017 as we commenced our sales of LED luminaire lighting series.

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The following table sets forth the aging analysis of the trade payables of our Group as at 30 April 2015, 2016 and 2017:

	As at 30 April		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Within 60 days	4,994	5,912	11,779
61–90 days	130	228	3,549
91–180 days	1,192	4,483	2,828
181–365 days	3,659	2,836	2,419
Over 365 days	360	225	109
 Total	 10,335	 13,684	 20,684

The proportion of trade payables that aged within 60 days as at 30 April 2015, 2016 and 2017 was approximately 48.3%, 43.2% and 56.9% respectively. The significant increase in trade payables that aged between 61 and 90 days as at 30 April 2017 was mainly attributable to one of the suppliers, who accounted for approximately HK\$1.3 million or 37.1% of the trade payables that aged between 61–90 days, had granted us a credit term of 120 days hence the balance was outstanding but undue as at the period end. The upward trend in trade payables that aged between 91 and 180 days for the year ended 30 April 2016 was mainly due to the commencement of sales of LED luminaire lighting series and the relevant suppliers offered credit terms of 90 to 180 days.

As at 31 August 2017, approximately HK\$17.9 million or 86.3% of our trade payables as at 30 April 2017 were subsequently settled.

The following table sets forth the trade payables' turnover day (calculated as the average of beginning and ending total trade balances for the year divided by cost of sales for the year, multiplied by the number of the days in the period) for the year indicated:

	As at 30 April		
	2015	2016	2017
	Trade payables' turnover day	107.4 days	52.5 days

Our trade payables' turnover day decreased from approximately 107.4 days for the year ended 30 April 2015 to approximately 52.5 days for the year ended 30 April 2016. The decrease in our trade payables' turnover day was mainly due to our improved working capital management and the relatively high opening balance for the year ended 30 April 2015 (i.e. as at 1 May 2014). Our trade payables' turnover day then increased to 63.2 days for the year ended 30 April 2017, which was attributable to (i) the significant increase in trade payables within 60 days as shown in the aforementioned aging analysis, resulting from a high volume of purchases in response to our significant increase of purchase order for LED decorative and luminaire lighting series; and (ii) the outstanding settlement to Supplier C, whereas we have a major portion of outstanding payables, amounting to HK\$6.4 million aged from 61–180 days, which was within the credit terms of 180 days. As at Latest Practicable Date, approximately HK\$4.5 million outstanding payables of Supplier C was subsequently settled.

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Accruals, other payables and receipts in advance

The following table sets forth the breakdowns of the other payables, deposits received and accrued expenses of our Group as at 30 April 2015, 2016 and 2017:

	As at 30 April		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Accruals	1,123	1,709	2,388
Receipts in advance	1,310	254	1,432
Payables for purchase of property, plant and equipment	941	—	—
Other payables	560	1,469	1,355
	<u>3,934</u>	<u>3,432</u>	<u>5,175</u>

Our accruals, other payables and receipts in advance mainly represented the accruals of salaries, accruals of social insurance and housing provident fund contributions and receipts in advance from our customers. The balance decreased from approximately HK\$3.9 million as at 30 April 2015 to approximately HK\$3.4 million as at 30 April 2016, which was mainly due to the net effect of: (i) the drop in deposits received from customers and other payables; and (ii) the increase in accruals and other payables which was mainly due to the increase in VAT tax in first quarter of 2016 as a result of the commencement of sale of LED luminaire lighting series during the year. The balance then increased to approximately HK\$5.2 million as at 30 April 2017. Such increase was mainly due to (i) the increase in accruals of approximately HK\$0.7 million mainly attributable to the increase in accruals in relation to the factory rental; and (ii) the increase in the receipts in advance by approximately HK\$1.2 million.

Bank borrowings

	As at 30 April		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Fixed-rate bank borrowings	49,803	19,173	16,911
Variable-rate bank borrowings	3,507	2,606	7,141
	<u>53,310</u>	<u>21,779</u>	<u>24,052</u>

Our secured fixed-rate bank borrowings of approximately HK\$49.8 million (equivalent to approximately RMB39.2 million) as at 30 April 2015 are guaranteed by an independent financial institution and independent third party, which are repayable within one year and bear interest at 7.0% to 7.7% per annum for the year ended 30 April 2015.

Our secured fixed-rate bank borrowings of approximately HK\$19.2 million and HK\$16.9 million (equivalent to approximately RMB16.0 million and RMB15.0 million) as at 30 April 2016 and 2017 are guaranteed by an independent financial institution, personal guarantee by our Director (Mr. X.H. Shao) and his wife and uncle (Ms. Luo Mei Ling and Mr. Shao Ren Man), personal guarantee by the director

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of the subsidiary of our Group (Mr. Shao Chi Liang) and secured by the property owned by the uncle of our Director, Mr. X.H. Shao, which are repayable with one year and bear interest at 6.6% to 7.0% and 6.3% to 7.0% per annum for the year ended 30 April 2016 and 2017 respectively.

Our secured variable-rate bank borrowings of approximately HK\$3.5 million, HK\$2.6 million and HK\$2.1 million as at 30 April 2015, 2016 and 2017 respectively are guaranteed by our Director (Mr. X.H. Shao), corporate guarantee of the subsidiary of our Group and personal guarantee of the director of the subsidiary of our Group (Mr. Shao Chi Liang) and secured by our Group's available-for-sale financial asset with fair value of approximately HK\$2.5 million, HK\$2.7 million and HK\$2.6 million as at 30 April 2015, 2016 and 2017 respectively.

Included in our aforementioned variable-rate borrowings, our secured bank borrowings of approximately HK\$2.5 million, HK\$1.9 million and HK\$1.8 million as at 30 April 2015, 2016 and 2017 are repayable within one year and bear interest at HKD BLR -1% per annum for the years ended 30 April 2015, 2016 and 2017 respectively.

Included in our aforementioned variable-rate borrowings, our secured bank borrowings of approximately HK\$1.0 million (equivalent to approximately US\$129,000), HK\$685,000 (equivalent to approximately US\$88,000) and HK\$369,000 (equivalent to approximately US\$48,000) as at 30 April 2015, 2016 and 2017 respectively are repayable within five years and bear interest at USD BLR-0.5% per annum for the years ended 30 April 2015, 2016 and 2017 respectively with a maturity on 24 June 2018.

Our remaining secured variable-rate bank borrowings of approximately HK\$5.0 million (equivalent to approximately RMB4.5 million) is guaranteed by personal guarantee of our Director (Mr. X.H. Shao) and his wife (Ms. Luo Mei Ling), personal guarantee of the director of the subsidiary of our Group (Mr. Shao Chi Liang) and his wife (Ms. Luo Xiu E), corporate guarantee of the subsidiary of our Group and secured by the property owned by our Director (Mr. X.H. Shao), which are repayable within three years and bear interest at the floating rate of marking up the lending interest rate policies of one to five years term loan of the People's Bank of China by 35% per annum. The interest rate will be adjusted every year.

All of our bank borrowings are repayable on demand.

SELECTED KEY FINANCIAL RATIOS

	As at/For the year ended 30 April		
	2015	2016	2017
Current ratio <i>(Note 1)</i>	1.1 times	1.1 times	1.4 times
Quick ratio <i>(Note 2)</i>	0.7 times	0.6 times	1.0 times
Gearing ratio <i>(Note 3)</i>	2.1 times	0.8 times	0.6 times
Debt to equity ratio <i>(Note 4)</i>	64.8%	38.6%	39.7%
Interest coverage <i>(Note 5)</i>	4.6 times	5.4 times	12.5 times
Return on total assets <i>(Note 6)</i>	8.3%	14.9%	15.6%
Return on equity <i>(Note 7)</i>	30.7%	39.5%	35.3%

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Notes:

1. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the respective year end.
2. Quick ratio is calculated based on our current assets less inventories divided by current liabilities as at the end of the year.
3. Gearing ratio is calculated based on the total debts (including bank borrowings and obligations under finance lease) divided by the total equity as at the respective year end.
4. Debt to equity ratio is calculated by the net debt (including bank borrowings and obligation under finance lease, net of cash and cash equivalents) divided by the total equity as at the respective year end and multiplied by 100%.
5. Interest coverage is calculated by the profit before interest and tax divided by the interest for the respective year.
6. Return on total assets is calculated by the profit for the year divided by the total assets as at the respective year/period end and multiplied by 100.0%.
7. Return on equity is calculated by the profit for the year divided by the total equity as at the respective year end and multiplied by 100.0%.

Please refer to the paragraph headed “Financial Information — Discussion on Major Items of the Combined Statements of Profit or Loss and Other Comprehensive Income” in this prospectus for a discussion on factors affecting revenue growth, net profit growth, gross profit margin and net profit margin during the respective years.

Current ratio

Our current ratio remained stable at approximately 1.1 times, 1.1 times and 1.4 times as at 30 April 2015, 2016 and 2017, respectively. Although there was a significant decrease in current assets, such decrease was accompanied by a comparable decrease in current liabilities, and therefore our balance of net current assets remained stable as at 30 April 2016. The significant increase in current assets as at 30 April 2017 was partially offset by a comparable increase in current liabilities, resulting in a slight increase of our current ratio for the respective year.

Quick ratio

Our Group recorded a quick ratio of approximately 0.7 times, 0.6 times and 1.0 times as at 30 April 2015, 2016 and 2017, respectively. As our inventories represented a greater portion of our current assets as at 30 April 2016, our quick ratio decreased as at 30 April 2016. As at 30 April 2017, we have recorded an increase in our current assets as compared to 30 April 2016 driven by the increase in our trade receivables and a slight decrease in our inventory, resulting in an increase in our quick ratio.

Gearing ratio

Our Group recorded a gearing ratio of approximately 2.1 times, 0.8 times and 0.6 times as at 30 April 2015, 2016 and 2017 respectively. The decrease for the year ended 30 April 2016 was mainly due to a decrease in our bank borrowings from approximately HK\$53.3 million as at 30 April 2015 to approximately HK\$21.8 million as at 30 April 2016, as a result of our repayment of part of our bank borrowings. The increase for the year ended 30 April 2017 was mainly due to the significant increase in total equity of approximately 50.3% mainly led by the increase in trade receivables.

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Debt to equity ratio

Our Group recorded a debt to equity ratio of approximately 64.8%, 38.6% and 39.7% as at 30 April 2015, 2016 and 2017, respectively. The decrease as at 30 April 2016 was mainly due to our Group's repayments of bank borrowings. The increase in the debt to equity ratio as at 30 April 2017 was mainly attributable to the net effect of (i) the increase in bank borrowings and obligation under finance lease of approximately HK\$1.4 million; (ii) the decrease in cash and cash equivalents of approximately HK\$5.0 million; and (iii) the increase in total equity for the year of approximately HK\$15.3 million.

Interest coverage

Our Group recorded an interest coverage of approximately 4.6 times, 5.4 times and 12.5 times for the three years ended 30 April 2015, 2016 and 2017 respectively. Such increase in interest coverage was mainly attributable to (i) the decrease in bank borrowings during the year ended 30 April 2016, which reduced our finance costs; and (ii) the increase in our gross profit. The interest coverage further increased to 12.5 times for the year ended 30 April 2017, which was due to the significant decrease in finance costs during the year ended 30 April 2017 as compared to the year ended 30 April 2016. Despite the balance of the bank borrowings as at year ended 30 April 2017 was higher than that as of 30 April 2016, there was a significant repayment on bank borrowings of approximately HK\$37.1 million in April 2016 due to the expiry of a particular bank loan. Therefore, the general bank borrowings balance level throughout the year ended 30 April 2016 was higher than that of the year ended 30 April 2017.

Return on total assets

Our return on total assets was approximately 8.3%, 14.9% and 15.6% for the three years ended 30 April 2017, respectively. While the net profit increased by approximately 39.0% during the respective year, the total assets recorded a decrease of approximately 22.5% mainly due to the decrease in our current assets as a result of our repayment of bank borrowings for the year ended 30 April 2016, leading to the increase in our return on total assets. The slight increase in return on total assets for the year ended 30 April 2017 was mainly due to the percentage increase in our profit for the year (approximately 34.2%) was larger than the percentage increase in total assets (approximately 28.6%).

Return on equity

Our return on total equity was approximately 30.7%, 39.5% and 35.3% for the three years ended 30 April 2015, 2016 and 2017, respectively. The return on total equity increased for the year ended 30 April 2016 because the percentage increase in net profit (approximately 39.0%) was larger than the percentage increase in total equity (approximately 8.1%). The decrease in return on equity for the year ended 30 April 2017 to approximately 35.3% because the percentage increase in net profit (approximately 34.2%) was smaller than the percentage increase in total equity (approximately 50.3%).

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LISTING EXPENSES

The total expenses for the Listing are estimated to be approximately HK\$31.1 million based on the Offer Price of HK\$0.4 (being the mid-point of the Offer Price range stated in this prospectus) and assuming the Adjustment Options are not exercised. Of the aggregate Listing expenses of approximately HK\$31.1 million, approximately HK\$13.7 million directly attributable to the issue of Offer Shares will be accounted for as a deduction from equity upon Listing. The remaining listing expenses of approximately HK\$17.4 million of which approximately HK\$1.7 million, HK\$0.2 million, HK\$2.8 million and HK\$4.4 million was charged to our profit or loss accounts for the four years ended 30 April 2017, respectively, and approximately HK\$8.3 million is expected to be charged to our profit or loss account for the year ending 30 April 2018.

INDEBTEDNESS AND CONTINGENT LIABILITIES

At the close of business on 31 August 2017, being the latest practicable date on which such information was available to us, our Group had outstanding bank borrowings, obligations under finance lease and unutilised banking facilities of approximately HK\$23.1 million, HK\$2.2 million and nil respectively, which were secured by our Director, his spouse, his property and his uncle (Mr. X.H. Shao, Ms. Luo Mei Ling and Mr. Shao Ren Man, a property owned by Mr. Shao Ren Man), corporate guarantee of the subsidiary of our Group and personal guarantee of its director and his spouse (Mr. Shao Chi Liang and Ms. Luo Xiu E), an independent financial institution and our Group's available-for-sale financial asset. The obligations under finance lease is secured by the lessor's charge over the leased assets and guarantee from our Director (Mr. X.H. Shao) and corporate guarantee of the subsidiary of our Group and personal guarantee of its director, Mr. Shao Chi Liang.

The interest rates of our bank loans include the fixed rate of 6.3% to 7.0% per annum and variable rates of HKD BLR — 1% per annum and USD BLR — 0.5% per annum. The effective interest rates of finance lease payables were fixed at 4.5% per annum.

The aforesaid personal guarantee and pledged assets will either be replaced by corporate guarantee or be released following our early settlement of the respective bank borrowings in full upon Listing.

Save as disclosed above, we did not have, at the closure of business on 30 April 2017, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance lease commitments, guarantees or other material contingent liabilities. Our Directors confirm that (i) there had not been any material change in our indebtedness and contingent liabilities since 30 April 2017 and up to the Latest Practicable Date; (ii) the bank borrowings are subject to the standard banking conditions and covenants; (iii) our Group had complied with all of the covenants under our bank loans during the Track Record Period; (iv) our Group had not received any notice from any bank indicating that it might withdraw or downsize the bank borrowings; and (v) our Group did not have any material external debt financing plans as at the Latest Practicable Date.

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WORKING CAPITAL SUFFICIENCY

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

CAPITAL EXPENDITURE AND COMMITMENTS

Capital expenditure

Our capital expenditure primarily comprises purchase of plant and machinery, motor vehicles and office equipment. Our capital expenditure was principally funded by our internal resources during the Track Record Period. The following table sets forth our Group's capital expenditure during the Track Record Period:

	For the four months ended 31 August 2017 HK\$'000 (Unaudited)	For the year ended 30 April		
		2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Property, plant and equipment				
Leasehold improvement	—	—	3,523	—
Plant and machinery	—	5,226	1,749	487
Furniture and fixtures	—	20	—	—
Motor vehicles	—	187	—	—
Office equipment	369	5	11	12
	<u>369</u>	<u>5,438</u>	<u>5,283</u>	<u>499</u>

As at 30 April 2015, 2016 and 2017, our Group had capital commitment of approximately HK\$43,000 and nil and nil respectively in respect of acquisition of property, plant and equipment.

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CONTRACTUAL COMMITMENTS

Obligations under finance leases

At the end of each of the reporting period, our Group had outstanding commitments for future minimum payments under finance leases in respect of its properties which fell due as follows:

	Minimum lease payment			PV of minimum lease payment				
	as at 30 April		as at 31 August	as at 30 April			as at 31 August	
	2015	2016	2017	2015	2016	2017	2017	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
			(Unaudited)				(Unaudited)	
Amounts payable under finance leases:								
Within one year	1,007	1,007	1,007	1,007	833	872	912	922
In the second year	1,007	1,007	1,007	1,007	872	912	953	964
In the third year	1,007	1,007	670	344	912	953	660	340
In the fourth year	1,007	670	—	—	953	660	—	—
In the fifth year	670	—	—	—	660	—	—	—
	4,698	3,691	2,684	2,358	4,230	3,397	2,525	2,226
Less: Future finance charges	(468)	(294)	(159)	(132)	—	—	—	—
Present value of lease obligations	4,230	3,397	2,525	2,226	4,230	3,397	2,525	2,226
Less: Amount due within one year shown under current liabilities					(833)	(872)	(912)	(922)
Amount due over one year shown under non-current liabilities					3,397	2,525	1,613	1,304

Our Group has leased 30 sets of welding machine and 15 sets of winding machine under finance leases. Our lease term is five years. Interest rates underlying all obligation under finance leases are fixed at respective contract rates ranged 4.5% per annum. Obligation under finance lease is denominated in Hong Kong dollars. Our obligations under finance leases are secured by the lessor's charge over the leased assets and guaranteed by our Directors and corporate guarantee of a subsidiary of our Group and personal guarantee by its director, Mr. Shao Chi Liang.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Except for the contractual commitments set forth above, our Group has not entered into any off-balance sheet transactions or arrangements as at Latest Practicable Date.

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CAPITAL MANAGEMENT AND FINANCIAL RISK MANAGEMENT

Capital management

The capital structure of our Group consists of cash and cash equivalents, net of bank borrowings and equity, comprising fully paid in capital and reserves. Our Group manages its capital to ensure that our Group will be able to continue as a going concern while maximising the return to stakeholders and maintaining an adequate capital structure. Our Group's overall strategy remained unchanged throughout the Track Record Period.

Financial risk management

Our Group is exposed to currency risk, interest rate risk, other price risk, credit risk and liquidity risk in the normal course of business. Further details on our financial risk management policies and practices are set out in the sub-paragraph headed "II. Notes to the historical financial information — 35. Financial risk management" in Appendix I to this prospectus.

DIVIDEND

For the three years ended 30 April 2017, members of our Group declared dividends of approximately nil, HK\$9.5 million and nil, representing approximately nil, 79.4% and nil of the respective years' net profit for the year. All the dividends paid by our Group were paid to our Controlling Shareholders.

The interim dividend of our Group of approximately HK\$5.5 million for the year ended 30 April 2016 was declared on 30 September 2015 and paid by cash on 24 November 2015, 25 November 2015 and 2 December 2015. The final dividend of approximately HK\$4.0 million for the year ended 30 April 2016 was declared on 30 April 2016 and paid by cash on 1 June 2016. All dividends were funded by our internal resources. Our Directors consider that there is no material adverse impact on our Group's financial and liquidity position arising from the dividend payment.

We currently do not have any dividend policy. Dividends may be paid out by way of cash or by other means that we consider appropriate. Declaration and payment of any dividends would require the recommendation of our Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. A decision to declare or to pay any dividend in the future, and the amount of any dividends, depends on a number of factors, including our results of operations, financial condition, the payment by our subsidiaries of cash dividends to us, and other factors our Board may deem relevant. There will be no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of our 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 our Board in the future.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 30 January 2014. As at 30 April 2017, our Company had no reserves that is available for distribution to our Shareholders.

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PROPERTY INTERESTS

As at the Latest Practicable Date, no single property owned by us had a carrying value exceeding 15% of our total assets, the details of which are set out in the section headed “Business — Properties” in this prospectus.

RELATED PARTY TRANSACTION

With respect to the related parties transactions set out in note 33 to the Accountants’ Report in the Appendix I of the prospectus, our Directors confirm that these transactions were conducted on arm’s length basis and on normal commercial terms. Our Directors consider that these related party transactions would not distort our results during the Track Record Period, and would not make our historical results not reflective of our future performance.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS

Please refer to Appendix II to this prospectus for information on our unaudited pro forma adjusted net tangible assets.

DISCLAIMER

Save as aforesaid or as otherwise disclosed herein and apart from normal trade and bills payables, other payables, deposits received and accrued expenses and tax liabilities, our Group did not have any mortgages, charges, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding as at the closure of business on 30 April 2017.

Our Directors confirm that there has not been any material change in the indebtedness, capital commitment and contingent liabilities of our Group since 30 April 2017.

DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES

Our Directors confirm that as at the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in the financial or trading positions or prospect of our Group since 30 April 2017 (being the date of which our Group’s latest audited combined financial statements were made up as set out in the Accountants’ Report in Appendix I to this prospectus) and there had been no event since 30 April 2017 which would materially affect the information shown in the Accountants’ Report in Appendix I to this prospectus.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Immediately following the completion of the Share Offer and the Capitalisation Issue, but without taking into account any allotment and issue of Shares pursuant to the exercise of the Adjustment Options or any options that may be granted under the Share Option Scheme, our Controlling Shareholders are Real Charm and Mr. Shiu.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Our Directors do not expect there to be any significant transactions between our Group and our Controlling Shareholders and their respective close associates upon or shortly after Listing. Having considered the following factors, our Directors believe that our Group is capable of carrying on our Group's business independently from our Controlling Shareholders and their respective close associates after the Share Offer.

Management independence

Our Board consists of six Directors, of whom three are executive Directors and three are independent non-executive Directors. One of the executive Directors, namely, Mr. Shiu is also a Controlling Shareholder.

All our independent non-executive Directors are sufficiently experienced and capable of monitoring our operation independently of our Controlling Shareholders. Therefore, our Directors are of the view that the interest of our Shareholders can be safeguarded. For details of our independent non-executive Shareholders, please refer to the section headed "Directors and Senior Management" in this prospectus.

Each of our Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit and in the best interest of our Company and not to allow any conflict between the interest of our Company and his/her personal interest. In the event that a potential conflict of interest of a material nature arises out of any transaction to be entered into between us and our Directors or their respective close associates, the interested Directors(s) shall abstain from voting at the relevant Board meetings in respect of such transaction and shall not be counted in the quorum.

Financial independence

Our Company has an independent financial system and makes financial decisions according to our Group's own business needs.

As at the close of business on 30 April 2017, our Group had outstanding bank borrowings and obligations under finance lease which were guaranteed by, among others, Mr. Shao Chi Liang, a director at the subsidiary level of our Group and the cousin of Mr. Shiu, and/or his spouse. The aforesaid personal guarantees will either be replaced by corporate guarantees or released following our early settlement of the respective bank borrowings in full upon Listing. Apart from above, our Directors are of the view that our Group does not unduly rely on any financial assistance provided by our Controlling Shareholders, their respective close associates and/or related parties for the business operations. As such, our Directors believe that our Company is capable of obtaining financing from Independent Third

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Parties, if necessary, without reliance on our Controlling Shareholders, their respective close associates and/or related parties after the Listing and our Group will be financially independent from our Controlling Shareholders, their respective close associates and/or related parties after the Listing.

Operational independence

Our Group has its own management team that operates independently from each of our Controlling Shareholders. In particular, our Group has independent access to sources of supplies or raw materials, as well as independent access to our Group's customers which are all Independent Third Parties.

Furthermore, our Group owns all the patents, trademarks and other intellectual property rights with respect to our business, and has sufficient capital, equipment and employees to operate our business independently from our Controlling Shareholders and their respective close associates.

In light of the above, our Directors believe that our Group is capable of carrying on its business independently of our Controlling Shareholders and their respective close associates. Our Group, our Controlling Shareholders and their close associates did not have any common or shared facilities or resources during the Track Record Period and up to the Latest Practicable Date.

DEED OF NON-COMPETITION

Subject to the terms therein, our Controlling Shareholders as covenantors entered into a deed of non-competition in favour of our Company dated 24 October 2017 (the “**Deed of Non-Competition**”), pursuant to which each of our Controlling Shareholders has irrevocably and unconditionally undertaken to and covenanted with our Company (for ourselves and for the benefit of our subsidiaries) that he/it will not, and will procure that his/its close associates (excluding our Group) will not:

- (a) either on his/its own account or in conjunction with or on behalf of any person, firm or company, directly or indirectly be interested or involved or engaged in or acquire or hold any right or interest (in each case whether as a principal, shareholder, partner, agent, consultant, employee or otherwise and whether for profit, reward or otherwise) in any business which is or is about to be engaged in any business which competes or is likely to compete directly or indirectly with our Group's business in Hong Kong, the PRC and any other country or jurisdiction to which our Group markets or supplies its products and/or services and/or in which any member of our Group carries on business mentioned above from time to time (the “**Restricted Business**”) except for the holding of not more than 5% shareholding interests (individually and/or any of our Controlling Shareholders with his/its close associates (excluding our Group) collectively) in any member of our Group and any listed company in Hong Kong, provided that (i) at all times there is a holder holding (together, where appropriate, with his/its close associates (excluding our Group)) a larger percentage of the shares in such listed company than the aggregate shareholding of him/it and/or his/its close associates (excluding our Group) in such listed company; and (ii) the aggregate number of his/its representative on the board of directors of such listed company is not significantly disproportionate to the percentage of his/its shareholding in such listed company; or

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (b) either on his/its own account or in conjunction with or on behalf of any person, firm or company, or as a principal, shareholder, partner, agent, consultant, employee or otherwise and whether for profit, reward or otherwise, directly or indirectly, solicit, interfere with or endeavour to entice away from any member in our Group any person, firm, company or organisation who to his/its knowledge is now or has been a customer, supplier or employee of any member in our Group.

In addition, each of our Controlling Shareholders irrevocably and unconditionally undertakes and covenants that if he/it or any of his/its close associates (excluding our Group), becomes aware of or receives enquiries of or any actual or potential business opportunity relating to any of our products and/or services of our Group or the Restricted Business (the “**Business Opportunity**”) is made available to him/it or his/its close associates (excluding our Group), he/it shall direct or procure the relevant close associate (excluding our Group) to direct such Business Opportunity to our Group (and not to any other person) on a timely basis but in any event no later than two weeks from the date of receipt of such enquiry or knowledge of such Business Opportunity together with such required information to enable our Group to evaluate the merits of the Business Opportunity. The relevant Controlling Shareholder shall provide, or procure the relevant close associate (excluding our Group) to provide, our Group with such assistance to secure such Business Opportunity as our Company or the relevant member of our Group may reasonably require. Our Company has the right within one month thereafter (or such longer period as our independent non-executive Directors may reasonably request) to take up the Business Opportunity and in the event that our Company decides to take up the Business Opportunity, each of the Controlling Shareholders will and will procure his/its close associate(s) (excluding our Group) to use his/its reasonable endeavors to assist our Group to obtain the Business Opportunity. In the event that our Company declines the Business Opportunity or fails to respond within the stipulated period, the relevant Controlling Shareholder or his/its close associate(s) (excluding our Group) may take up the Business Opportunity provided that the terms upon which the relevant Controlling Shareholder or his/its close associate(s) (excluding our Group) take up the Business Opportunity shall be no more favourable to the relevant Controlling Shareholder or his/its close associate(s) (excluding our Group) than those offered to our Group.

Our Controlling Shareholders further irrevocably and unconditionally further undertake and covenant that they shall not, and shall procure that none of their close associates (excluding our Group) shall, pursue such Business Opportunity unless our Group decides not to pursue such Business Opportunity, except for cases where a Controlling Shareholder’s ownership of shares in a listed company is set out in the exception mentioned in paragraph (a) above. Any decision of our Group as to whether to pursue such Business Opportunity shall have to be approved by our independent non-executive Directors. For the avoidance of doubt, our Group shall not be required to pay any fees to any of our Controlling Shareholders and/or their respective close associates (excluding our Group) in relation to the direction of such Business Opportunity.

Each of our Controlling Shareholders has also undertaken and agreed that (a) he/it will promptly provide our Company, in writing with any relevant information in respect of any new Business Opportunity which competes or may compete with the existing and future business of our Group which he/it or his/its close associates (excluding our Group) may have knowledge for our Company to assess such new Business Opportunity, (b) he/it will, and will procure his/its close associates (excluding our Group) with material interests to, abstain from voting at all meetings of Directors and holders of Shares on resolutions involving the exercise or non-exercise of the right of our Group to participate in the relevant Restricted Business, (c)

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

he/it will provide all information reasonably required or necessary to our Company for the enforcement of the Deed of Non-Competition and (d) he/it will make an annual declaration in favour of our Company on whether he/it has fully complied with his/its obligations under the Deed of Non-Competition, for inclusion in the annual reports of our Company in the manner consistent with the principles of making voluntary disclosures in the section headed “Corporate Governance Report” of the annual reports prepared in accordance with the requirements of the GEM Listing Rules from time to time. Furthermore, our Company’s annual reports after Listing will disclose (i) our Controlling Shareholders’ confirmation on compliance with the Deed of Non-Competition and (ii) the decision, with basis, on matters reviewed by our independent non-executive Directors in relation to the compliance and enforcement of the Deed of Non-Competition.

The Deed of Non-Competition and the rights and obligations thereunder are conditional and will take effect immediately upon Listing. The obligations of our Controlling Shareholders under the Deed of Non-Competition will remain in effect until:

- (a) the date on which the Shares cease to be listed on GEM; or
- (b) our Controlling Shareholders and their respective close associates (excluding our Group) and/or successors, individually and/or collectively, cease to own 30% or more of the then issued share capital of our Company directly or indirectly or cease to be deemed as controlling shareholder of our Company (within the meaning defined in the GEM Listing Rules from time to time),

whichever occurs first.

Each of our Controlling Shareholders also represents, warrants and confirms to our Company in the Deed of Non-Competition, and each of our Directors confirm, that neither he/it nor any of his/its close associates (excluding our Group) is currently interested, involved or engaging, directly or indirectly, in (whether as a principal, shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) the Restricted Business otherwise than through our Group.

As none of our Controlling Shareholders, Directors nor their respective close associates (excluding our Group) have interests in other businesses that compete or are likely to compete with the business of our Group, our Directors are of the view that they are capable of carrying on our Group’s business independently of our Controlling Shareholders and their respective close associates (excluding our Group) following the Listing.

CORPORATE GOVERNANCE MEASURES TO AVOID CONFLICT OF INTEREST

Our Directors recognise the importance of incorporating elements of good corporate governance in management conducive to the protection of the interests of our Shareholders. In particular, the following corporate governance measures in relation to managing potential conflict of interests between our Controlling Shareholders and our Group will be taken:

- (i) our independent non-executive Directors will review, on an annual basis, the compliance with the Deed of Non-competition by our Controlling Shareholders;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (ii) our Company will disclose the decisions with basis on matters reviewed by our independent non-executive Directors relating to the compliance with and enforcement of the Deed of Non-competition and our Controlling Shareholders will make an annual declaration on compliance with their undertaking under the Deed of Non-competition in the annual report of our Company;
- (iii) our Independent Board Committee will be responsible for deciding and given the authority to decide in the Business Opportunities referred to our Group by our Controlling Shareholders (or their close associates). In addition, the Independent Board Committee may, at the costs of our Company and from time to time, engage independent financial adviser and other external professional advisers as they may consider necessary to advise them on the issues which relate to the above matters;
- (iv) any transaction (if any) between (or proposed to be made between) our Group and connected persons will be required to comply with Chapter 20 of the GEM Listing Rules, including, where applicable, the announcement, reporting, annual review and independent Shareholders' approval requirements and with those conditions imposed by the Stock Exchange for the granting of waiver from strict compliance with relevant requirements under the GEM Listing Rules;
- (v) in the event that there is conflict of interest in the operations of our Group and our Controlling Shareholders, any Director, who is considered to be interested in a particular matter or the subject matter, shall disclose his/her interests to our Board. Pursuant to the Articles of Association, should a Director have any material interests in the matter, he/she shall not vote on the resolutions of the Board approving the same and shall not be counted in the quorum of the relevant Board meeting except in certain circumstances as set out in the Articles;
- (vi) our Directors will ensure that any material conflict or potential conflict involving our Controlling Shareholders will be reported to our independent non-executive Directors as soon as practicable when such conflict or potential conflict is discovered and a board meeting will be held to review and evaluate the implications and risk exposure of such event and will monitor any material irregular business activities; and
- (vii) our Company has appointed Ample Capital Limited as our compliance adviser, which will provide advice and guidance to our Group in respect of compliance with the applicable laws and GEM Listing Rules including various requirements relating to directors' duties and internal control measures.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and our Group and to protect the interests of our Shareholders, in particular, the minority Shareholders.

SUBSTANTIAL AND CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Our Directors confirm that, immediately following the completion of the Share Offer and the Capitalisation Issue, but without taking into account any allotment and issue of Shares pursuant to the exercise of the Adjustment Options or any options that may be granted under the Share Option Scheme, the following persons individually and/or collectively are entitled to exercise or control the exercise of 30% or more of the voting power at the general meeting of our Company and are able, as a practical matter, to control the composition of a majority of board of Directors and therefore regarded as the Controlling Shareholders under the GEM Listing Rules:

<u>Name</u>	<u>Number of Shares held</u>	<u>Nature of Interest</u>	<u>Approximate percentage of shareholding</u>
Real Charm	234,000,000 (<i>Note 1</i>)	Beneficial owner	46.8%
Mr. Shiu	234,000,000 (<i>Note 1</i>)	Interest in controlled corporation	46.8%
Ms. Chung Yu Chun	234,000,000 (<i>Note 2</i>)	Interest of spouse	46.8%

Notes:

- (1) Real Charm is wholly and beneficially owned by Mr. Shiu. As such, Mr. Shiu is deemed to be interested in the 234,000,000 Shares in which Real Charm is beneficially interested.
- (2) Ms. Chung Yu Chun is the spouse of Mr. Shiu. As such, she is deemed to be interested in the 234,000,000 Shares in which Mr. Shiu is interested for the purpose of the SFO.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Share Offer and the Capitalisation Issue, but without taking into account any allotment and issue of Shares pursuant to the exercise of the Adjustment Options or any options that may be granted under the Share Option Scheme, the following persons or entities will have interests and/or short positions in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group:

<u>Name</u>	<u>Capacity and nature of interests</u>	<u>Number of Shares held (<i>Note 1</i>)</u>	<u>Approximate percentage of shareholding</u>
Real Charm (<i>Note 2</i>)	Beneficial owner	234,000,000 (L)	46.8%
Mr. Shiu (<i>Note 2</i>)	Interest in controlled corporation	234,000,000 (L)	46.8%
Ms. Chung Yu Chun (<i>Note 3</i>)	Interest of spouse	234,000,000 (L)	46.8%
Multi Tech (<i>Note 4</i>)	Beneficial owner	66,000,000 (L)	13.2%
Ms. Giang (<i>Note 4</i>)	Interest in controlled corporation	66,000,000 (L)	13.2%
Mr. Yuen (<i>Note 5</i>)	Interest of spouse	66,000,000 (L)	13.2%

SUBSTANTIAL AND CONTROLLING SHAREHOLDERS

Notes:

- (1) The letter “L” denotes a long position in the Shareholders’ interests in the share capital of our Company.
- (2) Real Charm, a company incorporated in BVI on 29 October 2013 and an investment holding company, is wholly and beneficially owned by Mr. Shiu. As such, Mr. Shiu is deemed under the SFO to be interested in the 234,000,000 Shares held by Real Charm upon Listing.
- (3) Ms. Chung Yu Chun is the spouse of Mr. Shiu. As such, she is deemed to be interested in the 234,000,000 Shares in which Mr. Shiu is interested for the purpose of the SFO.
- (4) Multi Tech, a company incorporated in Hong Kong on 7 July 2011 and an investment holding company, is wholly and beneficially owned by Ms. Giang. As such, Ms. Giang is deemed under the SFO to be interested in the 66,000,000 Shares held by Multi Tech upon Listing.
- (5) Mr. Yuen is the spouse of Ms. Giang. As such, he is deemed to be interested in the 66,000,000 Shares in which Ms. Giang is interested for the purpose of the SFO.

Save as disclosed in this prospectus, our Directors are not aware of any person who will, immediately following the completion of the Share Offer and the Capitalisation Issue (assuming the Adjustment Options are not exercised), have an interest or short position in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

NON-DISPOSAL UNDERTAKINGS

The Shares held by our Controlling Shareholders are subject to certain lock-up undertakings after Listing, details of which are set forth in the section headed “Underwriting — Underwriting Arrangements and Expenses — Undertakings” in this prospectus.

Each of Multi Tech and Ms. Giang also undertakes to and covenants with our Company, the Sponsor and the Sole Global Coordinator (for itself and on behalf of the Underwriters) that, save as permitted under Rule 13.18 of the GEM Listing Rules, during the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date, it/she will not 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 Shares in respect of which it/she is shown by this prospectus to be the beneficial owner.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

The Board currently consists of 6 Directors, including 3 executive Directors and 3 independent non-executive Directors. Our Company has entered into service contracts with each of our executive Directors and letters of appointment with each of our independent non-executive Directors. The following table sets forth the information regarding our Directors:

Name	Age	Position/Title	Roles and Responsibilities	Date of appointment as Director	Date of joining our Group	Relationship among them
Mr. Shiu Kwok Leung	56	Executive Director	Formulation of overall strategic planning and business development and overseeing the sales and marketing.	18 September 2015	30 December 2008	Nil
Mr. X.H. Shao	37	Executive Director	Overall management of product design, procurement, production and finance departments.	18 September 2015	30 December 2008	Nil
Mr. Yuen Lai Him	46	Executive Director	Managing sales and marketing activities	18 September 2015	25 March 2015	Nil
Mr. Wong Ting Kon	46	Independent non-executive Director	Responsible for providing independent advice to our Board regarding the management of our Group	24 October 2017	24 October 2017	Nil
Ms. Lo Ching Yee	36	Independent non-executive Director	Responsible for providing independent advice to our Board regarding the management of our Group	24 October 2017	24 October 2017	Nil
Mr. Cheng Hok Ming Albert	55	Independent non-executive Director	Responsible for providing independent advice to our Board regarding the management of our Group	24 October 2017	24 October 2017	Nil

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Shiu Kwok Leung (邵國樑), aged 56, is one of our founders, the chairman and a Controlling Shareholder of our Group. He was appointed as a Director on 30 January 2014 and was subsequently redesignated as an executive Director on 18 September 2015. Mr. Shiu is responsible for overall strategic planning, business development and overseeing the sales and marketing of our Group. Mr. Shiu initially worked as a moulds technician at Yau Yung Metal Manufacturing Factory from 1980 to 1983 and was subsequently promoted as its production and administration manager from 1983 to 2003. To continue the business of Yau Yung Metal Manufacturing Factory, Yau Yung Metal Manufacturing Factory Limited was incorporated in Hong Kong in 2003 and Mr. Shiu remained as the company's production and administration manager from August 2003 to June 2005. He was mainly responsible for the overall production (including liaison with overseas customers to deal with all production related matters and inquiries) and general administration functions of the company. Mr. Shiu established Bortex International in Hong Kong on 30 December 2008.

Mr. X.H. Shao (邵旭華), aged 37, is one of our founders. Mr. Shao was appointed as an executive Director on 18 September 2015. He has been responsible for the overall management of product design, procurement, production and finance departments. Mr. Shao obtained a Diploma (Night School) in computer science at South China University of Technology in July 2004 and a certificate of completion on MBA Advanced Seminar for Practising Manager (在職經理MBA課程高級研修班) from Higher School of Continuing Education of Sun Yat-Sen University in September 2009. Mr. Shao has about 12 years' experience in the production and sale of decorative lighting products through his involvement in business of Bortex Industry and he has a comprehensive understanding to its overall business and different aspects of the business operation. Mr. Shao was a founding shareholder of Bortex Industry which is a principal operating subsidiary of our Group and has been a director of Bortex Industry since 2004.

Mr. Yuen Lai Him (袁禮謙), aged 46, was appointed as our executive Director on 18 September 2015. Mr. Yuen is responsible for managing sales and marketing activities. He received his Bachelor of Engineering in Electrical Engineering at the University of Sydney, Australia in November 1997. Mr. Yuen was the regional manager of VMT Instruments Limited, a company specialising in manufacturing of equipment for hard-disk testing, from 1997 to 2003 and he was responsible for international sales marketing for Philippines, Japan, China and United States as well as establishing and execution of sales and marketing strategies. He founded Galaxy Optics Limited (now known as Galaxy Technology Limited), a company specialising in sales and manufacturing of electronic products, in July 2004. He has over 10 years of experience in international marketing and had successfully built relationship with customers in Korea, Hong Kong, Philippines and US for the export of electronic products. He is currently a director of Galaxy Technology Limited. Mr. Yuen also worked for Galaxy Tech (Asia) Limited as a director from July 2013 to March 2015.

Independent non-executive Directors

Mr. Wong Ting Kon (黃定幹), aged 46, was appointed as an independent non-executive Director on 24 October 2017. Mr. Wong has over 20 years of experience in the accounting and finance industry in Hong Kong. He currently serves as an independent non-executive director of Speedy Global Holdings Limited (stock code: 540). He joined Chan Wong & Company C.P.A in 2000 and is currently a partner of the firm.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Wong served as an independent non-executive director of two listed companies on the Stock Exchange, namely Hao Wen Holdings Limited (stock code: 8019) from April 2011 to August 2014 and Zhong Hua International Holdings Limited (stock code: 1064) from May 2005 to August 2006. He worked for David Yim & Co C.P.A. from August 1996 to July 1998 and last served as an audit manager. He also worked as an audit semi-senior in H.C. Watt & Co C.P.A. from August 1995 to August 1996 and an audit trainee in Robert C.L. Tse & Co C.P.A. from July 1994 to August 1995. Mr. Wong was admitted as a fellow of The Taxation Institute of Hong Kong in July 2010, the fellow of The Association of Chartered Certified Accountants in August 2004 and an associate member of the Hong Kong Society of Accountants in October 1998. Mr. Wong is a member of the Hong Kong Institute of Certified Public Accountants. He obtained a bachelor degree of commerce from the University of Windsor in June 1994.

Ms. Lo Ching Yee (盧靜兒), aged 36, was appointed as an independent non-executive Director on 24 October 2017. From 2003 to 2013, she worked as the project manager in Sun Fook Kong Construction Ltd and was mainly responsible for project management, contract procurement, condition survey and quality control. She worked in Fruit Design & Build Ltd as an associate and also as the team head of the building survey team from November 2012 to November 2013. From December 2013 to March 2015, she worked in the Hong Kong Housing Society as a manager and was mainly responsible for planning and implementation of major improvement and repair works for the estates and properties. She is currently working as an assistant project manager in NW Project Management Limited.

Ms. Lo obtained an associate degree of Science in Surveying (Building Surveying) from the City University of Hong Kong in November 2003. She obtained a bachelor degree (long distance) of Science in Facilities Management in the University of Central Lancashire (Hong Kong College of Technology) in December 2005. She also obtained the Postgraduate Diploma (long distance) in Surveying and the degree (long distance) of Master of Science from the University of Reading in July 2009 and July 2013 respectively.

She was admitted as a professional member of the Royal Institution of Chartered Surveyors in November 2011.

Mr. Cheng Hok Ming Albert (鄭鶴鳴), aged 55, was appointed as an independent non-executive Director on 24 October 2017. Mr. Cheng was an independent non-executive director of PacMos Technologies Holdings Limited (now known as PacRay International Limited, stock code: 1010), a company listed on the Stock Exchange, from 30 September 2004 to 27 November 2014.

Mr. Cheng attended secondary education in Hong Kong and he entered for the Hong Kong Certificate of Education Examination and received the respective result in August 1979. He is a fellow member of the Hong Kong Institute of Directors and has extensive experience in the accounting, financing and consulting industries. Mr. Cheng has been an executive director and chairman of the board of directors of Gold Profit Services Limited, a consulting company principally engaged in providing corporate advisory services including taxation and accountancy services for over 20 years since 1987.

Other Information

Save as disclosed, each of our Directors confirm with respect to himself that: (i) apart from our Company, he has not been a director in other public companies the securities of which are listed on any securities market in Hong Kong or overseas for the three years immediately preceding the date of this prospectus; (ii) save as disclosed in the paragraph headed “Statutory and General Information — C.

DIRECTORS AND SENIOR MANAGEMENT

Further Information about Directors, Chief Executive and Substantial Shareholders” in Appendix IV to this prospectus, he does not have any interests in the Shares within the meaning of Part XV of the SFO; (iii) there is no other information that should be disclosed for himself pursuant to Rule 17.50(2) of the GEM Listing Rules; and (iv) to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there are no other matters with respect to the appointment of our Directors that need to be brought to the attention of our Shareholders.

None of our Directors has any interests in any business apart from our Group’s business which competes or is likely to compete, whether directly or indirectly, with our Group’s business.

SENIOR MANAGEMENT

Mr. Chow Kwok On (周國安), aged 58, joined our Group in April 2015 as the chief executive officer. Mr. Chow obtained a master degree (long distance) of Business Administration from the University of South Australia in May 1998. Mr. Chow worked as an assistant general manager in Dongguan Hicrys Technology Co., Limited, a company which is principally engaged in designing and manufacturing TV casing, from November 2012 to January 2015 and he was mainly responsible for overseeing the daily operations of the company. He served as the general manager of V-mart World Ltd, a company which is principally engaged in manufacturing and trading seasonal products, from May 2005 to September 2010.

From June 2002 to December 2004, Mr. Chow was appointed as a vice president of Beijing Huan Shendun Technology Co. Ltd.. He was appointed as a secretary of Fine Makers (HK) Ltd., a company which is principally engaged in designing and manufacturing resin seasonal products, from January 1992 to October 2001.

Mr. Cheng Hok Wai (鄭學偉), aged 49, was appointed as our financial controller on 1 December 2015. He is responsible for the financial management, investor relations and capital management of our Group.

Mr. Cheng obtained a bachelor of business degree from Monash University in November 2000. Mr. Cheng was admitted as a member of the Institute of Public Accountants of Australia on 25 March 2014 and was admitted to certified membership of the Institute of Certified Management Accountants of Australia in September 2014.

Mr. Cheng has over 25 years of experience in accounting field. Prior to joining our Group, he worked as a senior accountant at Mandarin Communications Ltd. from March 1997 to February 2004 and a finance manager at Fortune Chain Limited from September 2005 to March 2014. He later worked as an accounting manager at United Chinese Plastics Products Co., Ltd. from June to December 2014 and at HK861.com from January to October 2015.

Mr. Pan Liang Bo (潘亮波), aged 50, joined Bortex Industry in October 2004 initially as a sales manager and was subsequently promoted to factory director in January 2010. He is mainly responsible for managing the development and production planning of our Group.

Mr. Pan obtained a certificate of completion on MBA Advanced Seminar for Practising Manager (在職經理MBA課程高級研修班) from Higher School of Continuing Education of Sun Yat-Sen University in September 2009. Mr. Pan has over 18 years of experience in the lighting products

DIRECTORS AND SENIOR MANAGEMENT

industry. Prior to joining our Group, he served as a sales manager of Dongguan Chihua Industry Company Limited (東莞市熾華實業有限公司), a company which was principally engaged in manufacturing electric wires and lighting products, and was responsible for business development from August 1998 to December 2004.

None of our senior management members has been a director of other public companies the securities of which are listed on any securities market in Hong Kong or overseas for the three years immediately preceding the date of this prospectus.

COMPANY SECRETARY

Ms. Wong Mun Yan (黃敏欣), aged 42, joined our Group as the company secretary of our Group on 1 October 2017 and is primarily responsible for overseeing the overall financial management of our Group and company secretarial matters.

Ms. Wong was admitted as a member of the Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants) in May 2000. Ms. Wong obtained a degree of bachelor of arts in accountancy from The Hong Kong Polytechnic University in November 1996.

Before joining our Group, Ms. Wong was employed by IDS Group Management Ltd from December 1996, which was acquired by Li & Fung (Trading) Ltd. in April 2011. Ms. Wong was employed by Li & Fung (Trading) Ltd as the financial controller from April 2011 to March 2012 and was promoted to the senior manager — finance & accounting from April 2012 to April 2013. Ms. Wong worked as the financial consultant of a company with its subsidiary principally engaged in property management in China from September 2013 to September 2017. She has not held any directorship in public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

COMPLIANCE OFFICER

Mr. Yuen is the compliance officer of our Company. For details of his biography, please refer to the paragraph headed “Executive Directors” in this section.

AUTHORISED REPRESENTATIVES

Mr. Shiu Kwok Leung and Mr. Shao Xu Hua are the authorised representatives of our Company.

COMPLIANCE ADVISER

We have appointed Ample Capital Limited as our compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules. Pursuant to Rule 6A.23 of the GEM Listing Rules, our Company must consult with and, if necessary, seek advice from the compliance adviser on a timely manner in the following circumstances:

- (1) before the publication of any regulatory announcement, circular or financial report;
- (2) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

DIRECTORS AND SENIOR MANAGEMENT

- (3) where our Company proposes to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Group deviate from any forecast, estimate, or other information in this prospectus; and
- (4) where the Stock Exchange makes an inquiry of our Company under Rule 17.11 of the GEM Listing Rules.

Pursuant to Rule 6A.24 of GEM Listing Rules and the compliance adviser agreement entered into between the compliance adviser and our Company, the compliance adviser will, among other things:

- (1) ensure our Company is properly guided and advised as to compliance with the GEM Listing Rules and other applicable laws, rules, codes and guidelines;
- (2) accompany our Company to any meetings with the Stock Exchange, unless otherwise requested by the Stock Exchange;
- (3) in relation to an application by our Company for a waiver from any of the requirements in Chapter 20 of the GEM Listing Rules, advise our Company on our obligations and in particular the requirement to appoint an independent financial adviser; and
- (4) assess the understanding of all new appointees to the Board regarding the nature of their responsibilities and fiduciary duties as a Director, and, to the extent the compliance adviser forms an opinion that the new appointee's understanding is inadequate, discuss the inadequacies with our Board and make recommendations to our Board regarding appropriate remedial steps such as training.

Term

The term of the appointment of the compliance adviser shall commence on the Listing Date and end on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of our financial results for the second full financial year commencing after the Listing Date.

Duties of our Company

Our Company shall fully comply with and discharge our responsibilities under the GEM Listing Rules and other applicable laws, regulations and codes relating to securities and corporate governance that are applicable to our Company.

During the term, our Company shall notify, consult with and, if necessary, seek advice from the compliance adviser on a timely basis in the circumstances as required under Rule 6A.23 of the GEM Listing Rules.

Termination

Our Company may terminate the compliance adviser's role only if the compliance's work is of an unacceptable standard or if there is material dispute (which cannot be resolved within 30 days) over fees payable by our Company to the compliance adviser.

DIRECTORS AND SENIOR MANAGEMENT

BOARD COMMITTEES

Audit Committee

Our Company has established an Audit Committee on 24 October 2017 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and paragraph C3.3 of the Corporate Governance Code and Corporate Governance Report as set out in appendix 15 to the GEM Listing Rules. The primary duties of the Audit Committee are, among other things, to review and supervise the financial reporting process and internal control system of our Group. The Audit Committee comprises three independent non-executive Directors, namely, Mr. Wong Ting Kon, Ms. Lo Ching Yee and Mr. Cheng Hok Ming Albert, of whom Mr. Wong Ting Kon has been appointed as the chairman of the Audit Committee.

Remuneration Committee

Our Company has established a Remuneration Committee on 24 October 2017 with written terms of reference in compliance with paragraph B.1.2 of the Corporate Governance Code and Corporate Governance Report as set out in appendix 15 to the GEM Listing Rules. The Remuneration Committee consists of Mr. Wong Ting Kon, Mr. Cheng Hok Ming Albert and Mr. Yuen Lai Him. Mr. Cheng Hok Ming Albert is the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee are, amongst other things, to review and determine the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management and to make recommendation to the Board on our Group's policy and structure for all remuneration of our Directors and senior management.

Nomination Committee

Our Company has established a Nomination Committee on 24 October 2017 with written terms of reference in compliance with paragraph A.5.2 of the Corporate Governance Code and Corporate Governance Report as set out in appendix 15 to the GEM Listing Rules. The Nomination Committee consists of Mr. Shiu, Mr. Wong Ting Kon and Mr. Cheng Hok Ming Albert. Mr. Shiu has been appointed as the chairman of the Nomination Committee. The Nomination Committee is mainly responsible for making recommendations to the Board on appointment of Directors and succession planning for our Directors.

OUR GROUP'S RELATIONSHIP WITH EMPLOYEES

Our Group recognises the importance of having a good relationship with our employees. Our Group offers our employees competitive compensation packages, which are intended to attract and retain qualified personnel.

Our Group believes that we maintain a good working relationship with our employees and we have not experienced any difficulty in recruiting staff for our Group's operations. Our employees are not represented by any collective bargaining agreements or labour unions.

DIRECTORS AND SENIOR MANAGEMENT

REMUNERATION OF DIRECTORS AND STAFF

Each of our executive Directors has respectively entered into a service contract with our Company for an initial fixed term of two years from the Listing Date, which will continue thereafter until terminated by not less than three months' written notice or payment in lieu to the other party.

Each of our executive Directors will receive an annual fee which is subject to an annual adjustment at a rate to be determined at the discretion of our Board. The aggregate amount of salaries, allowances and benefits in kind paid by our Group to our Directors for each of the three financial years ended 30 April 2017 were HK\$915,000, HK\$915,000 and HK\$915,000 respectively.

The aggregate amount of contributions to retirement benefits scheme paid by our Group to our Directors for each of the three financial years ended 30 April 2017 were HK\$12,000, HK\$12,000 and HK\$12,000 respectively.

Save as disclosed above, no other payments have been made or are payable by our Company to our Directors, in respect of the Track Record Period. Our Directors estimate that under the current proposed arrangement, the aggregate amount of salaries, contributions to retirement benefits scheme, allowances and benefits in kind payable by our Group to our Directors (including the independent non-executive Directors) will be approximately HK\$1.8 million for the year ending 30 April 2018.

Our Company's policy concerning the remuneration of our Directors is that the amount of remuneration is determined by reference to the relevant Director's experience, responsibilities, workload and the time devoted to our Group. Details of the terms of the service contracts are set out in the section headed "Statutory and General Information — C. Further Information about Directors, Chief Executive and Substantial Shareholders — 1. Disclosure of interests" in Appendix IV to this prospectus.

Our Group has adopted incentive bonus schemes, during the Track Record Period, and continues to maintain these schemes, seeking to align the financial well-being of our Group with that of the employees, and to retain our Directors and staff of high calibre. Staff are offered basic salaries commensurate with market levels.

The five highest paid individuals of our Group during the Track Record Period include two Directors. Details of remuneration paid to the remaining three highest paid individuals of our Group, which are individually below HK\$1,000,000, are disclosed in the Accountants' Report in Appendix I to this prospectus.

RETIREMENT BENEFIT SCHEME

In Hong Kong, our Group participates in the mandatory provident fund prescribed by the Mandatory Provident Fund Schemes Ordinance, Chapter 485 of the Laws of Hong Kong and has made the relevant contributions in accordance with the aforesaid laws and regulations. Save as the aforesaid, our Group has not participated in any other pension schemes.

SHARE CAPITAL

The share capital of our Company immediately following the completion of the Share Offer and the Capitalisation Issue (assuming the Adjustment Options are not exercised) will be as follows:

Authorised share capital:

	<i>Nominal value HK\$</i>
<u>10,000,000,000</u> Shares of HK\$0.01 each	<u>100,000,000</u>

Issued and to be issued, fully paid or credited as fully paid upon completion of the Share Offer:

	<i>Nominal value HK\$</i>
10,000 Shares in issue at the date of this prospectus	100
299,990,000 Shares to be issued pursuant to the Capitalisation Issue	2,999,900
<u>200,000,000</u> Shares to be issued pursuant to the Share Offer (<i>Note</i>)	<u>2,000,000</u>
<i>Total:</i>	
<u>500,000,000</u> Shares	<u>5,000,000</u>

Note: The share capital of our Company will be enlarged by up to an additional 30,000,000 Shares in the event that the Offer Size Adjustment Option or Over-allotment Option is exercised in full.

ASSUMPTIONS

The above table assumes that the Share Offer becomes unconditional and the issue of Shares pursuant to the Share Offer and the Capitalisation Issue are made. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of any of the Adjustment Options (whichever is applicable), the options which 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.

RANKING

The Offer Shares, including the Shares to be issued pursuant to the exercise of the Offer Size Adjustment Option or Over-allotment Option 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 the Shares in respect of a record date which falls after the date of this prospectus other than the participation in the Capitalisation Issue.

SHARE CAPITAL

CAPITALISATION ISSUE

Pursuant to the written resolutions of our Sole Shareholder passed on 24 October 2017, conditional on the share premium account of our Company being credited as a result of the issue of Offer Shares under the Share Offer, our Directors are authorised to allot and issue a total of 299,990,000 Shares credited as fully paid at par to the Shareholders whose names appears on the register of members of our Company at the close of business on 27 October 2017 (or another date as our Directors may direct) by way of capitalisation of the sum of HK\$2,999,900 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to such resolution shall rank *pari passu* in all respects with the existing issued Shares.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general mandate to allot and issue Shares, particulars of which are set out in the section headed “Statutory and General Information — A. Further Information about Our Company — 3. Written resolutions of our sole Shareholder passed on 24 October 2017” in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general mandate to repurchase Shares. Please refer to the section headed “Statutory and General Information — A. Further Information about Our Company — 3. Written resolutions of our sole Shareholder passed on 24 October 2017” and the section headed “Statutory and General Information — A. Further Information about Our Company — 6. Repurchase by our Company of its own securities” in Appendix IV to this prospectus for details.

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 Companies Law and the terms of the Memorandum and the Articles, our Company may from time to time by ordinary shareholders’ resolution (i) increase its share capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into 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 reduce or redeem its share capital by shareholders’ special resolution. For more details, please see the section headed “Summary of the Constitution of our Company and the Cayman Islands Company Law — 2. Articles of Association — (a) Shares — (iii) Alteration of capital” in Appendix III to this prospectus.

Pursuant to the Companies Law and the terms of the Memorandum and the Articles, all or any of the special rights attached to the Share or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. For more details, please see the section headed “Summary of the Constitution of our Company and the Cayman Islands Company Law — 2. Articles of Association — (a) Shares — (ii) Variation of rights of existing shares or classes of shares” in Appendix III to this prospectus.

SHARE CAPITAL

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. A summary of its principal terms is set out in the section headed “Statutory and General Information — D. Share Option Scheme” in Appendix IV to this prospectus.

BUSINESS OBJECTIVES, FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

The section headed “Business — Business Strategies and Prospects” in this prospectus sets out a detailed description of our future plans.

REASONS FOR THE SHARE OFFER

The Share Offer will enhance our Group’s capital base and provide us with additional funding to implement our future plans. Furthermore, our Directors are of the view that Listing will bring the following advantages to our Group:

Provide access to additional financing sources

- **Raise fund by way of issuing new Shares.** Our Directors are of the view that equity financing is a more feasible fund raising method than debt financing to our Group because we were advised by a banker that our Group would be requested to pledge a significant amount of cash and provide properties as securities as a condition for obtaining a substantial amount of further financing within a short period of time. As we do not own any property and the cash pledge may adversely affect our liquidity which in turn limits our flexibility to execute the future plans and our Shareholders may even be requested to pledge their personal assets, debt financing is less favourable to our development. In the long term, Listing can provide access for our Group to additional fund by means of issue of new Shares such as rights issue to suit our development needs resulting from the potential increase in our purchase orders and expansion of product portfolio in the future.

Capture growth opportunities and expand customer base

- **Capture growth opportunities in the industry.** As set out in the section headed “Industry Overview” in the prospectus, the expansion of the emerging markets since 2010 has led to the increased demand for Christmas lights in China, leading to the consistent growth in the total revenue of the Christmas lighting manufacturing industry. Looking ahead to 2021, the total revenue of Christmas lighting manufacturing industry in China is estimated to reach RMB22.8 billion from RMB16.1 billion in 2017, rising with a relatively quick pace of approximately 9.1% CAGR.

Moreover, Ipsos Report estimated that the total revenue of the LED indoor lighting manufacturing industry in China will increase consistently at a CAGR of approximately 16.9%, from 2017 to 2021. To capture the growth opportunities, our Directors consider that it is necessary to improve our Group’s production efficiency and product quality by implementing our future plans which include (i) upgrading production facilities; (ii) expanding our product portfolio and strengthening our product development capability; and (iii) expanding our sales force and sales channel. Our Directors estimated that a significant amount of costs can be saved if the machinery and equipment set out in our future plans are purchased by using the net proceeds from the Share Offer instead of using finance lease.

BUSINESS OBJECTIVES, FUTURE PLANS AND USE OF PROCEEDS

- Expand our customer base.** Our revenue are mainly generated from our overseas customers and our Group participated in local and the PRC trade fairs during the Track Record Period. In order to expand our customer base, our Group wishes to participate in more overseas trade fairs and exhibitions and our Directors are of the view that Listing is an effective way to make our value, capability and products known to the public and help our Group to reach the potential market. The Listing status may also help our Group negotiate for more favourable terms with our potential customers because the updated financial information of our Group would be publicly disclosed on a regular basis and the potential customers are able to assess our financial position and performance easily before placing orders with us.

USE OF PROCEEDS

The table below sets out the estimated net proceeds of the Share Offer which we will receive after deduction of the underwriting fees and commissions and other estimated expenses in connection with the Share Offer:

	Estimated net proceeds assuming the Adjustment Options are not exercised	Estimated net proceeds assuming either the offer Size Adjustment Option or Over-allotment Option is exercised
If the Offer Price is fixed at HK\$0.4 per Share (being the mid-point of the Offer Price range stated in this prospectus)	Approximately HK\$48.9 million	Approximately HK\$60.2 million
If the Offer Price is fixed at HK\$0.5 per Share (being the high end of the Offer Price range stated in this prospectus)	Approximately HK\$67.7 million	Approximately HK\$81.8 million
If the Offer Price is fixed at HK\$0.3 per Share (being the low end of the Offer Price range stated in this prospectus)	Approximately HK\$30.1 million	Approximately HK\$38.5 million

We intend to apply the net proceeds to us from the Share Offer, after deducting related underwriting fees and estimated expenses in connection with the Share Offer and assuming that the Adjustment Options are not exercised and an Offer Price of HK\$0.4, being the mid-point of the Offer Price range, of approximately HK\$48.9 million as follows:

- approximately HK\$26.9 million, representing approximately 55% of the estimated net proceeds, for upgrading our production facilities;
- approximately HK\$12.2 million, representing 25% of the estimated net proceeds for (i) the repayment of short-term borrowings of our Group of approximately HK\$10.3 million with approximately HK\$10.3 million repayment commitment as at the Latest Practicable Date (which has a fixed interest rate of 6.2713% per annum), the proceeds of which has been used for working capital purposes; and (ii) the repayment of short-term borrowings of our Group of approximately HK\$1.9 million with approximately HK\$2.1 million repayment commitment

BUSINESS OBJECTIVES, FUTURE PLANS AND USE OF PROCEEDS

as at the 31 August 2017 (which contains two loans with floating interest rates of HKD BLR-1% and USD BLR-0.5% per annum, respectively), the proceeds of which has been used for working capital purposes. In the event that the Offer Price falls below the mid-point of the Offer Price range, our Group will finance the shortfall of the repayment of the short-term borrowings and finance lease via internal resources and the renewal of our Group's existing bank borrowings;

- approximately HK\$2.4 million, representing approximately 5% of the estimated net proceeds, for expanding our product portfolio and strengthening our product development capability;
- approximately HK\$2.4 million, representing approximately 5% of the estimated net proceeds, for expanding our sales force and sales channel; and
- the balance of approximately HK\$5.0 million, representing approximately 10% of the estimated net proceeds, for working capital of our Group.

	From the Latest Practicable Date to				Total HK\$ million	Approximate percentage %
	Six months ending					
	30 April 2018 HK\$ million	31 October 2018 HK\$ million	30 April 2019 HK\$ million	31 October 2019 HK\$ million		
Upgrading our production facilities						
— Improving automation and efficiency of LED decorative lighting series	3.1	7.0	7.0	1.0	18.1	37
— Improving product quality and stability of LED luminaire lighting series	3.4	3.9	1.5	—	8.8	18
Repayment of short-term bank borrowings and finance lease	12.1	0.1	—	—	12.2	25
Expanding our product portfolio and strengthening our product development capability	0.6	0.7	0.7	0.4	2.4	5
Expanding our sales force and sales channel	0.6	0.7	0.7	0.4	2.4	5
General working capital	1.4	1.4	1.3	0.9	5.0	10
	<u>21.2</u>	<u>13.8</u>	<u>11.2</u>	<u>2.7</u>	<u>48.9</u>	<u>100</u>

In the event that the Offer Price is set at the high-end of the proposed Offer Price range and assuming that the Adjustment Options are not exercised, our Company will receive additional net proceeds of the Share Offer of approximately HK\$18.8 million when compared to the net proceeds receivable by our Company with the Offer Price being determined at the mid-point of the range as stated in this prospectus, which will be used in the same proportions as set out above.

In the event that the Offer Price is set at the low-end of the proposed Offer Price range and assuming that the Adjustment Options are not exercised, the net proceeds of the Share Offer will decrease by approximately HK\$18.8 million when compared to the net proceeds receivable by our Company with the Offer Price being determined at the mid-point of the range as stated in this prospectus. Under such circumstances, our Company intends to reduce its allocation of the net proceeds to the above purposes on a pro-rata basis.

BUSINESS OBJECTIVES, FUTURE PLANS AND USE OF PROCEEDS

If the Offer Size Adjustment Option or Over-allotment Option is exercised in full, we estimate that we would receive additional net proceeds of approximately HK\$11.3 million, assuming an Offer Price of HK\$0.4 per Share, being the mid-point of the Offer Price range stated in this prospectus. The additional net proceeds received from the exercise of the Offer Size Adjustment Option or Over-allotment Option will be applied pro rata to the above mentioned purposes. If the Offer Size Adjustment Option or Over-allotment Option is exercised at the higher or lower end of the Offer Price range stated in this prospectus, we will adjust our allocation of the net proceeds for the above mentioned purposes on a pro rata basis.

To the extent that such net proceeds of the Share Offer are not immediately applied to the above purposes, it is our present intention that such net proceeds will be deposited into interest-bearing bank accounts with licensed banks and/or financial institutions in Hong Kong.

IMPLEMENTATION PLANS

In order to implement the business objectives and strategies as described in the section headed “Business — Business Strategies and Prospects” in this prospectus, set forth below are our implementation plans for each of the six-month periods until 31 October 2019. It should be noted that our implementation plans are formulated on the bases and assumptions referred to in the paragraphs headed “Bases and Assumptions” below. These bases and assumptions are subject to many uncertainties and unpredictable factors, in particular the risk factors set forth in the section headed “Risk Factors” in this prospectus.

From the Latest Practicable Date to 30 April 2018

<i>Business strategies</i>	<i>Implementation activities</i>	<i>Sources of funding</i>
Upgrading our production facilities	improving automation and efficiency of LED decorative lighting series (i) purchasing new automatic welding machines for the production of mobile phone applications linked LED decorative lighting products (ii) purchasing machinery for the production of more flexible user-friendly LED decorative lighting products (iii) purchasing machinery with a higher level of automation for the assembling of the LED decorative lighting products (iv) modifying and alternating our existing machines for the production of LED capsules	Listing proceeds of approximately HK\$3.1 million

BUSINESS OBJECTIVES, FUTURE PLANS AND USE OF PROCEEDS

<i>Business strategies</i>	<i>Implementation activities</i>	<i>Sources of funding</i>
	improving product quality and stability of LED luminaire lighting series	Listing proceeds of approximately HK\$3.4 million
	(i) purchase additional facility for LED tube light aging test	
	(ii) invest in new surface mount technology (SMT) production line which is to be operated in a clean room	
Expanding our product portfolio and strengthening our product development capability	— recruiting design and experienced technical personnel — applying patents	Listing proceeds of approximately HK\$0.6 million
Expanding our sales force and sales channel	— recruiting sales staff and providing training — participation in exhibitions and trade fairs	Listing proceeds of approximately HK\$0.6 million

From the six months ending 31 October 2018

<i>Business strategies</i>	<i>Implementation activities</i>	<i>Sources of funding</i>
Upgrading our production facilities	improving automation and efficiency of LED decorative lighting series	Listing proceeds of approximately HK\$7.0 million
	(i) purchasing new automatic welding machines for the production of mobile phone applications linked LED decorative lighting products	
	(ii) purchasing machinery for the production of more flexible user-friendly LED decorative lighting products	
	(iii) purchasing machinery with a higher level of automation for the assembling of the LED decorative lighting products	
	(iv) modifying and alternating our existing machines for the production of LED capsules	

BUSINESS OBJECTIVES, FUTURE PLANS AND USE OF PROCEEDS

<i>Business strategies</i>	<i>Implementation activities</i>	<i>Sources of funding</i>
	improving product quality and stability of LED luminaire lighting series	Listing proceeds of approximately HK\$3.9 million
	(i) purchase additional facility for LED tube light aging test	
	(ii) invest in new surface mount technology (SMT) production line which is to be operated in a clean room	
Expanding our product portfolio and strengthening our product development capability	— recruiting design and experienced technical personnel — applying patents	Listing proceeds of approximately HK\$0.7 million
Expanding our sales force and sales channel	— recruiting sales staff and providing training — participation in exhibitions and trade fairs	Listing proceeds of approximately HK\$0.7 million

From the six months ending 30 April 2019

<i>Business strategies</i>	<i>Implementation activities</i>	<i>Sources of funding</i>
Upgrading our production facilities	improving automation and efficiency of LED decorative lighting series	Listing proceeds of approximately HK\$7.0 million
	(i) purchasing new automatic welding machines for the production of mobile phone applications linked LED decorative lighting products	
	(ii) purchasing machinery for the production of more flexible user-friendly LED decorative lighting products	
	(iii) purchasing machinery with a higher level of automation for the assembling of the LED decorative lighting products	
	(iv) modifying and alternating our existing machines for the production of LED capsules	

BUSINESS OBJECTIVES, FUTURE PLANS AND USE OF PROCEEDS

<i>Business strategies</i>	<i>Implementation activities</i>	<i>Sources of funding</i>
	improving product quality and stability of LED luminaire lighting series	Listing proceeds of approximately HK\$1.5 million
	(i) purchase additional facility for LED tube light aging test	
	(ii) invest in new surface mount technology (SMT) production line which is to be operated in a clean room	
Expanding our product portfolio and strengthening our product development capability	— recruiting design and experienced technical personnel — applying patents	Listing proceeds of approximately HK\$0.7 million
Expanding our sales force and sales channel	— recruiting sales staff and providing training — participation in exhibitions and trade fairs	Listing proceeds of approximately HK\$0.7 million

From the six months ending 31 October 2019

<i>Business strategies</i>	<i>Implementation activities</i>	<i>Sources of funding</i>
Upgrading our production facilities	improving automation and efficiency of LED decorative lighting series	Listing proceeds of approximately HK\$1.0 million
	(i) purchasing new automatic welding machines for the production of mobile phone applications linked LED decorative lighting products	
	(ii) purchasing machinery for the production of more flexible user-friendly LED decorative lighting products	
	(iii) purchasing machinery with a higher level of automation for the assembling of the LED decorative lighting products	
	(iv) modifying and alternating our existing machines for the production of LED capsules	

BUSINESS OBJECTIVES, FUTURE PLANS AND USE OF PROCEEDS

<i>Business strategies</i>	<i>Implementation activities</i>	<i>Sources of funding</i>
Expanding our product portfolio and strengthening our product development capability	— recruiting design and experienced technical personnel — applying patents	Listing proceeds of approximately HK\$0.4 million
Expanding our sales force and sales channel	— recruiting sales staff and providing training — participation in exhibitions and trade fairs	Listing proceeds of approximately HK\$0.4 million

BASES AND ASSUMPTIONS

Our Directors have adopted the following principal assumptions in the preparation of the implementation plan up to 31 October 2019:

- (i) there will be no material changes in the existing political, legal, fiscal or economic conditions in North America and Asia Pacific, and any other places in which any member of our Group carries on or will carry on business;
- (ii) there will be no material changes in the bases or rates of taxation applicable to our Group;
- (iii) the Share Offer will be completed in accordance with and as described in the section headed “Structure and Conditions of the Share Offer” to this prospectus;
- (iv) we are able to maintain our customers;
- (v) we are able to retain key staff in the management and the main operational departments;
- (vi) we will not be materially affected by any risk factors set out in the section headed “Risk Factors” in this prospectus; and
- (vii) we will be able to continue our operation in substantially the same manner as we have been operating during the Track Record Period and we will also be able to carry out our development plans without disruptions adversely affecting our operations or business objectives in any way.

UNDERWRITING

PUBLIC OFFER UNDERWRITERS

Ample Orient Capital Limited
ChaoShang Securities Limited
China-Hong Kong Link Securities Company Limited
Grand Partners Securities Limited
Pacific Foundation Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

The Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company is initially offering 20,000,000 Public Offer Shares at the Offer Price for subscription by the public in Hong Kong and subject to the terms and conditions set forth in this prospectus and the Application Forms.

Subject to, among other matters, the Listing Division granting the listing of, and permission to deal in, the Shares in issue and any Shares which may fall to be issued pursuant to the Share Offer (including any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option or Over-allotment Option and any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), the Offer Price having been determined by our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) at or prior to Tuesday, 7 November 2017 or such other date or time as may be agreed between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) but in any event not later than Monday, 13 November 2017, and to the satisfaction of certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have severally agreed to subscribe or procure subscribers for the Public Offer Shares being offered on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement. The Public Offer Shares are fully underwritten pursuant to the Public Offer Underwriting Agreement.

Grounds for termination

The respective obligations of the Public Offer Underwriters to subscribe for, or procure subscribers for, the Public Offer Shares under the Public Offer Underwriting Agreement are subject to termination. The Sponsor and the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) may in their sole and absolute discretion terminate the Public Offer Underwriting Agreement with immediate effect by written notice to our Company at any time at or before 8:00 a.m. (Hong Kong time) on the Listing Date (the “**Termination Time**”) if:

- (i) there shall develop, occur, exist or come into effect:
 - (a) any change or prospective change (whether or not permanent) in the business or in the earnings, operations, financial or trading position of our Group; or

UNDERWRITING

- (b) any change or development involving a prospective change or development, or any event or series of event resulting or representing or is/are likely to result in any change or development involving a prospective change or deterioration (whether or not permanent) in local, national, regional or international financial, political, military, industrial, economic, legal framework, regulatory, fiscal, currency, credit or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets) in or affecting any of Hong Kong, PRC, BVI, Cayman Islands or any other jurisdictions where any member of our Group is incorporated or operates (collectively, the “**Relevant Jurisdictions**”); or
- (c) any deterioration of any pre-existing local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions in or affecting any of the Relevant Jurisdictions; or
- (d) any new laws or any change (whether or not forming part of a series of changes) or development involving a prospective change in existing laws or any change or development involving a prospective change in the interpretation or application thereof by any court or governmental authority in or affecting any of the Relevant Jurisdictions; or
- (e) a change or development or event involving a prospective change in taxation or exchange control (or in the implementation of any exchange control) or foreign investment regulations in or affecting any of the Relevant Jurisdictions adversely affecting an investment in shares; or
- (f) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or crisis involving or affecting any of the Relevant Jurisdictions; or
- (g) any event, act or omission which gives rise or is likely to give rise to any liability of any of our Company, Controlling Shareholders and executive Directors under the Public Offer Underwriting Agreement pursuant to the indemnities contained therein; or
- (h) the imposition or declaration of (i) any suspension or restriction on dealings in shares or securities generally on the Stock Exchange or any other major international stock exchange or any minimum or maximum prices for trading having been fixed, or maximum ranges for prices having been required, by any of the said exchanges or by such system or by order of any regulatory or governmental authority or (ii) any moratorium on commercial banking activities or disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any of the Relevant Jurisdictions; or
- (i) the imposition of economic or other sanctions, in whatever form, directly or indirectly, in or affecting any of the Relevant Jurisdictions; or

UNDERWRITING

- (j) any event, or series of events, in the nature of force majeure (including without limitation, any acts of God, acts of government, declaration of a national or international emergency or war, acts or threat of war, calamity, crisis, economic sanction, riot, public disorder, civil commotion, fire, drought, severe snow or hail storms, flooding, explosion, earthquake, hurricanes, tornadoes, volcanic eruption, epidemic (including severe acute respiratory syndrome or avian flu), pandemic, outbreak of disease, radiation or chemical contaminations, terrorism, strike or lockout) in or affecting any of the Relevant Jurisdictions; or
- (k) any change or development involving a prospective change, or a materialisation of any of the risks set out in the section headed “Risk Factors” in this prospectus; or
- (l) any change in the system under which the value of the Hong Kong dollar is linked to that of the U.S. dollars or a material devaluation of Hong Kong dollars against any foreign currency; or
- (m) any 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
- (n) save as disclosed in this prospectus, a contravention by any member of our Group of the GEM Listing Rules or applicable laws; or
- (o) a prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares (including the additional Shares may be allotted and issued by our Company upon the exercise of the Adjustment Options) pursuant to the terms of the Share Offer for whatever reason; or
- (p) non-compliance of any statement or disclosure of this prospectus or Application Forms or any aspect of the Share Offer with the GEM Listing Rules or any other applicable laws; or
- (q) other than with the prior approval of the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters), the issue by our Company of a supplementary prospectus (or any other documents used in connection with the contemplated subscription and sale of the Shares) pursuant to the Companies (Winding up and Miscellaneous Provisions) Ordinance or the GEM Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
- (r) an order is made or a petition is presented for the winding-up or liquidation of any member of our Group or any member of our Group making any composition or arrangement with its creditors or entering into a scheme of arrangement or any resolution being passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager being appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto in respect of any member of our Group; or
- (s) any loss or damage sustained by any member of our Group; or

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- (t) save as disclosed in this prospectus, any litigation or claim of material importance of any third party being threatened or instigated against any member of our Group; or
- (u) a Director being charged with an indictable offence or prohibited by the operation of law or is otherwise disqualified from being a director or taking part in the management of a company; or
- (v) the chairman or president of our Company vacating his office; or
- (w) the commencement by any governmental, regulatory or judicial body or organisation of any action against a Director or an announcement by any governmental, regulatory or judicial body or organisation that it intends to take any such action; or
- (x) our Company withdraws any of the prospectus or the Application Forms (and/or any other documents used in connection with the contemplated subscription of the Offer Shares); or
- (y) any person (other than the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and any of the Underwriters and their legal advisers) has withdrawn or sought to withdraw its consent to being named in any of the prospectus and Application Forms, or to the issue of any such documents; or
- (z) any matter or event resulting in a breach of any of the warranties, representations or undertakings contained in the Public Offer Underwriting Agreement or there has been a material breach of any other provisions thereof;

which, whether individually or in the aggregate, in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters):

- (a) is or will or may individually or in the aggregate have a material adverse effect on the business, financial, trading or other condition or prospects of our Group taken as a whole; or
- (b) has or will or may have a material adverse effect on the success of the Public Offer, the Placing and/or the Share Offer or the level of Offer Shares being applied for or accepted or the distribution of Offer Shares; or
- (c) is or will or may make it impracticable, inadvisable, inexpedient or not commercially viable (i) for any material part of the Public Offer Underwriting Agreement, the Placing Underwriting Agreement, the Public Offer, the Placing and/or the Share Offer to be performed or implemented in accordance with its terms or (ii) to proceed with or to market the Public Offer, the Placing and/or the Share Offer on the terms and in the manner contemplated in this prospectus; or

UNDERWRITING

- (ii) any of the Public Offer Underwriters shall become aware of the fact that, or have cause to believe that:
 - (a) any of the warranties given by our Company, Controlling Shareholders and executive Directors under the Public Offer Underwriting Agreement or pursuant to the Placing Underwriting Agreement is untrue, inaccurate, misleading or breached in any material respect when given or as repeated as determined by the Sole Global Coordinator (in its sole and absolute discretion), or has been declared or determined by any court or governmental authorities to be illegal, invalid or unenforceable in any material respect;
 - (b) any statement contained in this prospectus, the Application Forms, the formal notice or any announcement issued by our Company in respect of Public Offer, the Placing and/or the Share Offer (including any supplemental or amendment thereto) was or is untrue, incorrect or misleading in any material respect, or any matter arises or is discovered which would, if this prospectus were to be issued at that time, constitute a material omission therefrom as determined by the Sole Global Coordinator (in its sole and absolute discretion), or that any forecasts, expressions of opinion, intention or expectation expressed in this prospectus, the Application Forms, the formal notice and/or any announcements issued by our Company in connection with Public Offer, the Placing and/or the Share Offer (including any supplemental or amendment thereto) are not fair and honest and based on reasonable assumptions, when taken as a whole; or
 - (c) there has been a material breach on the part of any of our Company, Controlling Shareholders and executive Directors of any of the provisions of the Public Offer Underwriting Agreement or the Placing Underwriting Agreement as determined by the Sole Global Coordinator (in its sole and absolute discretion).

Undertakings

Undertakings pursuant to the Public Offer Underwriting Agreement

- (a) In addition to the requirement under Rule 13.16A(1) of the GEM Listing Rules, each of our Controlling Shareholders jointly and severally undertakes to and covenants with our Company, the Sponsor and the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) that, save as permitted under Rule 13.18 of the GEM Listing Rules, he/it shall not and shall procure his or its associates and the relevant registered holders shall not:
 - (i) in the period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholder is made in this prospectus and ending on the date which is thirty months from the Listing Date (the “**First Lock-up Period**”), sell, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares in respect of which he/it is shown in this prospectus to be the beneficial owner(s); and
 - (ii) in the period of six months commencing from the date immediately following the date on which the First Lock-up Period expires, sell, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares if, immediately following such disposal or upon the exercise or

UNDERWRITING

enforcement of such options, rights, interests or encumbrances, he/it would, either individually or taken together with the others of them, cease to be a Controlling Shareholder of our Company,

provided that the restrictions in this paragraph shall not apply to any Shares which our Controlling Shareholders or any of his/its respective associates may acquire or become interested in following the Listing Date;

- (b) our Company undertakes to and covenants with the Sponsor and the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters), and each of our executive Directors and our Controlling Shareholders jointly and severally undertakes to and covenants with the Sponsor and the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) to procure that, save with the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) (such consent not to be unreasonably withheld or delayed), or save pursuant to the Share Offer (including the Adjustment Options) and the Stock Borrowing Agreement, our Company shall not, within the period of six months from the Listing Date:
 - (i) save as permitted under the GEM Listing Rules (including Rule 17.29 of the GEM Listing Rules) and the applicable laws or pursuant to an issue of Shares under the Share Option Scheme, allot or issue or agree to allot or issue any Shares or any other securities of our Company (including warrants or other convertible securities (and whether or not a class already listed));
 - (ii) grant or agree to grant any options, warrants or other rights carrying any rights to subscribe for or otherwise convert into, or exchange for any Shares or any other securities of our Company;
 - (iii) purchase any securities of our Company; or
 - (iv) offer to or agree to do any of the foregoing or announce any intention to do so.

Our Company will inform the Stock Exchange as soon as it has been informed of the above matters (if any) by the Controlling Shareholders and disclose such matters by way of publishing an announcement in accordance with Rule 17.43 of the GEM Listing Rules.

Such undertaking can be waived as agreed between our Company, the Sponsor and the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) without recommendations of the independent committee of our Board comprising independent non-executive Directors and/or the approval of our independent Shareholders. Should the undertaking be waived, there is no assurance that our Controlling Shareholders will not dispose of their Shares. For details of the risk related to the disposal of our Shares held by our Controlling Shareholders, please refer to the section headed “Risk Factors” in this prospectus.

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Undertakings to the Stock Exchange pursuant to the GEM Listing Rules

- (a) Pursuant to Rule 13.16A(1) of the GEM Listing Rules, each of our Controlling Shareholders undertakes to and covenants with the Stock Exchange that, save as provided in Rule 13.18 of the GEM Listing Rules, he/it shall not and shall procure that the relevant registered holders shall not:
- (i) in the period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholder is made in this prospectus and ending on the date which is six months from the Listing Date (the “**First 6-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 our Shares in respect of which he/it is shown in this prospectus to be the beneficial owner(s); and
 - (ii) in the period of six months commencing from the date immediately following the date on which the First 6-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 our Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a Controlling Shareholder of our Company,
- provided that the restrictions in this paragraph (a) shall not apply to any Shares which our Controlling Shareholders or any of his/its respective associates may acquire or become interested in following the Listing Date;
- (b) each of our Controlling Shareholders undertakes to and covenants with our Company, the Sponsor, the Sole Global Coordinator (for itself and on behalf of the Underwriters) and the Stock Exchange that:
- (i) in the event that he/it pledges or charges any of his/its direct or indirect interest in our Shares under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules at any time during the periods as specified in paragraph (a) above, he/it must inform our Company, the Sponsor, and the Sole Global Coordinator immediately thereafter, disclosing the details as specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and
 - (ii) having pledged or charged any of his/its interests in our Shares under sub-paragraph (i) above, he/it must inform our Company, the Sponsor and the Sole Global Coordinator immediately in the event that he/it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of our Shares affected.
- (c) Pursuant to Rule 17.29 of the GEM Listing Rules, our Company has 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 the First 6-Month Period (whether or not such issue of Shares or securities will be completed within the First 6-Month Period), except in certain prescribed circumstances which includes the issue of Shares pursuant to the Share Option Scheme.

UNDERWRITING

Placing

Placing Underwriting Agreement

In connection with the Placing, it is expected that our Company and Controlling Shareholders will enter into the Placing Underwriting Agreement with, among other parties, the Placing Underwriters and other parties (if any) on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below.

Under the Placing Underwriting Agreement, subject to the conditions set forth therein, the Placing Underwriters are expected to severally, but not jointly, agree to procure subscribers and purchasers to subscribe for or purchase, or failing which they shall subscribe for or purchase, the 180,000,000 Placing Shares initially being offered pursuant to the Placing. It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed. The Placing Underwriting Agreement is conditional on and subject to the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that pursuant to the Placing Underwriting Agreement, our Company and Controlling Shareholders will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement as described in the paragraph headed “Underwriting Arrangements and Expenses — Undertakings — Undertakings pursuant to the Public Offer Underwriting Agreement” above in this section. It is also expected that upon entering into the Placing Underwriting Agreement, the Placing will be fully underwritten.

It is expected that our Company will grant to the Placing Underwriters the Adjustment Options, exercisable by the Sole Global Coordinator (for itself and on behalf of the Placing Underwriters). Please refer to the paragraphs headed “Structure and Conditions of the Share Offer — Offer Size Adjustment Option” and “Structure and Conditions of the Share Offer — Over-allotment Option” for more information.

Commission and expenses

The Public Offer Underwriters are expected to receive an underwriting commission of 6% of the aggregate Offer Price payable for the Public Offer Shares initially offered under the Public Offer in accordance with the terms of the Public Offer Underwriting Agreement, under which the Public Offer Underwriters may pay any sub-underwriting commission in connection with the Public Offer. The Placing Underwriters are expected to receive an underwriting commission on the aggregate Offer Price payable for the Placing Shares initially offered under the Placing. The Sponsor will, in addition, receive a sponsor’s fee in relation to the Listing and will be reimbursed for their expenses. The aggregate fees and commission, together with the Stock Exchange listing fees, the Stock Exchange trading fee and SFC transaction levy, legal and other professional fees, printing and other expenses relating to the Share Offer, are currently estimated to be approximately HK\$4.8 million in aggregate, assuming that the Adjustment Options are not exercised and an Offer Price of HK\$0.4, being the mid-point of the indicative Offer Price range, which will be payable by us.

UNDERWRITING

Sponsor's and Underwriters' interests in our Company

We have appointed Ample Capital as our compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules for the period commencing on the Listing Date and ending on the date on which we comply with Rule 18.03 of the GEM Listing Rules in respect of our financial results for the second full financial year commencing after the Listing Date.

Save for its interests and obligations under the Public Offer Underwriting Agreement, the Placing Underwriting Agreement and save as disclosed in this prospectus, none of the Sponsor and the Underwriters or any of their respective associates is interested beneficially or non-beneficially in any shares in any member of our Group nor has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares of any member of our Group.

The Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 6A.07 of the GEM Listing Rules.

Minimum public float

Our Directors will ensure that there will be minimum 25% of the total issued Shares held in public hands in accordance with Rule 11.23 of the GEM Listing Rules after completion of the Share Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE SHARE OFFER

The Share Offer comprises the Placing and the Public Offer. A total of 200,000,000 Offer Shares will be made available under the Share Offer, of which 180,000,000 Placing Shares (subject to reallocation and the Adjustment Options), representing 90% of the Offer Shares, will initially be conditionally placed with selected professional, institutional and other investors under the Placing. The remaining 20,000,000 Public Offer Shares (subject to reallocation), representing 10% of the Offer Shares, will initially be offered to members of the public in Hong Kong under the Public Offer. The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. The Public Offer Underwriters have agreed to underwrite the Public Offer Shares under the terms of the Public Offer Underwriting Agreement. The Placing Underwriters will underwrite the Placing Shares pursuant to the terms of the Placing Underwriting Agreement. Further details of the underwriting are set out in the section headed “Underwriting” in this prospectus.

Investors may apply for Offer Shares under the Public Offer or indicate an interest for Offer Shares under the Placing, but may not do both.

The Placing

Our Company is expected to offer initially 180,000,000 Placing Shares (subject to reallocation and the Adjustment Options) at the Offer Price under the Placing. The number of Placing Shares expected to be initially available for application under the Placing represents 90% of the total number of Offer Shares initially available for subscription under the Share Offer. The Placing is expected to be fully underwritten by the Placing Underwriters subject to the Offer Price being agreed on or before the Price Determination Date.

It is expected that the Placing Underwriters or selling agents nominated by them, on behalf of our Company, will conditionally place the Placing Shares at the Offer Price with selected professional, institutional and other investors. Professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Other investors applying through banks or other institutions who sought the Placing Shares in the Placing may also be allocated the Placing Shares.

Allocation of the Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to acquire further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and its shareholders as a whole. Investors to whom Placing Shares are offered will be required to undertake not to apply for Shares under the Public Offer.

In particular, the Placing Shares will be allocated pursuant to Rule 11.23(8) of the GEM Listing Rules, that is not more than 50% of the Shares in public hands at the time of Listing will be owned by the three largest public Shareholders.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Our Company, our Directors, the Sponsor and the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) are required to take reasonable steps to identify and reject applications under the Public Offer from investors who receive Shares under the Placing, and to identify and reject indications of interest in the Placing from investors who receive Shares under the Public Offer.

The Placing is expected to be subject to the conditions as stated in the paragraph headed “Conditions of the Share Offer” in this section.

The Public Offer

Our Company is initially offering 20,000,000 Public Offer Shares for subscription (subject to reallocation) by members of the public in Hong Kong under the Public Offer, representing 10% of the total number of Offer Shares initially available for subscription under the Share Offer. Applicants for the Public Offer Shares are required on application to pay the maximum Offer Price of HK\$0.5 per Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy.

Multiple or suspected multiple applications under the Public Offer and any application for more than 20,000,000 Public Offer Shares initially available for subscription will be rejected. An applicant for Shares under the Public Offer will be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it has not applied for nor taken up any Shares under the Placing nor otherwise participated in the Placing. Applicants should note that if such undertaking and/or confirmation given by an applicant is breached and/or is untrue (as the case may be), such applicant’s application under the Public Offer is liable to be rejected.

The Public Offer is open to members of the public in Hong Kong as well as to institutional or professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing shares and other securities and corporate entities which regularly invest in shares and other securities. Completion of the Public Offer is subject to the conditions as set out in the paragraph headed “Conditions of the Share Offer” in this section.

The Public Offer is fully underwritten by the Underwriters, subject to the terms and conditions of the Underwriting Agreement, and also subject to the Offer Price being fixed by the Price Determination Agreement.

Allocation of the Offer Shares to investors will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary depending on the number of Public Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares. In particular, the Public Offer Shares will be allocated pursuant to Rule 11.23(8) of the GEM Listing Rules, which provides that not more than 50% of the Shares in public hands at the time of the Listing will be owned by the three largest public Shareholders. There will not be any preferential treatment in the allocation of the Public Offer Shares to any persons.

Details of the Public Offer will be announced in accordance with Rules 16.07 and 16.13 of the GEM Listing Rules.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

REALLOCATION OF THE OFFER SHARES BETWEEN PLACING AND PUBLIC OFFER

The allocation of the Offer Shares between the Placing and the Public Offer is subject to reallocation on the following basis:

- (a) if the number of Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the total number of Shares available for subscription under the Public Offer will be increased to 60,000,000 Shares, representing 30% of the total number of the Offer Shares initially available for subscription under the Share Offer prior to the exercise of the Adjustment Options;
- (b) if the number of Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the number of Shares available for subscription under the Public Offer will be increased to 80,000,000 Shares, representing 40% of the total number of the Offer Shares initially available for subscription under the Share Offer prior to the exercise of the Adjustment Options; and
- (c) if the number of Shares validly applied for under the Public Offer represents 100 times or more the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the number of Shares available for subscription under the Public Offer will be increased to 100,000,000 Shares, representing 50% of the total number of the Offer Shares initially available for subscription under the Share Offer prior to the exercise of the Adjustment Options.

In all cases, the number of Offer Shares allocated to the Placing will be correspondingly reduced.

If the Public Offer Shares are not fully subscribed, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Sole Global Coordinator deems appropriate. In addition, the Sole Global Coordinator may reallocate Placing Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer.

The Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator.

ADJUSTMENT OPTIONS

In connection with the Share Offer, our Company intends to grant the Offer Size Adjustment Option and the Over-allotment Option to the Placing Underwriters exercisable by the Sole Global Coordinator (for itself and on behalf of the Placing Underwriters) at its sole and absolute discretion and with prior written consent of our Company.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Offer Size Adjustment Option

Pursuant to the Offer Size Adjustment Option, if the final Offer Price as agreed between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) is less than HK\$0.5 per Offer Share, such that the size of the Share Offer is less than HK\$100 million, the Sole Global Coordinator has its sole and absolute right and with the prior written consent of our Company, exercisable at any time from the date of the Placing Underwriting Agreement up to 5:00 p.m. on the business day immediately before the date of announcement of the results of allocations and the basis of allocation of the Public Offer Shares to require our Company to allot and issue up to an aggregate of 30,000,000 additional Shares, representing 15% of the total number of Offer Shares initially available for subscription under the Share Offer, at the same price per Offer Share at which Offer Shares were initially offered under the Placing, to cover excess demand in the Placing, if any, on the same terms and conditions as the Offer Shares that are subject to the Share Offer. The Offer Size Adjustment Option will not be used for price stabilisation purposes in the secondary market after Listing of our Shares on the Stock Exchange and is not subject to the Securities and Futures (Price Stabilising) Rules (Chapter 571W of the Laws of Hong Kong). Any such additional Shares may be issued to cover any excess demand in the Placing. If the Sole Global Coordinator exercises the Offer Size Adjustment Option in full, the additional Offer Shares will represent approximately 5.66% of our Company's enlarged issued share capital immediately following completion of the Share Offer and the exercise of the Offer Size Adjustment Option. We will disclose in the announcement of the results of allocations whether or not the Offer Size Adjustment Option has been exercised, if so, to what extent. If the Offer Size Adjustment Option is not exercised at or before 5:00 p.m. on the business day prior to the announcement of results of allocations, the Offer Size Adjustment Option will lapse.

Over-allotment Option

Pursuant to the Over-allotment Option, if the final Offer Price as agreed between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) is HK\$0.5 per Offer Share such that the size of the Share Offer is HK\$100 million, the Sole Global Coordinator has its sole and absolute right and with the prior written consent of our Company, exercisable at any time from the Listing Date until the 30th day after the last day for the lodging of applications under the Public Offer and from time to time, to require our Company to allot and issue up to an aggregate of 30,000,000 additional Shares, representing 15% of the total number of Offer Shares initially available for subscription under the Share Offer, at the same price per Offer Share at which Offer Shares were initially offered under the Placing, to cover over-allocations in the Placing, if any, on the same terms and conditions as the Offer Shares that are subject to the Share Offer.

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 securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the Offer Price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the Offer Price.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

In connection with the Share Offer, the Stabilising Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may effect transactions with a view to stabilising or supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilising Manager, its affiliates or any person acting for it, to conduct any such stabilising action. Such stabilising action, if taken, (i) will be conducted at the absolute discretion of the Stabilising Manager, its affiliates or any person acting for it, and in what the Stabilising Manager reasonably regards as the best interest of our Company, (ii) may be discontinued at any time and (iii) is required to be brought to an end within 30 days of the last day for lodging applications under the Public Offer. Such stabilisation action may only be commenced if the size of the Share Offer is HK\$100 million or above.

Stabilisation action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO includes (i) over-allocating for the purpose of preventing or minimising any reduction in the market price of the Shares; (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares; (iii) purchasing, or agreeing to purchase, the 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 the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases; and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilising Manager, its affiliates or any person acting for it may, in connection with the stabilising action, maintain a long position in the Shares;
- there is no certainty as to the extent to which and the time or period for which the Stabilising Manager, its affiliates or any person acting for it will maintain such a long position;
- liquidation of any such long position by the Stabilising Manager, its affiliates or any person acting for it and selling in the open market, may have an adverse impact on the market price of the Shares;
- no stabilising action can be taken to support the price of the Shares for longer than the stabilisation period, which will begin on the Listing Date, and is expected to expire on 3 December 2017, being the 30th day after the last day for lodging applications under the Public Offer. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and
- stabilising bids or transactions effected in the course of the stabilising action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilisation period.

The Sole Global Coordinator may, at its option, also cover such over-allocations by purchasing the Offer Shares in the secondary market or through stock borrowing arrangements from holders of Shares or exercise of Over-allotment Option, or by a combination of these means or otherwise as may be permitted under applicable laws, rules and regulations. If the Sole Global Coordinator exercises the Over-allotment Option in full, the additional Offer Shares will represent approximately 5.66% of our Company's enlarged issued share capital immediately following completion of the Share Offer and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made.

STOCK BORROWING AGREEMENT

In order to facilitate settlement of over-allocations in connection with the Placing, the Stabilising Manager may enter into the Stock Borrowing Agreement with Real Charm if the final Offer Price as agreed between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) is HK\$0.5 per Offer Share. If the Stock Borrowing Agreement is entered into and if requested by the Stabilising Manager, Real Charm will, subject to the terms of the Stock Borrowing Agreement, make available to the Stabilising Manager up to 30,000,000 Shares held by it, by way of stock lending, in order to cover over-allocations in connection with the Placing, if any.

If such stock borrowing arrangement with Real Charm is entered into, it will only be effected by the Stabilising Manager, its affiliates or any person acting for it for the settlement of over-allocations in the Placing and such arrangement is not subject to the restrictions of rule 13.15(5)(a) of the GEM Listing Rules provided that the requirements set forth in Rule 13.15(5) of the GEM Listing Rules are complied with.

The same number of Shares so borrowed must be returned to Real Charm or its nominees, as the case may be, on or before the third business day following the earlier of (i) the last day on which the Over-allotment Option may be exercised and (ii) the day on which the Over-allotment Option is exercised in full.

The stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to Real Charm by the Stabilising Manager, its affiliates or any person acting for it in relation to such stock borrowing arrangement.

DETERMINING THE OFFER PRICE

The Offer Price is expected to be fixed by the Price Determination Agreement to be entered into between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on or before the Price Determination Date, when the market demand for the Offer Shares will be ascertained. The Price Determination Date is currently expected to be on or around Tuesday, 7 November 2017.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Prospective investors should be aware that the Offer Price to be determined on or before the Price Determination Date may be, but not expected to be, lowered than the indicative Offer Price range as stated in this prospectus. The Offer Price will not be more than HK\$0.5 per Offer Share and is expected to be not less than HK\$0.3 per Offer Share. The Offer Price will fall within the Offer Price range as stated in this prospectus unless otherwise announced, not later than the morning of the last day for lodging applications under the Public Offer.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, where they consider appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during a book-building process, and with the consent of our Company, reduce the number of the Offer Shares and/or the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day lodging applications under the Public Offer, cause there to be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.bortex.com.cn notices of reduction in the number of the Offer Shares and/or the indicative Offer Price range. Upon issue of such a notice, the revised number of the Offer Shares and/or Offer Price range will be final and conclusive and the Offer Price, if agreed upon with our Company, will be fixed within such revised number of the Offer Shares and/or Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Share Offer 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. In the absence of any notice being published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.bortex.com.cn of a reduction in the number of the Offer Shares and/or the indicative Offer Price range as stated in this prospectus on or before the morning of the last day for lodging applications under the Public Offer, the Offer Price, if agreed upon by the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

If, for any reason, the Offer Price is not agreed between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before Monday, 13 November 2017, the Share Offer will not proceed and will lapse.

Announcement of the Offer Price, together with the level of indication of interests in the Placing and the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares is expected to be published on or before Wednesday, 15 November 2017.

PRICE PAYABLE ON APPLICATION

The Offer Price plus a 1% brokerage fee, a 0.0027% SFC transaction levy and a 0.005% Stock Exchange trading fee make up the total price payable in cash on application.

The Offer Price will not be more than HK\$0.5 per Offer Share and is expected to be not less than HK\$0.3 per Offer Share unless otherwise announced. Applicants, on application, shall pay the maximum Offer Price of HK\$0.5 per Offer Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy, amounting to a total of HK\$4,040.31 for every board lot of 8,000 Shares. The Offer Price will fall within the indicative Offer Price range as stated in this prospectus unless otherwise announced.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

If the Offer Price, as finally determined in the manner described above, is lower than the maximum Offer Price of HK\$0.5 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application monies) will be made to applicants, without interest.

Further details are set out in the section headed “How to Apply for Public Offer Shares” in this prospectus.

CONDITIONS OF THE SHARE OFFER

The Share Offer will be conditional upon, among others:

- (i) the Listing Division granting the approval of the listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to the Share Offer (including any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Options or Over-allotment Option and any Shares which may be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme) (and such listing and permission not subsequently being revoked prior to the commencement of dealings in the Shares on GEM);
- (ii) (the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, the waiver of any condition(s) by the Sponsor and/or the Sole Global Coordinator (for itself and on behalf of the Underwriters) and the Underwriting Agreements not being terminated in accordance with the terms of that agreement or otherwise); and
- (iii) the Offer Price having been duly determined and the execution of the Price Determination Agreement on or before the Price Determination Date,

in each case, on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) or if not as stipulated by 8:00 a.m. on the Listing Date or such other dates as the Sponsor and/or the Sole Global Coordinator (for itself and on behalf of the Underwriters) may agree but in any event not later than the 30th day after the date of this prospectus.

If any of the conditions are not fulfilled or waived by the Sponsor and/or the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before the dates and times specified above, the Share Offer will lapse, the Stock Exchange will be notified immediately and the application money will be returned to the applicants without interest. Notice of the lapse of the Share Offer will be published by our Company on the website of the Stock Exchange at www.hkexnews.hk and our Company’s website at www.bortex.com.cn on the next Business Day following such lapse.

The terms on which the application money will be returned to the applicants are set out in the section headed “How to Apply for Public Offer Shares — 13. Despatch/Collection of Share Certificates and Refund Monies” in this prospectus.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on GEM and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date, or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect their rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

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

LISTING ON ANY OTHER STOCK EXCHANGE

Our Directors are not considering any listing of the Shares on any other stock exchange. We have not submitted any application nor obtained any approval for the listing of the Shares on any other overseas stock exchange.

DEALINGS AND SETTLEMENT

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. on Thursday, 16 November 2017. Shares will be traded in board lots of 8,000 Shares each and are freely transferable. Our Company will not issue any temporary document of title. The GEM stock code for the Shares is 8118.

HOW TO APPLY FOR PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- 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 Sponsor, the Sole Global Coordinator and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public 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 United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

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 Sponsor and the Sole Global Coordinator (or their agents or nominees) may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four for the Public Offer Shares.

Unless permitted by the GEM Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any of its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- a connected person (as defined in the GEM Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Share Offer; and
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 31 October 2017 to 12:00 noon on Friday, 3 November 2017 from:

- (i) any of the following offices of the Public Offer Underwriters:

Ample Orient Capital Limited	Room A, 17/F, Fortune House 61 Connaught Road Central Central Hong Kong
ChaoShang Securities Limited	Rooms 4001–4002, 40/F China Resources Building 26 Harbour Road Wanchai Hong Kong
China-Hong Kong Link Securities Company Limited	19/F, 80 Gloucester Road Wan Chai Hong Kong
Grand Partners Securities Limited	9/F, Connaught Harbourfront House 35–36 Connaught Road West Hong Kong
Pacific Foundation Securities Limited	11/F, New World Tower II 16–18 Queen's Road Central Hong Kong

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (ii) any of the following branches of DBS Bank (Hong Kong) Limited, the receiving bank for the Public Offer:

District	Branch Name	Address
Hong Kong Island	United Centre Branch	Shops 1015–1018 on 1/F & Shops 2032–2034 on 2/F, United Centre, 95 Queensway, Admiralty
Kowloon	Canton Road — DBS Treasures Centre	G/F, Hanley House, 68 Canton Road, Tsimshatsui
	Kowloon Bay — SME Banking Centre	Shop 6, G/F, Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay
New Territories	Kwai Chung Branch	G/F, 1001 Kwai Chung Road, Kwai Chung

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 31 October 2017 until 12:00 noon on Friday, 3 November 2017 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 Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to **Ting Hong Nominees Limited — Bortex Global Public Offer** for the payment, should be deposited in the special collection boxes provided at any of the designated branches of the receiving bank listed above, at the following times:

- Tuesday, 31 October 2017 — 9:00 a.m. to 5:00 p.m.
- Wednesday, 1 November 2017 — 9:00 a.m. to 5:00 p.m.
- Thursday, 2 November 2017 — 9:00 a.m. to 5:00 p.m.
- Friday, 3 November 2017 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 3 November 2017, the last application day or such later time as described in “Effect of Bad Weather on the Opening of the Applications Lists” in this section.

HOW TO APPLY FOR PUBLIC OFFER SHARES

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person on whom you act):

- (i) undertake to execute all relevant documents and instruct and authorise our Company, the Sponsor and/or the Sole Global Coordinator (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Sponsor, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, receiving banks, the Sponsor, the Sole Global Coordinator, 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;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sponsor, the Sole Global Coordinator and the Underwriters nor any of their respective officers or advisers will

HOW TO APPLY FOR PUBLIC OFFER SHARES

breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the 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 Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company, the Directors, the Sponsor and the Sole Global Coordinator, and any of their respective directors, officers or representatives or any other person or parties involved in the Share Offer will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the 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 (<http://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
30/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 Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator and our Hong Kong Branch Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (ii) HKSCC Nominees will do the following things on your behalf:
- agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Public Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
 - (if the **electronic application 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, the Directors, the Sponsor and the Sole Global Coordinator, and any of their respective directors, officers or representatives or any other person or parties involved in the Share Offer will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
 - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
 - confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
 - agree that none of our Company, the Sponsor, the Sole Global Coordinator and the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
 - agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sponsor, the Sole Global Coordinator and the Underwriters and/or their respective advisers and agents;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- 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 Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (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 Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Public Offer Shares;
- agree with our Company, for 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 our Company and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with 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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per 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 8,000 Public Offer Shares. Instructions for more than 8,000 Public 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 Public 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:

- Tuesday, 31 October 2017 — 9:00 a.m. to 8:30 p.m.⁽¹⁾
- Wednesday, 1 November 2017 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
- Thursday, 2 November 2017 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
- Friday, 3 November 2017 — 8:00 a.m.⁽¹⁾ to 12:00 noon

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

HOW TO APPLY FOR PUBLIC OFFER SHARES

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, 31 October 2017 until 12:00 noon on Friday, 3 November 2017 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, 3 November 2017, the last application day or such later time as described in “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 Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (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 Branch Share Registrar, the receiving banker, the Sponsor, the Sole Global Coordinator, 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.

6. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. 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, the Directors, the Sponsor, the Sole Global Coordinator and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, 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/CASS Internet System for submission of **electronic application instructions**, they should either (i) submit a

HOW TO APPLY FOR PUBLIC OFFER SHARES

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 on Friday, 3 November 2017.

7. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each 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 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).

8. HOW MUCH ARE THE PUBLIC 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 Public Offer Shares under the terms set out in the Application Forms.

HOW TO APPLY FOR PUBLIC OFFER SHARES

You may submit an application using a **WHITE** or **YELLOW** Application Form in respect of a minimum of 8,000 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 8,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form.

If your application is successful, brokerage will be paid to the Exchange Participants, 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 Share Offer” in this prospectus.

9. 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 Friday, 3 November 2017. 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 Friday, 3 November 2017 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable”, an announcement will be made in such event.

10. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Wednesday, 15 November 2017 on our Company’s website at www.bortex.com.cn and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at www.bortex.com.cn and the Stock Exchange’s website at www.hkexnews.hk by no later than 9:00 a.m. on Wednesday, 15 November 2017;
- from the designated results of allocations website at www.tricor.com.hk/ipo/result with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Wednesday, 15 November 2017 to 12:00 mid-night on Tuesday, 21 November 2017;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- by telephone enquiry line by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Wednesday, 15 November 2017 to Monday, 20 November 2017, (excluding Saturday and Sunday or public holiday in Hong Kong); and
- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, 15 November 2017 to Friday, 17 November 2017 at all designated branches of the receiving bank.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed “Structure and Conditions of the Share Offer” in this prospectus.

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.

11. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC, 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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sponsor, the Sole Global Coordinator 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.

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Division of the Stock Exchange does not grant permission to list the 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 Division notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- your Application Form is not completed in accordance with the stated instructions;
- 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 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 20,000,000 Public Offer Shares.

12. 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\$0.5 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with "Structure and Conditions of the Share Offer — Conditions of the Share Offer" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Wednesday, 15 November 2017.

HOW TO APPLY FOR PUBLIC OFFER SHARES

13. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS 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 Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per 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 dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Wednesday, 15 November 2017. 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 Thursday, 16 November 2017 provided that the Share Offer has become unconditional and the right of termination described in the “Underwriting” section 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

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 15 November 2017 or such other date as notified by us.

HOW TO APPLY FOR PUBLIC OFFER SHARES

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 Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Wednesday, 15 November 2017, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Wednesday, 15 November 2017, 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 Wednesday, 15 November 2017, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- **If you apply through a designated CCASS participant (other than a CCASS investor participant)**

For Public Offer shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

- **If you are applying as a CCASS investor participant**

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 15 November 2017 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

HOW TO APPLY FOR PUBLIC OFFER SHARES

(iii) If you apply via Electronic Application Instructions to HKSCC

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, 15 November 2017, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in "Publication of Results" above on Wednesday, 15 November 2017. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 15 November 2017 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, 15 November 2017. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC

HOW TO APPLY FOR PUBLIC OFFER SHARES

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 Wednesday, 15 November 2017.

14. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the GEM 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 Shares to be admitted into CCASS.

The following is the text of a report, prepared for inclusion in this prospectus, received from the independent reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong.



ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OR BORTOX GLOBAL LIMITED AND AMPLE CAPITAL LIMITED

INTRODUCTION

We report on the historical financial information of Bortex Global Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-1 to I-47, which comprises the combined statements of financial position as at 30 April 2015, 2016 and 2017 and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the periods then ended (the "Track Record Period") and a summary of significant accounting policy and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set on pages I-4 to I-47 forms an integral part of this report, which has been prepared for inclusion in the investment circular of the Company date 31 October 2017 (the "Investment Circular") in connection with the initial listing of the shares of the Company on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

DIRECTORS' RESPONSIBILITIES FOR THE HISTORY FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 3 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITIES

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants

consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 3 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Company's and the Company and its subsidiaries (together, the "Group") financial position as at 30 April 2015, 2016 and 2017 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 3 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE GROWTH ENTERPRISE MARKET LISTING RULES AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISION) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to note 13 of Section II to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

No Historical Financial Statements for the Company.

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Yours faithfully,

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

Wong Sze Wai, Basilia

Practising Certificate Number: P05806

Hong Kong, 31 October 2017

I. HISTORICAL FINANCIAL INFORMATION**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by HLB Hodgson Impey Cheng Limited in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong Dollar ("HK\$") which is the functional currency of the Company and the majority of its subsidiaries, and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

Combined Statements of Profit or Loss and Other Comprehensive Income

	Notes	For the year ended 30 April		
		2015	2016	2017
		HK\$'000	HK\$'000	HK\$'000
Revenue	6	138,636	120,988	141,667
Cost of sales		(102,468)	(83,416)	(99,272)
Gross profit		36,168	37,572	42,395
Other income	7	381	140	133
Selling and distribution expenses		(5,122)	(3,874)	(4,257)
Administrative expenses		(14,059)	(14,800)	(14,675)
Finance costs	8	(5,002)	(4,004)	(2,374)
Profit before taxation	9	12,366	15,034	21,222
Taxation	12	(3,753)	(3,065)	(5,161)
Profit for the year		8,613	11,969	16,061
Other comprehensive income/(loss) for the year, net of tax				
Items that may be reclassified subsequently to profit or loss:				
Change in fair value of available-for-sale financial assets		372	248	(144)
Exchange differences on translation of foreign operations		18	(450)	(660)
Other comprehensive income/(loss) for the year, net of tax		390	(202)	(804)
Total comprehensive income for the year		9,003	11,767	15,257
Profit for the year attributable to equity owners of the Company		8,613	11,969	16,061
Total comprehensive income for the year attributable to equity owners of the Company		9,003	11,767	15,257
Earnings per share attributable to equity owners of the Company				
Basic and diluted (HK cents)	14	2.87	4.00	5.35

The accompanying notes form an integral part of the Historical Financial Information.

Combined Statements of Financial Position

	Notes	As at 30 April		
		2015	2016	2017
		HK\$'000	HK\$'000	HK\$'000
Assets				
Non-current assets				
Property, plant and equipment	15	12,621	14,963	12,331
Goodwill	17	9,411	8,876	8,351
Available-for-sale financial asset	18	2,462	2,710	2,566
Prepayment for acquisition of property, plant and equipment	21	404	—	—
		<u>24,898</u>	<u>26,549</u>	<u>23,248</u>
Current assets				
Inventories	19	27,855	25,398	22,571
Trade receivables	20	2,026	7,584	39,323
Deposits, prepayments and other receivables	21	8,994	7,303	9,631
Amounts due from a director	22	504	—	—
Cash and cash equivalents	23	39,378	13,485	8,502
		<u>78,757</u>	<u>53,770</u>	<u>80,027</u>
Liabilities				
Current liabilities				
Trade payables	24	10,335	13,684	20,684
Accruals, other payables and receipts in advance	25	3,934	3,432	5,175
Dividend payable	13	—	4,000	—
Obligation under finance lease — due within one year	27	833	872	912
Bank borrowings	26	53,310	21,779	24,052
Tax payables		3,729	3,685	5,270
		<u>72,141</u>	<u>47,452</u>	<u>56,093</u>
Net current assets		<u>6,616</u>	<u>6,318</u>	<u>23,934</u>
Total assets less current liabilities		<u>31,514</u>	<u>32,867</u>	<u>47,182</u>
Non-current liabilities				
Obligation under finance lease — due over one year	27	3,397	2,525	1,613
Deferred tax liabilities	28	81	39	9
		<u>3,478</u>	<u>2,564</u>	<u>1,622</u>
Net assets		<u>28,036</u>	<u>30,303</u>	<u>45,560</u>
Equity				
Share capital	29	—	—	—
Reserves		28,036	30,303	45,560
Total equity		<u>28,036</u>	<u>30,303</u>	<u>45,560</u>

The accompanying notes form an integral part of the Historical Financial Information.

Statements of Financial Position of the Company

	<i>Notes</i>	As at 30 April		
		2015	2016	2017
		HK\$'000	HK\$'000	HK\$'000
Current assets				
Prepayments		600	1,474	4,534
Current liabilities				
Accruals		107	258	342
Amounts due to subsidiaries (<i>Note</i>)		4,178	7,857	15,473
		<u>4,285</u>	<u>8,115</u>	<u>15,815</u>
Net current liabilities		<u>(3,685)</u>	<u>(6,641)</u>	<u>(11,281)</u>
Net liabilities		<u>(3,685)</u>	<u>(6,641)</u>	<u>(11,281)</u>
Equity				
Share capital	29	—	—	—
Reserves		<u>(3,685)</u>	<u>(6,641)</u>	<u>(11,281)</u>
Total equity		<u>(3,685)</u>	<u>(6,641)</u>	<u>(11,281)</u>

Note: The amounts due to subsidiaries are non-trade nature, unsecured, interest free and repayable on demand.

Combined Statements of Changes in Equity

	Share capital	Translation reserve	Available- for-sale financial asset reserve	Other reserve	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (note i)	HK\$'000	HK\$'000
At 1 May 2014	—	82	—	1	18,950	19,033
Profit for the year	—	—	—	—	8,613	8,613
Change in fair value of available-for-sale financial assets	—	—	372	—	—	372
Exchange differences on translation of foreign operations	—	18	—	—	—	18
Total comprehensive income for the year	—	18	372	—	8,613	9,003
At 30 April 2015 and 1 May 2015	—	100	372	1	27,563	28,036
Profit for the year	—	—	—	—	11,969	11,969
Change in fair value of available-for-sale financial assets	—	—	248	—	—	248
Exchange differences on translation of foreign operations	—	(450)	—	—	—	(450)
Total comprehensive (loss)/income for the year	—	(450)	248	—	11,969	11,767
Dividends	—	—	—	—	(9,500)	(9,500)
At 30 April 2016 and 1 May 2016	—	(350)	620	1	30,032	30,303
Profit for the year	—	—	—	—	16,061	16,061
Change in fair value of available-for-sale financial assets	—	—	(144)	—	—	(144)
Exchange differences on translation of foreign operations	—	(660)	—	—	—	(660)
Total comprehensive (loss)/income for the year	—	(660)	(144)	—	16,061	15,257
At 30 April 2017	—	(1,010)	476	1	46,093	45,560

Note

- (i) Other reserve represents the difference between the Company's share of nominal value of the paid-up capital of the subsidiary acquired over the Company's cost of acquisition of the subsidiary under the common control upon the Reorganisation as detailed in Note 2 of Section II.
- (ii) At 30 April 2015, 2016 and 2017, the Company had no distribution reserve available for distribution to the shareholders.
- (iii) In accordance with the Articles of Association of a subsidiary established in the PRC, they required to transfer 10% of the profit after taxation to the statutory reserve until the reserve 50% of the registered capital. Transfer to this reserve must be made before distributing dividends to equity holders. The statutory reserve can be used to make up for previous years' losses, expand the existing operations or convert into additional capital of the subsidiaries.

The accompanying notes form an integral part of the Historical Financial Information.

Combined Statements of Cash Flows

	For the year ended 30 April		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Operating activities			
Profit before income tax	12,366	15,034	21,222
Adjustments for:			
Depreciation of property, plant and equipment	1,904	2,244	2,336
Gain on disposals of property, plant and equipment	—	(17)	—
Interest income	(96)	(118)	(91)
Interest expenses	5,002	4,004	2,374
Written-off of property, plant and equipment	478	50	—
Operating cash flows before working capital changes	19,654	21,197	25,841
Decrease in inventories	42,594	2,457	2,827
Decrease/(increase) in trade receivables	8,556	(5,558)	(32,814)
Decrease/(increase) in deposits, prepayments and other receivables	4,953	1,157	(2,569)
(Decrease)/increase in trade payables	(40,016)	3,811	7,668
(Decrease)/increase in accruals, other payables and receipts in advance	(3,269)	(327)	1,936
Net cash generated from/(used in) operations	32,472	22,737	2,889
Interest paid	(5,002)	(4,004)	(2,374)
Income tax paid	(3,712)	(3,118)	(3,601)
Net cash generated from/(used in) operating activities	23,758	15,615	(3,086)
Investing activities			
Interest received	96	118	91
Proceeds from disposals of property, plant and equipment	1,523	68	—
Increase of prepayment for acquisition of property, plant and equipment	(345)	—	—
Purchases of property, plant and equipment	(5,438)	(4,879)	(499)
Net cash used in investing activities	(4,164)	(4,693)	(408)

	For the year ended 30 April		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Financing activities			
Advance from a director	15,681	9,866	—
Repayment to a director	(34,047)	(9,362)	—
Proceeds from bank borrowings	82,022	21,722	27,151
Repayment on bank borrowings	(58,139)	(50,424)	(23,872)
Repayments of obligation under finance lease	(270)	(833)	(872)
Dividends paid to equity owners of the Company	—	(5,500)	(4,000)
Net cash generated from/(used in) financing activities	<u>5,247</u>	<u>(34,531)</u>	<u>(1,593)</u>
Net increase/(decrease) in cash and cash equivalents	24,841	(23,609)	(5,087)
Cash and cash equivalents at the beginning of the year	14,231	39,378	13,485
Effect of exchange rate changes on cash and cash equivalents	<u>306</u>	<u>(2,284)</u>	<u>104</u>
Cash and cash equivalents at the end of the year	<u><u>39,378</u></u>	<u><u>13,485</u></u>	<u><u>8,502</u></u>
Analysis of the balances of cash and cash equivalents			
Cash and cash equivalents	<u><u>39,378</u></u>	<u><u>13,485</u></u>	<u><u>8,502</u></u>

The accompanying notes form an integral part of the Historical Financial Information.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 30 January 2014 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Its registered office is located at the offices of Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business in Hong Kong is at Unit H, 7th Floor, King Palace Plaza, 55 King Yip Street, Kwun Tong, Kowloon, Hong Kong.

The Company is an investment company. The Group principally engages in trading and manufacturing of LED lighting products.

2. REORGANISATION

The companies comprising the Group underwent the Reorganisation in preparation for listing of the Shares on GEM pursuant to which the Company became the ultimate holding company of the Group. The Reorganisation involved the following steps:

Incorporation of the Company

On 30 January 2014, the Company was incorporated with an authorized share capital of HK\$380,000 divided into 38,000,000 Shares whereby one Share was allotted and issued fully paid to the subscriber on incorporation and was transferred to Mr. Shiu for cash at par.

Transfer of 1 Share from Mr. Shiu to Real Charm

On 24 October 2017, Mr. Shiu transferred one Share to Real Charm for cash at par. Real Charm, which was incorporated in the BVI on 29 October 2013, is wholly and beneficially owned by Mr. Shiu.

Acquisition of Harvest Mount by the Company

On 24 October 2017:

- (a) The authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 Shares to HK\$100,000,000 divided into 10,000,000,000 Shares by the creation of an additional 9,962,000,000 Shares.
- (b) Mr. Shiu and Multi Tech as vendors and warrantors and the Company as purchaser entered into the Sale and Purchase Agreement pursuant to which the Company acquired the entire issued share capital of Harvest Mount from Mr. Shiu and Multi Tech and in consideration and in exchange for which, the Company allotted and issued 7,799 and 2,200 Shares, credited as fully paid, to Real Charm (at the direction of Mr. Shiu) and Multi Tech, respectively.

3. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information and has been prepared under the historical cost convention except for certain financial instrument, that are measured at fair values and using the merger basis of accounting as if the Group had always been in existence as further explained below. The accounting policies set out below have been consistently applied throughout the Track Record Period. The Historical Financial Information is presented in Hong Kong Dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise stated.

The Historical Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the HKICPA, and accounting principles generally accepted in Hong Kong. In addition, the Historical Financial Information includes applicable disclosures required by the GEM Listing Rules and by disclosure requirements of the Hong Kong Companies Ordinance.

For the purpose of preparing the Historical Financial Information, the Group has consistently applied all the new and revised HKFRSs which are effective for the Group during the Track Record Period except for those new and revised HKFRSs that are not yet effective for any of the Track Record Period as explained below.

Application of new and revised standards, amendments and interpretations

The HKICPA has issued the following new and revised standards, amendments and interpretations that are not yet effective. The Group has not early applied these standards, amendments or interpretations during the Track Record Period.

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from contracts with customers and related Amendments ¹
HKFRS 16	Leases ²
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 financial instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ³
Amendments to HKAS 7	Disclosure initiative ⁴
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses ⁴
Amendments to HKAS 40	Transfers of Investment Property ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle ⁵

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for annual periods beginning on or after 1 January 2019.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 January 2017.

⁵ Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

The management is in the process of assessing their potential impact on the results and financial position of the Group.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are described below:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company are assessing the impact of HKFRS 9 but anticipate that the application of HKFRS 9 in the future will have no material impact on the Historical Financial Information at this stage.

HKFRS 15 “Revenue from contracts with customers”

In 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 “Revenue”, HKAS 11 “Construction contracts” and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflect the consideration to which the entity expects to be entitled in exchange for goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition.

- Step 1: Identify the contract(s) with customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company do not consider that the application of HKFRS 15 will have material financial impact on the Historical Financial Information.

HKFRS 16 “Leases”

HKFRS 16, which upon the effective date will supersede HKAS 17 “Leases”, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classify cash repayment of the lease liability into a principal portion and an interest portion and present them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the

lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

As set out in note 33, total operating lease commitment of the Group in respect of its office and factory premises as at 30 April 2015, 2016 and 2017 was amounting to approximately HK\$1,833,000, HK\$28,232,000 and HK\$24,326,000, respectively. The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in a significant impact on the Group's results at this stage but it is expected that certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

Basis of preparation

The Historical Financial Information is presented in Hong Kong Dollar, rounded to the nearest thousand except when otherwise indicated, which is the presentation currency of the Company.

Pursuant to the Reorganisation, as more fully explained in the paragraph headed "Reorganisation" in the section headed "History, Development and Reorganisation" in the Prospectus, the Company became the holding company of the companies now comprising the Group subsequent to the end of the Track Record Period on 24 October 2017. The companies now comprising the Group under the control of Mr. Shiu (the "Controlling Shareholder") before and after the Reorganisation. Accordingly, for the purpose of this report, the Historical Financial Information has been prepared on a combined basis by apply the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Track Record Period.

The combined financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these combined financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The accounting policies set out below have been applied consistently to all periods presented in Historical Financial Information.

Merger accounting for common control combination

The Historical Financial Information incorporates the financial statement items of the combining entities or business in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or business are combined using the existing book values from the controlling party's perspective. No amount is recognised with respect to goodwill or any excess of acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over its cost at the time of common control combination, to the extent of the contribution of the controlling party's interest.

The combined statements of profit or loss and other comprehensive income include the results of each of the combining entities or business from the earliest date presented or since the date when combining entities or business first came under common control, where this is a shorter period, regardless of the date of common control combination.

Intra-group transactions, balances and unrealised gains on transactions between the combining entities or business are eliminated. Unrealised losses are eliminated but considered as an impairment indicator of the asset transferred. Accounting policies of combining entities or business have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transaction costs, including professional fees, registration fees, cost of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting are recognised as an expense in the period in which they are incurred.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Revenue recognition

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 the combined statements of profit or loss and other comprehensive income as follows:

(i) *Sales of goods*

Revenue is recognised when goods are delivered at the customers' premises which are taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) *Interest income*

Interest income from a financial asset (other than a financial asset at fair value through profit or loss) is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Research and development costs

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 Company's or the Group's research and development activities, no development costs satisfy the criteria for the recognition of such costs as an asset. Both research and development costs are therefore recognised as expenses in the period in which they are incurred.

Leasing*The Group as lessee*

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the Track Record Period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

In preparing the Historical Financial Information of each individual group entities, transactions in currencies other than that entity's foreign currency (foreign currencies) are recognised at the rate of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on monetary items are recognised in profit or loss in the Track Record Period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purpose of presenting these Historical Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK\$) using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposal of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange difference arising are recognised in the foreign currency translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the Track Record Period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered service entitling them to the contributions.

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to certain ceiling. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from the subsidiary in an independent fund managed by the PRC government.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the Track Record Period. Taxable profit differs from profit as reported in the combined statements of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated in the combined statements of financial position at cost, less accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets, other than construction in progress, less their residual values over their useful lives, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

Leasehold improvement	10 years
Furniture and office equipment	5 to 10 years
Plant and machinery	5 to 10 years
Motor vehicles	5 years

Depreciation methods, useful lives and residual values are reassessed at the end of each reporting period.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provision

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Dividend

Dividend to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial asset 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the Track Record Period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments.

Available-for-sale financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Equity and debt securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of available-for-sale financial asset reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the available-for-sale financial asset reserve is reclassified to profit or loss.

Dividends on available-for-sale equity investments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of available-for-sale monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the combined statement of profit or loss and other comprehensive income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivables, deposits and other receivables, amounts due from a director and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- (a) significant financial difficulty of the issuer or counterparty; or
- (b) breach of contract, such as a default or delinquency in interest or principal payments; or
- (c) it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- (d) the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of available-for-sale financial asset reserve. In respect of available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Other financial liabilities

Other financial liabilities (including trade payables, accruals, other payables and receipts in advance, obligation under finance leases and bank borrowings) are subsequently measured at amortised cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest income over the Track Record Period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than financial liabilities classified as at FVTPL.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the group are initially measured at their fair values and, if not designed as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and

- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and subsequently all the risks and rewards of ownership of the asset to another entity. If the Group neither transfer nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Related parties transactions

A party is considered to be related to the Group if:

- (i) A person or a close member of that person's family is related to the Group if that person:
 - (a) has control or joint control over the Group;
 - (b) has significant influence over the Group; or
 - (c) is a member of the key management personnel of the Group or of a parent of the Group.
- (ii) An entity is related to the Group if any of the following conditions applies:
 - (a) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiaries is related to the others);
 - (b) one entity is an associate or joint venture of the other entity for an associate or joint venture of a member of a group which the other entity is a member);
 - (c) both entities are joint ventures of the same third party;
 - (d) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (e) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employees are also related to the Group;
 - (f) the entity is controlled or jointly controlled by a person identified in (i);
 - (g) a person identified in (i)(a) 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); or
 - (h) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the equity.

A transaction is considered to be a related party transaction when there is a transfer of resources, or obligations between the Group and a related party, regardless of whether a price is charged.

Segment reporting

Operating segments, and the amounts of each segment item reported in the Historical 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.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the group entities, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the group entities are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

(b) Impairment of property, plant and equipment

The Group assesses whether there are any indicators of impairment for an asset at the end of each reporting period. The asset is tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, an estimation of the value in use of the cash-generating units to which the asset is allocated will be required. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the estimated impairment provision previously made.

(c) Estimated useful lives of property, plant and equipment

The Group's management determines the estimated useful lives, and related depreciation charges for its property, plant and equipment. The estimates are based on the historical experience of the actual useful lives of those assets of similar nature and functions. Management will increase the depreciation where useful lives are less than previously

estimated lives. It will write off or write down technically obsolete assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore affect the depreciation charges in future periods.

(d) Impairment of trade and other receivables

The Group makes allowance for doubtful debts based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation on the recoverability of trade and other receivables is different from the original estimate, such difference will impact the carrying value of trade and other receivables and doubtful debts expenses in the periods in which such estimate has been changed.

(e) Impairment of inventories

The Group makes provision for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of slow-moving stock and obsolete inventories requires the use of judgement and estimates on the conditions and usefulness of the inventories.

(f) Income tax and deferred taxation

Determining income tax provisions involve judgment on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

(g) Impairment of goodwill

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of non-financial assets. Where an impairment trigger exists, the recoverable amounts incorporate a number of key estimates and assumptions about future events, which are subject to uncertainty and might materially differ from the actual results. In making these key estimates and judgement, management of the Group takes into consideration assumptions that are mainly based on market conditions existing at the reporting dates and appropriate market and discount rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

5. SEGMENT REPORTING

An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is identified on the basis of the internal management reporting information that is provided to and regularly reviewed by the Group's chief operating decision maker in order to allocate resources and assess performance of the segment. During the Track Record Period, the information reported to the executive directors, who are the chief operating decision makers for the purpose of resource allocation and assessment of performance, do not contain profit or loss information of each product line or geographical area and the executive directors reviewed the financial result of the Group as a whole report under HKFRSs. Therefore, the executive directors have determined that the Group has only one single business component/reportable segment as the Group is only engaged in designing, manufacturing and trading of LED lighting products. The executive directors allocate resources and assess performance on an aggregate basis. Accordingly, no operating segment is presented.

Geographical information

The Group's revenue from external customers is divided into the following geographical areas:

	For the year ended 30 April		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Canada	101,747	35,491	33,891
Taiwan	682	33,179	32,707
The US	9,690	16,470	19,594
The PRC, excluding Hong Kong	4,462	34,614	48,015
Mexico	7,032	—	—
Hong Kong	8,801	1,021	1,009
Others (<i>note</i>)	6,222	213	6,451
	<u>138,636</u>	<u>120,988</u>	<u>141,667</u>

Note: Others include the United Kingdom, Japan, Australia, Thailand, Spain, Italy and Denmark.

The following is an analysis of the Group's non-current assets, excluding goodwill and available-for-sale financial assets, by their geographical location:

	As at 30 April		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Hong Kong	73	39	18
The PRC, excluding Hong Kong	12,952	14,924	12,313
	<u>13,025</u>	<u>14,963</u>	<u>12,331</u>

Information about major customers

Revenue from major customers, each of them accounted for 10% or more of the Group's revenue, are set out below:

	For the year ended 30 April		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Customer B	57,032	—	—
Customer A	58,468	35,221	33,891
Customer F	—	33,087	31,996
Customer G	—	17,247	—
Customer E	—	12,165	—
	<u>—</u>	<u>12,165</u>	<u>—</u>

As at 30 April 2015, 2016 and 2017, 92.5%, 59.5% and 18.2% respectively of the Group's trade receivables were due from these customers.

6. REVENUE

Revenue, which is also the Group's turnover, represent the revenue generated by trading and manufacturing of LED decorative lighting products and LED luminaire lighting products, net of return, discounts and sales related taxes, during the Track Record Period.

	For the year ended 30 April		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
LED decorative lighting	138,636	58,011	74,499
LED luminaire lighting	—	62,977	67,168
	<u>138,636</u>	<u>120,988</u>	<u>141,667</u>

7. OTHER INCOME

	For the year ended 30 April		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Sales of scrap material	285	5	34
Interest income	96	118	91
Government grant	—	—	8
Gain on disposal of property, plant and equipment	—	17	—
	<u>381</u>	<u>140</u>	<u>133</u>

8. FINANCE COSTS

	For the year ended 30 April		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Interest expenses on:			
— bank borrowings wholly repayable within five years	3,411	3,270	1,713
— obligation under finance lease	66	174	135
	<u>3,477</u>	<u>3,444</u>	<u>1,848</u>
Bank charges	566	142	170
Finance charges	959	418	356
	<u>5,002</u>	<u>4,004</u>	<u>2,374</u>

9. PROFIT BEFORE TAXATION

	For the year ended 30 April		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Profit before taxation has been arrived after charging:			
Auditors' remuneration	154	249	137
Cost of inventories recognised as an expense	102,468	83,416	99,272
Written-off of inventories (<i>note</i>)	1,273	—	—
Depreciation of property, plant and equipment	1,904	2,244	2,336
Employee benefit expenses (including directors' emoluments) (<i>note 10</i>)	11,834	11,560	12,740
Minimum lease payments under operating leases	2,031	2,517	3,220
Listing expenses	214	2,799	4,437
Foreign exchange losses	101	1,594	871
Written-off of property, plant and equipment	478	50	—
Research and development expenses	118	83	68
	<u>118</u>	<u>83</u>	<u>68</u>

Note: Written-off of inventories were included in cost of sales.

10. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	For the year ended 30 April		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Directors' fees	—	—	—
Salaries, allowances and benefits in kind	10,616	10,277	11,439
Retirement scheme contributions	1,218	1,283	1,301
	<u>11,834</u>	<u>11,560</u>	<u>12,740</u>

11. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

Pursuant to the GEM Listing Rules and section 383 of the Hong Kong Companies Ordinance and the Companies (Disclosure of Information about benefits of Directors) Regulation (Cap. 622G), the aggregate amounts of emoluments paid by the companies now comprising the Group to the directors of the Company during the Track Record Period are as follows:

	For the year ended 30 April		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Directors' fees	—	—	—
Salaries, allowances and benefits in kind	915	915	915
Retirement scheme contributions	12	12	12
	<u>927</u>	<u>927</u>	<u>927</u>

The emoluments of each of the directors for the Track Record Period are set out below:

For the year ended 30 April 2015					
Directors' fees	Salaries allowance and benefits in kind	Discretionary bonuses	Retirement benefits scheme contribution	Total	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Executive directors:					
Mr. Shiu Kwok Leung (<i>Note a</i>)	—	240	—	12	252
Mr. Shao Xu Hua (<i>Note b</i>)	—	675	—	—	675
Total emoluments	—	915	—	12	927
For the year ended 30 April 2016					
Directors' fees	Salaries allowance and benefits in kind	Discretionary bonuses	Retirement benefits scheme contribution	Total	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Executive directors:					
Mr. Shiu Kwok Leung (<i>Note a</i>)	—	240	—	12	252
Mr. Shao Xu Hua (<i>Note b</i>)	—	675	—	—	675
Mr. Yuen Lai Him (<i>Note c</i>)	—	—	—	—	—
Total emoluments	—	915	—	12	927
For the year ended 30 April 2017					
Directors' fees	Salaries allowance and benefits in kind	Discretionary bonuses	Retirement benefits scheme contribution	Total	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Executive directors:					
Mr. Shiu Kwok Leung (<i>Note a</i>)	—	240	—	12	252
Mr. Shao Xu Hua (<i>Note b</i>)	—	675	—	—	675
Mr. Yuen Lai Him (<i>Note c</i>)	—	—	—	—	—
Total emoluments	—	915	—	12	927

Notes:

- (a) Mr. Shiu Kwok Leung was the director of Bortex Holdings, Bortex International and Bortex Industry during the Track Record Period and appointed as an Executive Director of the Company on 18 September 2015.
- (b) Mr. Shao Xu Hua was the director of Bortex International and Bortex Industry during the Track Record Period and appointed as an Executive Director of the Company on 18 September 2015.
- (c) Mr. Yuen Lai Him was appointed as an Executive Director on 18 September 2015 and did not received any emoluments during the Track Record Period.

(b) Five highest paid individuals

The five highest paid employees of the Group included 2, 2 and 2 directors for the years ended 30 April 2015, 2016 and 2017 respectively. The emoluments of the remaining individual are analysed as follows:

	For the year ended 30 April		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Non-director	1,107	1,651	1,875

Details of the remuneration of the above non-director, highest paid employee during the Track Record Period are as follow:

	For the year ended 30 April		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Salaries, allowance and benefits in kind	1,096	1,627	1,839
Discretionary bonus	—	—	—
Retirement scheme contributions	11	24	36
	<u>1,107</u>	<u>1,651</u>	<u>1,875</u>

(c) Senior management of the Group

	For the year ended 30 April		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Nil to HK\$1,000,000	5	5	5

During the Track Record Period, no emoluments were paid by the Group to the directors and non-director, highest paid employees or senior management as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors, non-director, highest paid employees and senior management waived or agreed to waive any emoluments during the Track Record Period.

12. TAXATION

	For the year ended 30 April		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Current tax:			
— the PRC	560	137	1,745
— Hong Kong	3,229	2,970	3,446
	<u>3,789</u>	<u>3,107</u>	<u>5,191</u>
Deferred tax	(36)	(42)	(30)
Total taxation	<u>3,753</u>	<u>3,065</u>	<u>5,161</u>

Hong Kong Profits Tax

Hong Kong Profits Tax is calculated at 16.5% for each of the assessable profits for the Track Record Period.

PRC enterprise income tax ("EIT")

PRC EIT is calculated at the applicable tax rates in accordance with the relevant laws and regulation in the PRC.

Under the PRC Enterprise Income Tax Law (the "EIT Law") and the Implementation Regulations of the EIT Law, the tax rate of a PRC subsidiary is 25% during the Track Record Period.

The income tax expense for the Track Record Period can be reconciled to the accounting profit at applicable income tax rate as follows:

	For the year ended 30 April					
	2015		2016		2017	
	HK\$'000		HK\$'000		HK\$'000	
Profit before income tax	12,366		15,034		21,222	
Tax at applicable income tax rate (16.5%)	2,040	16.5%	2,480	16.5%	3,502	16.5%
Effect of tax rate in other countries	(140)	(1.1%)	4	0.0%	757	3.6%
Tax effect of expenses not taxable or not deductible for tax purpose	1,853	15.0%	581	3.9%	902	4.2%
Taxation	<u>3,753</u>	<u>30.4%</u>	<u>3,065</u>	<u>20.4%</u>	<u>5,161</u>	<u>24.3%</u>

As at 30 April 2015, 2016 and 2017, the Group did not have any significant unrecognised deferred tax assets.

13. DIVIDENDS

On 30 September 2015, interim dividend in the amount of HK\$5,500,000 was declared by the Bortex International Limited to its shareholders and such dividend were paid on 24 November 2015, 25 November 2015 and 2 December 2015.

On 30 April 2016, final dividend in the amount of HK\$4,000,000 was declared by the Bortex International Limited to its shareholders and such dividend was paid on 1 June 2016.

14. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY OWNERS OF THE COMPANY

For the purpose of this report, the calculations of basic earnings per share attributable to equity owners of the Company for the years ended 30 April 2015, 2016 and 2017 are based on the profit for the year attributable to equity owners of the Company of approximately HK\$8,613,000, HK\$11,969,000 and HK\$16,061,000 respectively, and on the basis of 300,000,000 shares of the Company in issue, being the number of shares in issue immediately after the completion of capitalisation issue as described in the section headed "Share Capital" of the Prospectus, as if these shares had been issued throughout the Track Record Period.

Diluted earnings per share were same as the basic earnings per share as there were no potential dilutive ordinary shares in existence during the Track Record Period.

15. PROPERTY, PLANT AND EQUIPMENT

	<u>Leasehold improvement</u>	<u>Plant and machinery</u>	<u>Furniture and fixtures</u>	<u>Motor vehicles</u>	<u>Office equipment</u>	<u>Total</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost						
As at 1 May 2014	—	17,358	279	—	970	18,607
Additions	—	5,226	20	187	5	5,438
Disposals/write off	—	(3,720)	—	—	(164)	(3,884)
Exchange realignment	—	74	3	—	4	81
	<u>—</u>	<u>74</u>	<u>3</u>	<u>—</u>	<u>4</u>	<u>81</u>
As at 30 April 2015 and 1 May 2015	—	18,938	302	187	815	20,242
Additions	3,523	1,749	—	—	11	5,283
Disposals/write off	—	(581)	—	—	(2)	(583)
Exchange realignment	—	(728)	(17)	(11)	(24)	(780)
	<u>—</u>	<u>(728)</u>	<u>(17)</u>	<u>(11)</u>	<u>(24)</u>	<u>(780)</u>
As at 30 April 2016 and 1 May 2016	3,523	19,378	285	176	800	24,162
Additions	—	487	—	—	12	499
Exchange realignment	(208)	(789)	(17)	(11)	(24)	(1,049)
	<u>(208)</u>	<u>(789)</u>	<u>(17)</u>	<u>(11)</u>	<u>(24)</u>	<u>(1,049)</u>
As at 30 April 2017	<u>3,315</u>	<u>19,076</u>	<u>268</u>	<u>165</u>	<u>788</u>	<u>23,612</u>
Accumulated depreciation						
As at 1 May 2014	—	6,968	16	—	598	7,582
Charge for the year	—	1,761	31	6	106	1,904
Eliminated on disposals/write off	—	(1,728)	—	—	(155)	(1,883)
Exchange realignment	—	16	—	—	2	18
	<u>—</u>	<u>16</u>	<u>—</u>	<u>—</u>	<u>2</u>	<u>18</u>
As at 30 April 2015 and 1 May 2015	—	7,017	47	6	551	7,621
Charge for the year	176	1,915	30	34	89	2,244
Eliminated on disposals/write off	—	(480)	—	—	(2)	(482)
Exchange realignment	—	(168)	(3)	—	(13)	(184)
	<u>—</u>	<u>(168)</u>	<u>(3)</u>	<u>—</u>	<u>(13)</u>	<u>(184)</u>
As at 30 April 2016 and 1 May 2016	176	8,284	74	40	625	9,199
Charge for the year	359	1,840	29	32	76	2,336
Exchange realignment	(10)	(220)	(4)	(4)	(16)	(254)
	<u>(10)</u>	<u>(220)</u>	<u>(4)</u>	<u>(4)</u>	<u>(16)</u>	<u>(254)</u>
As at 30 April 2017	<u>525</u>	<u>9,904</u>	<u>99</u>	<u>68</u>	<u>685</u>	<u>11,281</u>
Carrying values						
As at 30 April 2015	<u>—</u>	<u>11,921</u>	<u>255</u>	<u>181</u>	<u>264</u>	<u>12,621</u>
As at 30 April 2016	<u>3,347</u>	<u>11,094</u>	<u>211</u>	<u>136</u>	<u>175</u>	<u>14,963</u>
As at 30 April 2017	<u>2,790</u>	<u>9,172</u>	<u>169</u>	<u>97</u>	<u>103</u>	<u>12,331</u>

As at 30 April 2015, 2016 and 2017, the carrying amounts of the Group's property, plant and machinery include amounts of approximately HK\$4,308,000, HK\$3,889,000 and HK\$3,451,000 respectively, in respect of assets held under finance leases.

16. SUBSIDIARIES

Upon the completion of the Reorganisation, the Company had direct or indirect interest in the following subsidiaries:

Name of Company	Place of incorporation/ registration and operation	Issued/paid up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Harvest Mount <i>(note (a))</i>	Incorporated on 5 November 2010 in the British Virgin Islands (the "BVI")	US\$100	100%	—	Investment holding
Bortex International <i>(note (b))</i>	Incorporated on 30 December 2008 in Hong Kong	HK\$100	—	100%	Marketing and trading of LED lighting products in Hong Kong
Bortex Holdings <i>(note (b))</i>	Incorporated on 10 November 2011 in Hong Kong	HK\$100	—	100%	Investment holding
Bortex Industry <i>(note (c))</i>	Incorporated on 29 December 2004 in the PRC	USD1,000,000	—	100%	Manufacturing and trading of LED lighting products in the PRC

As at the date of this report, no audited financial statement has been prepared for the Company since its date of incorporation as there are no statutory requirements for the Company to prepare audited financial statements.

Notes:

- (a) As at the date of this report, no audited statutory financial statements have been prepared since its respective date of incorporation as there are no statutory requirements to prepare audited financial statements.
- (b) The audited statutory financial statements for the years ended 30 April 2015, 2016 and 2017 were prepared in accordance with HKFRSs issued by the HKICPA and were audited by CT CPA & Company, certified public accountants registered in Hong Kong.
- (c) The audited statutory financial statements for the years ended 31 December 2015 and 2016 were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC and were audited by Guangdong CCAT Certified Public Accountants Co., Ltd. ("廣東中誠安泰會計師事務所有限公司"), certified public accountants registered in the PRC.

17. GOODWILL

	<u>HK\$'000</u>
Cost:	
At 1 May 2014	9,320
Exchange realignment	<u>91</u>
At 30 April 2015 and 1 May 2015	9,411
Exchange realignment	<u>(535)</u>
At 30 April 2016 and 1 May 2016	8,876
Exchange realignment	<u>(525)</u>
At 30 April 2017	<u><u>8,351</u></u>
Accumulated impairment losses:	
At 1 May 2014, 30 April 2015, 1 May 2015, 30 April 2016, 1 May 2016 and 30 April 2017	<u><u>—</u></u>
Carrying amount:	
At 30 April 2015	<u><u>9,411</u></u>
At 30 April 2016	<u><u>8,876</u></u>
At 30 April 2017	<u><u>8,351</u></u>

The goodwill was recognised upon the completion of the acquisition of the entire issued share capital of Bortex Industry on 14 May 2013.

Goodwill had been allocated to the business relating to manufacturing and trading of LED lighting products. Management considered this as a single CGU for the purpose of impairment testing of the goodwill.

Before recognition of impairment losses, the carrying amount of goodwill was allocated to the CGU as follows:

	<u>As at 30 April</u>		
	<u>2015</u>	<u>2016</u>	<u>2017</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
LED manufacturing business	<u><u>9,411</u></u>	<u><u>8,876</u></u>	<u><u>8,351</u></u>

The recoverable amount of the CGU has been determined by value-in-use calculations based on cash flow projections from formally approved budgets covering a 5 year period. Cash flows beyond the 5 year period are extrapolated using an estimated terminal growth rate of 3%, which does not exceed the long-term growth rate for the relevant industry in the PRC. The rate used to discount the forecasted cash flow for CGU is 16.07% per annum (2015 and 2016: 16.86%). In the opinion of the directors, no impairment loss is required for the years ended 30 April 2015, 2016 and 2017. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of CGU to exceed the aggregate recoverable amount of CGU.

The key assumptions used in the value in use calculations are as follows:

Budgeted market share	Average market share in the period immediately before the budget period. The value assigned to the assumption reflect past experience
Budgeted gross margin	Average gross margins achieved in the period immediately before the budget period which reflect the past experience
Discount rates	Using a weighted average cost of capital to calculate a pre-tax rate that reflect current market assessment of the time value of money and risk specific to the asset
Terminal growth rates	Calculated based on the expected rate of inflation projected by the IMF, represents the rate at which the cash flow will grow perpetually after the final year of projection

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 30 April		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
At fair value			
Investment in a life insurance contract	2,462	2,710	2,566

During the year ended 30 April 2014, the Group entered into a contract with an insurance company. The contract contains life insurance policies to insure against the death of one of the key members of management of the Group, with an aggregate insured sum of US\$1 million (equivalent to approximately HK\$7.75 million). Under the contract, the beneficiary and policyholder is Bortex International which made upfront payments of US\$280,000 (equivalent to approximately HK\$2,090,000) during the year ended 30 April 2014.

19. INVENTORIES

	As at 30 April		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Raw materials	3,127	4,515	4,124
Work-in-progress	13,720	13,535	14,264
Finished goods	11,008	7,348	4,183
	27,855	25,398	22,571

20. TRADE RECEIVABLES

	As at 30 April		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Trade receivables	2,026	7,584	39,323

The Group's trade receivables are attributable to a number of independent customers with credit terms. The Group normally allows a credit period of 0 days to 120 days to its customers.

Note

Ageing analysis of trade receivables, based on invoice date, as at the end of each reporting periods are as follows:

	As at 30 April		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Within 60 days	149	5,018	36,110
61–90 days	—	—	1,416
91–180 days	541	229	1,797
181–365 days	1,334	2,333	—
Over 365 days	2	4	—
	2,026	7,584	39,323

Movement in the impairment loss of trade receivables is as follows:

	For the year ended 30 April		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Balance at the beginning of the year	—	—	—
Impairment loss recognised on trade receivables	—	—	—
Balance at the end of the year	—	—	—

Past due but not impaired

Included in the Group's trade receivables balances are debts with carrying amounts of approximately HK\$2,026,000, HK\$3,123,000 and HK\$7,754,000 as at 30 April 2015, 2016 and 2017 respectively which were past due at the end of the reporting period for which the Group had not provided as there had not been a significant change in credit quality and the amounts were still considered recoverable. The Group does not hold any collateral over these balances.

	As at 30 April		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Overdue by:			
Within 60 days	149	557	7,754
61–90 days	106	—	—
91–180 days	1,554	229	—
181–365 days	215	2,333	—
Over 365 days	2	4	—
	<u>2,026</u>	<u>3,123</u>	<u>7,754</u>

Trade receivables that were neither past due nor impaired related to a wide range of customers for whom there were no recent history of default. Trade receivables that were past due but not impaired related to a number of customers that had a good track record of credit with the Group. Based on past credit history, 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 to be fully recoverable.

The Group's policy for impairment loss on trade receivable is based on an evaluation of collectability and ageing analysis of the receivables which requires the use of judgement and estimates. Provisions are applied to the receivables when there are events or changes in circumstances indicate that the balance and any overdue balances on an ongoing basis and assessments are made by the management on the collectability of overdue balance.

21. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 April		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Deposits	2,924	3,819	3,553
Prepayments	6,028	2,934	5,469
Other receivables	446	550	609
	<u>9,398</u>	<u>7,303</u>	<u>9,631</u>
Less: prepayment for acquisition of property, plant and equipment which classified as non-current assets	<u>(404)</u>	<u>—</u>	<u>—</u>
	<u><u>8,994</u></u>	<u><u>7,303</u></u>	<u><u>9,631</u></u>

22. AMOUNTS DUE FROM A DIRECTOR

The amounts due from a director were non-trade in nature, unsecured, interest free and recoverable on demand.

Amounts due from a director disclosed pursuant to the Hong Kong Companies Ordinance is as follows:

	Maximum outstanding balance during the year ended		Maximum outstanding balance during the year ended		Maximum outstanding balance during the year ended	
	30 April 2015	As at 30 April 2015	30 April 2016	As at 30 April 2016	30 April 2017	As at 30 April 2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Director:						
Mr. Shao Xu Hua	<u>504</u>	<u>504</u>	<u>504</u>	<u>—</u>	<u>—</u>	<u>—</u>

23. CASH AND CASH EQUIVALENTS

Cash and cash equivalents represent cash at banks and in hand. Cash at banks carried interest at average market rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

As at 30 April 2015, 2016 and 2017, the Group has cash and cash equivalents of the Group denominated in Renminbi amounted to approximately HK\$33,549,000, HK\$543,000 and HK\$2,488,000 placed with the banks in the PRC respectively. RMB is not freely convertible into other currencies and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through the banks that are authorised to conduct foreign exchange business.

24. TRADE PAYABLES

	As at 30 April		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Trade payables	10,335	13,684	20,684

Credit periods of trade payables normally granted by its suppliers were ranging from 0 to 180 days throughout the Track Record Period.

Ageing analysis of trade payables, based on invoice date, at the end of the reporting period is as follows:

	As at 30 April		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Within 60 days	4,994	5,912	11,779
61–90 days	130	228	3,549
91–180 days	1,192	4,483	2,828
181–365 days	3,659	2,836	2,419
Over 365 days	360	225	109
	10,335	13,684	20,684

All amounts are short-term and hence the directors considered that carrying amounts of trade payables are considered to be a reasonable approximation of their fair values.

25. ACCRUALS, OTHERS PAYABLES AND RECEIPTS IN ADVANCE

	As at 30 April		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Accruals	1,123	1,709	2,388
Receipts in advance	1,310	254	1,432
Payables for purchases of property, plant and equipment	941	—	—
Other payables	560	1,469	1,355
	3,934	3,432	5,175

The carrying amounts of accruals, other payables and receipts in advance are short-term and hence the directors considered that their carrying values are considered to be a reasonable approximation of their fair values.

26. BANK BORROWINGS

	As at 30 April		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Secured bank borrowings (<i>note a, b, c, d, e, f, g, h and i</i>)	53,310	21,779	24,052
Carrying amount repayable (<i>note i</i>):			
Within one year	52,625	21,410	19,658
Over 1 year but within 2 years	316	316	4,394
Over 2 years but within 5 years	369	53	—
	53,310	21,779	24,052
Less: Amount classified as current liabilities secured term loan due within 1 year or contain a repayment on demand clause	(53,310)	(21,779)	(24,052)
Amount classified as non-current liabilities	—	—	—
Fixed-rate bank borrowings (<i>note a and b</i>)	49,803	19,173	16,911
Variable-rate bank borrowings (<i>note c, d, e and f</i>)	3,507	2,606	7,141
	53,310	21,779	24,052

- (a) The secured fixed-rate bank borrowings of approximately HK\$49,803,000 (equivalent to approximately RMB39,200,000) as at 30 April 2015 are guaranteed by an independent financial institution and independent third party are repayable within one year and bear interest at 7.0% to 7.7% per annum for the year ended 30 April 2015.
- (b) The secured fixed-rate bank borrowings of approximately HK\$19,173,000 and HK\$16,911,000 (equivalent to approximately RMB16,000,000 and RMB15,000,000) as at 30 April 2016 and 2017 respectively are guaranteed by an independent financial institution, personal guarantee by the Director (Mr. Shao Xu Hua) and his wife and uncle (Ms. Luo Mei Ling and Mr. Shao Ren Man), personal guarantee by the director of the subsidiary of the Group (Mr. Shao Chi Liang) and secured by the property owned by Mr. Shao Ren Man, which are repayable with one year and bear interest at 6.6% to 7.0% and 6.3% to 7.0% per annum for the year ended 30 April 2016 and 2017 respectively.
- (c) The secured variable-rate bank borrowings of approximately HK\$3,507,000, HK\$2,606,000 and HK\$2,124,000 as at 30 April 2015, 2016 and 2017 respectively are guaranteed by the directors of the Company, Mr. Shao Xu Hua, corporate guarantee of the subsidiary of the Group and personal guarantee of its director, Mr. Shao Chi Liang and secured by the Group's available-for-sale financial asset with fair value of approximately HK\$2,462,000, HK\$2,710,000 and HK\$2,566,000 as at 30 April 2015, 2016 and 2017 respectively.
- (d) The secured variable-rate bank borrowings of approximately HK\$2,505,000, HK\$1,921,000 and HK\$1,755,000 as at 30 April 2015, 2016 and 2017 in note (c) are repayable within one year and bear interest at HKD BLR-1% per annum for the years ended 30 April 2015, 2016 and 2017.
- (e) The secured variable-rate bank borrowings of approximately HK\$1,002,000 (equivalent to approximately US\$129,000), HK\$685,000 (equivalent to approximately US\$88,000) and HK\$369,000 (equivalent to approximately US\$48,000) as at 30 April 2015, 2016 and 2017 respectively in note (c) are repayable within five years and bear interest at USD BLR-0.5% per annum for the years ended 30 April 2015, 2016 and 2017 respectively and maturity as at 24 June 2018.
- (f) The remaining secured variable-rate bank borrowings of approximately HK\$5,017,000 (equivalent to approximately RMB4,450,000) as at 30 April 2017, are guaranteed by personal guarantee of the Director (Mr. Shao Xu Hua) and his wife (Ms. Luo Mei Ling), personal guarantee of the director of the subsidiary of the Group (Mr. Shao Chi Liang) and his wife (Ms. Luo Xiu E), corporate guarantee by the subsidiary of the Group and secured by the property owned

by the Director (Mr. Shao Xu Hua), which are repayable within three years and bear interest at the floating rate of marking up the lending interest rate policies of one to five years term loan of the People's Bank of China by 35% per annum and the interest rate will be adjusted every year.

- (g) The directors of the Company represented such connected personal guarantee and pledged assets as mentioned above in notes (b) and (f) will be released following the early settlement of the respective bank borrowings in full upon listing.
- (h) The directors of the Company represented the personal guarantee and pledged assets as mentioned above in note (c) will be released upon listing.
- (i) All of the bank borrowings are repayable on demand. The amounts due are based on the scheduled repayment dates set out in the loan agreements.

27. OBLIGATION UNDER FINANCE LEASE

	Minimum lease payment			PV of minimum lease payment		
	As at 30 April					
	2015	2016	2017	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts payable under finance lease:						
Within one year	1,007	1,007	1,007	833	872	912
In the second year	1,007	1,007	1,007	872	912	953
In the third year	1,007	1,007	670	912	953	660
In the fourth year	1,007	670	—	953	660	—
In the fifth year	670	—	—	660	—	—
	4,698	3,691	2,684	4,230	3,397	2,525
Less: Future finance charges	(468)	(294)	(159)	—	—	—
Present value of lease obligations	4,230	3,397	2,525	4,230	3,397	2,525
Less: Amount due within one year shown under current liabilities				(833)	(872)	(912)
Amount due over one year shown under non-current liabilities				3,397	2,525	1,613

During the Track Record Period, the lease term is 5 years. Interest rates underlying all obligation under finance leases are fixed at respective contract rates ranged 4.5% per annum. Obligation under finance lease is denominated in Hong Kong dollars. The obligations under finance lease is secured by the lessor's charge over the leased assets and guaranteed by the directors of the Company, Mr. Shao Xu Hua and corporate guarantee of certain subsidiary of the Group and personal guarantee of its director, Mr. Shao Chi Liang. The directors of the Company represented the personal guarantee will be released upon listing.

28. DEFERRED TAX LIABILITIES

Details of the deferred tax liabilities of the Group recognised and movements during the Track Record Period are as follows:

	Depreciation allowances in excess of the related depreciation
	HK\$'000
At 1 May 2014	117
Charged to combined statement of profit or loss	<u>(36)</u>
At 30 April 2015 and 1 May 2015	81
Charged to combined statement of profit or loss	<u>(42)</u>
At 30 April 2016 and 1 May 2016	39
Charged to combined statement of profit or loss	<u>(30)</u>
At 30 April 2017	<u><u>9</u></u>

29. SHARE CAPITAL

For the purpose of the preparation of the combined statement of financial position, the balance of share capital of the Group as at 30 April 2015, 2016 and 2017 represents the issued share capital of the Company and Harvest Mount prior to the establishment of the Company.

Authorised and issued share capital

The Company was incorporated in the Cayman Island under the Companies Law as an exempted company with limited liability on 30 January 2014. As at the date of incorporation, the Company had an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of par value of HK\$0.01 each and 1 share was issued and credited as fully paid.

30. RETIREMENT BENEFIT PLANS

The employees in the PRC are members of state-managed retirement benefit scheme operated by the PRC government. The Company's subsidiaries operating in the PRC is required to contribute a certain percentage of payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the scheme is to make the required contribution under the scheme.

31. PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to secure general banking facilities granted to the Group or borrowings of the Group:

	As at 30 April		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Available-for-sale financial asset	<u>2,462</u>	<u>2,710</u>	<u>2,566</u>

32. RELATED PARTY TRANSACTIONS AND BALANCES

Save as disclosed in notes 11, 22, 26 and 27 of the Historical Financial Information, the Group entered into the following significant related party transactions during the Track Record Period.

Compensation of key management personnel

The directors of the Company are identified as key management members of the Group and their compensation during the Track Record Period is set out in note 11.

33. OPERATING LEASE ARRANGEMENTS**The group as lessee**

The Group has future minimum lease payments in respect of head office and production properties. At the end of each reporting period, the Group had commitment for future minimum lease payment under non-cancellable operating leases which fall due as follow:

	As at 30 April		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Within one year	1,653	3,107	3,069
In the second to fifth years	180	11,709	11,440
Over five years	—	13,416	9,817
	<u>1,833</u>	<u>28,232</u>	<u>24,326</u>

As at 30 April 2015, 2016 and 2017, leases are negotiated for a range from 1 to 10 years and rentals are fixed over the terms and do not include contingent rentals. The Group does not have an option to purchase the leased asset at the expiry of the lease period.

34. CAPITAL COMMITMENTS

As at 30 April 2015, 2016 and 2017, the Group had capital commitment of approximately HK\$43,000, nil and nil respectively in respect of acquisition of property, plant and equipment.

35. FINANCIAL RISK MANAGEMENT

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

Financial risk management is coordinated at the Group's headquarters, in close co-operation with the board of directors. Overall objectives in managing financial risks focus on securing the Group's short to medium term cash flows by minimising its exposure to financial markets.

(a) Categories of financial assets and liabilities

	As at 30 April		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Financial assets			
Available-for-sale financial assets	2,462	2,710	2,566
Loans and receivables (including cash and cash equivalents):			
Trade receivables	2,026	7,584	39,323
Deposits and other receivables	2,966	4,369	4,162
Amounts due from a director	504	—	—
Cash and cash equivalents	39,378	13,485	8,502
	<u>47,336</u>	<u>28,148</u>	<u>54,553</u>
	As at 30 April		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Financial liabilities			
Financial liabilities measure at amortised cost:			
Trade payables	10,335	13,684	20,684
Accruals, other payables and receipts in advance	3,934	3,432	5,175
Obligation under finance lease	4,230	3,397	2,525
Bank borrowings	53,310	21,779	24,052
	<u>71,809</u>	<u>42,292</u>	<u>52,436</u>

(b) Currency risk

The Group operates in Hong Kong and the PRC with most of transactions denominated and settled in US\$, HK\$ and RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The management do not expect the net foreign currency risk from these activities to be significant and hence, the Group do not presently hedge the foreign exchange risks. The Group periodically review liquid assets and liabilities held in currencies other than the functional currencies of the respective subsidiaries to evaluate its foreign exchange risk exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the Track Record Period are as follows:

	<u>As at 30 April</u>		
	<u>2015</u>	<u>2016</u>	<u>2017</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Assets			
US\$	4,462	23,777	24,944
RMB	<u>39,199</u>	<u>5,195</u>	<u>31,221</u>
	<u>43,661</u>	<u>28,972</u>	<u>56,165</u>
Liabilities			
US\$	2,310	1,378	1,801
RMB	<u>61,233</u>	<u>35,581</u>	<u>46,105</u>
	<u>63,543</u>	<u>36,959</u>	<u>47,906</u>

Sensitivity analysis

As US\$ is pegged to HK\$, the Group does not expect any significant movement in the HK\$/US\$ exchange rate. No sensitivity analysis in respect of the Group's financial assets and liabilities denominated in US\$ is disclosed as in the opinion of directors of the Company.

Such sensitivity analysis does not give additional value in view of insignificant movement in the US\$/HK\$ exchange rates as the reporting dates.

The following table details the Group's sensitivity to a 5% change in RMB against HK\$, represents management's assessment of the reasonably change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive/(negative) number below indicates an increase/(decrease) in profit for the year where the relevant foreign currencies strengthen 5% against RMB. For a 5% weakening of the relevant foreign currency against RMB, there would be an equal and opposite impact on the profit for the year.

	<u>As at 30 April</u>		
	<u>2015</u>	<u>2016</u>	<u>2017</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
RMB	<u>826</u>	<u>1,140</u>	<u>558</u>

Sensitivity analysis of the Group's exposure to foreign currency risk at the end of each reporting period has been determined based on the assumed percentage changes in foreign currency exchange rates taking place at the beginning of the financial year and held constant throughout the years.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the end of next reporting period. The analysis is performed on the same basis for the Track Record Period.

(c) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from bank borrowings which bore interests at fixed and floating interest rates. Bank borrowings bearing variable rates expose the Group to cash flow interest rate risk and fair value interest rate risk. The Group does not have a formulated policy to manage the interest rate risk but will closely monitor the interest rate risk exposure in the future.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of RMB Benchmark Loan Rate of the People's Bank of China on the Group's bank borrowings.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates on bank borrowings. The analysis is prepared assuming the bank borrowings outstanding at the ended of each reporting period were outstanding for the whole year. A 50 basis point increase or decrease throughout the Track Record Period is used internally for assessment of possible change in interest rate.

For the variable-rate bank borrowings, if interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the years ended 30 April 2015, 2016 and 2017 would decrease/increase by approximately HK\$18,000, HK\$13,000 and HK\$28,000 respectively. This is mainly attributable to the Group's exposure to interest rates on its bank borrowings.

(d) Credit risk

It is the risk that a counterparty is unable to pay amount in full when due. It arises primarily from the Group's trade receivables. The Group limits its exposure to credit risk by rigorously selecting counterparties. The Group mitigates its exposure to risk relating to trade receivables by dealing with diversified customers with sound financial standing. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise credit risk. In addition, all receivables balances are monitored on an ongoing basis and overdue balances are followed up by senior management. The amounts presented in the combined statement of financial position are net of allowances for doubtful receivables, if any, estimated by the management based on prior experience and the current economic environment. The Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors believe that the credit risk is significantly reduced.

The Group has a concentration of credit risk in certain individual customers. As at 30 April 2015, 2016 and 30 April 2017, the five largest receivable balance accounted for approximately 99%, 99% and 68% of trade receivable and the largest trade receivable was approximately HK\$1,741,000, HK\$4,403,000 and HK\$7,151,000 and was approximately 86%, 58% and 18% of the Group's total trade receivables. The Group seeks to minimize its risk by dealing with counterparties which have good credit history. Majority of the trade receivables that are neither past due nor impaired have no default payment history.

In relation to the Group's deposits with bank, the Group limits its exposure to credit risk by placing deposits with financial institutions with high credit rating and no recent history of default. The directors consider that the Group's credit risk on the bank deposits is low. Management continues to monitor the position and will take appropriate action if their ratings should change. As at 30 April 2015, 2016 and 30 April 2017, the Group has no significant concentration of credit risk in relation to deposits with bank.

(e) Liquidity risk

The Group is exposed to minimal liquidity risk as a substantial portion of its financial assets and financial liabilities are due within one year and it can finance its operations from existing shareholders' funds and internally generated cash flows.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and bank balances deemed adequate by management to finance the Group's operations and mitigate the effect of fluctuations in cash flows. Management monitors the utilisation of borrowings on a regular basis.

The following tables detail the Group's contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest dates on which the Group can be required to pay. The tables include both interest and principal cash flows.

As at 30 April 2015						
Weighted average interest rate	On demand or within one year	More than one year but less than two years	More than two years but less than five years	Total undiscounted cash flow	Carrying amount	
%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-derivative financial liabilities						
Trade payables	—	10,335	—	—	10,335	10,335
Accruals, other payables and receipts in advance	—	3,934	—	—	3,934	3,934
Obligation under finance lease	4.13	1,007	1,007	2,685	4,699	4,230
Bank borrowings						
— fixed-rate	7.59	53,005	—	—	53,005	49,803
— variable-rate	2.02–4.07	3,580	—	—	3,580	3,507
		<u>71,861</u>	<u>1,007</u>	<u>2,685</u>	<u>75,553</u>	<u>71,809</u>

As at 30 April 2016						
Weighted average interest rate	On demand or within one year	More than one year but less than two years	More than two years but less than five years	Total undiscounted cash flow	Carrying amount	
%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-derivative financial liabilities						
Trade payables	—	13,684	—	—	13,684	13,684
Accruals, other payables and receipts in advance	—	3,432	—	—	3,432	3,432
Obligation under finance lease	3.85	1,007	1,007	1,677	3,691	3,397
Bank borrowings						
— fixed-rate	6.74	20,118	—	—	20,118	19,173
— variable-rate	2.02–4.07	2,653	—	—	2,653	2,606
		<u>40,894</u>	<u>1,007</u>	<u>1,677</u>	<u>43,578</u>	<u>42,292</u>

As at 30 April 2017

	Weighted average interest rate	On demand or within one year	More than one year but less than two years	More than two years but less than five years	Total undiscounted cash flow	Carrying amount
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-derivative financial liabilities						
Trade payables	—	20,684	—	—	20,684	20,684
Accruals, other payables and receipts in advance	—	5,175	—	—	5,175	5,175
Obligation under finance lease	4.6	1,007	1,007	670	2,684	2,525
Bank borrowings						
— fixed-rate	6.55	18,053	—	—	18,053	16,911
— variable-rate	2.02–6.41	7,915	—	—	7,915	7,141
		<u>52,834</u>	<u>1,007</u>	<u>670</u>	<u>54,511</u>	<u>52,436</u>

Note: Bank borrowings with a repayment on demand clause are included in the 'on demand or within one year' time band in the above maturity analysis. As at 30 April 2015, 2016 and 2017, the aggregate principal amounts of these bank borrowing amounted to HK\$53,310,000, HK\$21,779,000 and HK\$24,052,000 respectively. Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

	Weighted average interest rate	On demand or within one year	More than one year but less than two years	More than two years but less than five years	Total undiscounted cash flows	Carrying amounts
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank Borrowings						
At 30 April 2015						
— fixed-rate	7.59	53,005	—	—	53,005	49,803
— variable-rate	2.02–4.07	2,880	327	373	3,580	3,507
		<u>55,885</u>	<u>327</u>	<u>373</u>	<u>56,585</u>	<u>53,310</u>
At 30 April 2016						
— fixed-rate	6.47	20,118	—	—	20,118	19,173
— variable-rate	2.02–4.07	2,280	320	53	2,653	2,606
		<u>22,398</u>	<u>320</u>	<u>53</u>	<u>22,771</u>	<u>21,779</u>
At 30 April 2017						
— fixed-rate	6.55	18,053	—	—	18,053	16,911
— variable-rate	2.02–6.41	3,199	729	3,987	7,915	7,141
		<u>21,252</u>	<u>729</u>	<u>3,987</u>	<u>25,968</u>	<u>24,052</u>

(f) Fair value measurements

The fair values of financial assets and financial liabilities are determined as follows:

- (i) the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- (ii) the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The carrying amount of other financial assets and liabilities carried at amortised cost, approximate their respective fair values due to the relatively short-term nature of these financial instruments.

For financial reporting purpose, fair value measurement are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the input to the fair value measurements in its entirety.

The table below gives the information about how the fair value of these financial assets and financial liabilities that are measured at fair value on a recurring basis are determined (in particular, the valuation technique(s) and inputs used). The different level are defined as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Financial asset	Fair value at 30 April 2015 HK\$'000	Fair value at 30 April 2016 HK\$'000	Fair value at 30 April 2017 HK\$'000	Fair value hierarchy	Valuation technique and key input(s)	Significant unobservable inputs	Sensitivity
Investment in a life insurance contract	2,462	2,710	2,566	Level 3	Probability-weighted discounted cash flow method	30 April 2015 Crediting rate: 3.60% Discount rate: 0.49%-3.14%	A significant increase in discount rate used would result in a significant decrease in fair value, and vice versa.
					Key inputs include the account value, policy charge, crediting rate of insurance policy and discount rate	30 April 2016 Crediting rate: 3.60% Discount rate: 0.63%-2.99%	30 April 2015 Discount rate + 10%: Fair value = HK\$2,225,000 Discount rate - 10%: Fair value = HK\$2,906,000
						30 April 2017 Crediting rate: 3.60% Discount rate: 0.48%-3.27%	30 April 2016 Discount rate + 10%: Fair value = HK\$2,465,000 Discount rate - 10%: Fair value = HK\$3,170,000
							30 April 2017 Discount rate + 10%: Fair value = HK\$2,248,000 Discount rate - 10%: Fair value = HK\$2,937,000

There were no transfer between Level 1 and Level 2 during the Track Record Period.

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The above table gives information about how the fair value of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Group's combined statements of financial position approximate of their fair values.

36. CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide an adequate return to shareholders by pricing goods commensurately with the level of risk.

The Group activity and regularly reviews its capital structure and makes adjustments in light of changes in economic conditions. The Group monitors its capital structure on the basis of the net debt to equity ratio. For this purpose, debt is defined as bank borrowings and obligations under finance leases. In order to maintain or adjust the ratio, the Company may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

No changes were made to the objectives, policies or processes for managing capital during the years ended 30 April 2015, 2016 and 2017.

The Group's debt to equity ratio at the reporting period was as follows:

	<u>As at 30 April</u>		
	<u>2015</u>	<u>2016</u>	<u>2017</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Debt (<i>note 1</i>)	57,540	25,176	26,577
Less: Cash and cash equivalents	<u>(39,378)</u>	<u>(13,485)</u>	<u>(8,502)</u>
Net debts	<u>18,162</u>	<u>11,691</u>	<u>18,075</u>
Total equity	<u>28,036</u>	<u>30,303</u>	<u>45,560</u>
Net debt to equity ratio	<u>64.8%</u>	<u>38.6%</u>	<u>39.7%</u>

Note:

(1) Debt comprises bank borrowings and obligations under finance leases as detailed in note 26 and 27 respectively.

37. EVENTS AFTER THE REPORTING DATE

Save as disclosed elsewhere in the Prospectus, the following events took place subsequent to 30 April 2017:

- (a) On 24 October 2017, the Reorganisation as detailed in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus was duly completed.
- (b) On 24 October 2017, the written resolutions as detailed in Appendix IV "Statutory and General Information" in the Prospectus was duly passed.

38. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 30 April 2017.

The information set forth in this appendix does not form part of the accountants' report prepared by HLB Hodgson Impey Cheng Limited, 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 COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted combined net tangible assets prepared in accordance with Rule 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market (the "GEM Listing Rules") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") is for illustration purposes only, and is set forth here to illustrate the effect of the Share Offer on the combined net tangible assets as of 30 April 2017 as if it had taken place on 30 April 2017.

The unaudited pro forma adjusted combined net tangible assets has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of our combined net tangible assets as of 30 April 2017 as derived from the combined financial statements set forth in the accountants' report in Appendix I, and adjusted as described below. The unaudited pro forma adjusted combined net tangible assets does not form part of the accountants' report as set forth in Appendix I to this prospectus.

	Audited combined net tangible assets of the Group attributable to owners of the Company as at 30 April 2017	Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company as at 30 April 2017	Unaudited pro forma adjusted combined net tangible assets of the Group per Share
	HK\$'000	HK\$'000	HK\$'000	HK\$
	<i>(Note 1)</i>	<i>(Note 2)</i>		<i>(Note 3)</i>
Based on the Share Offer of HK\$0.3 Per Share	<u>37,209</u>	<u>39,231</u>	<u>76,440</u>	<u>0.15</u>
Based on the Share Offer of HK\$0.5 Per Share	<u>37,209</u>	<u>76,831</u>	<u>114,040</u>	<u>0.23</u>

Notes:

1. The combined net tangible assets of the Group attributable to owners of our Company as at 30 April 2017 is extracted from the accountants' report as set out in Appendix I to this prospectus.
2. The estimated net proceeds from the Share Offer are based on the Offer Price of HK\$0.3 and HK\$0.5 per Share, after deduction of underwriting fees and related expenses by our Company (excluding listing expenses of approximately HK\$9.1 million incurred up to 30 April 2017). It does not take into account of any Shares which may be issued upon the exercise of the Adjustment Options and the options that may be granted under the Share Option Scheme.

3. The unaudited pro forma adjusted combined net tangible assets per Share is arrived at after the adjustments referred to above and on the basis that 500,000,000 Shares will be issued immediately after the Capitalisation Issue and the Share Offer, assuming that the Share Offer has been completed on 30 April 2017, but does not take into account of any shares which may issued upon the exercise of the Adjustment Options.
4. No adjustments have been made to the unaudited pro forma adjusted combined net tangible assets of the Group as at 30 April 2017 to reflect any trading results or other transactions of the Group entered into subsequent to 30 April 2017.

**B. LETTER FROM THE REPORTING ACCOUNTANTS ON UNAUDITED PRO FORMA
FINANCIAL INFORMATION**

The following is the text of a report received from the independent reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus, in connection with the unaudited pro forma financial information.



31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

31 October 2017

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF PRO FORMA FINANCIAL INFORMATION INCLUDED IN A
PROSPECTUS****TO THE DIRECTORS OF BORTEX GLOBAL LIMITED**

We have completed our assurance engagement to report on the compilation of the unaudited pro forma financial information (the “**Unaudited Pro Forma Financial Information**”) of Bortex Global Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) by the directors for illustrative purposes only. The Unaudited Pro Forma Financial Information consists of the pro forma adjusted combined net tangible assets as at 30 April 2017, and related notes as set out on pages II-1 to II-2 of the prospectus (the “**Prospectus**”) dated 31 October 2017 issued by the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described in Appendix II to the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed share offer (the “**Share Offer**”) on the Group’s combined net tangible assets as at 30 April 2017 as if the Share Offer had taken place at 30 April 2017. As part of this process, information about the Group’s combined net tangible assets has been extracted by the directors from the Group’s combined financial statements for the year ended 30 April 2017, on which an accountants’ report has been published.

Directors’ Responsibilities for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “**GEM 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**”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statement and Other Assurance and Related Services Engagement” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedure regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus”, issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of 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 the event or transaction at 30 April 2017 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.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

Yours faithfully
HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Wong Sze Wai, Basilia
Practising Certificate Number: P05806
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 30 January, 2014 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The Company’s constitutional documents consist of its Memorandum of Association (the “Memorandum”) and its Articles of Association (the “Articles”).

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 24 October 2017 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, 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.

Any 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.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares 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; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) 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 Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) 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. 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 of that share.

The board may, in its absolute discretion, at any 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.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it 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 any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of 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 the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

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.

(b) Directors

(i) Appointment, retirement 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) shall 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 by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall 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.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power 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.

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 members of the Company 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 if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) 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 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 must, 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.

(ii) 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 (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is 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 determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange 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 are 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 is 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.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

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.

(iv) 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 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.

(v) Remuneration

The ordinary remuneration of the Directors is to 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 are also 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 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 and such other benefits 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.

(vi) 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.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) 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 upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the 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. 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.

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 must 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 is materially interested, but this prohibition does 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.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. 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.

(d) Alterations to constitutional documents and the Company's name

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.

(e) Meetings of members*(i) Special and ordinary resolutions*

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 has been duly given in accordance with the Articles.

Under the Companies Law, 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 of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, 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 authorized 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 Stock Exchange, 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.

(iii) Annual general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members 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, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an 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.
- (v) *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.

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.

(vi) *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 is 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 is 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.

(f) 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 must 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 must 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 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 of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, 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.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. 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 which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

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.

(h) Inspection of corporate records

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 office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of 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 Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) 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 is 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 is 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 is 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.

(k) 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 Islands 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) Company 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 of 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.

(c) Financial assistance to purchase shares of a company or its holding company

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

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 is to 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 is not be treated as a member for any purpose and must 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 must not be voted, directly or indirectly, at any meeting of the company and must 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.

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

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. With the exception of the foregoing, there are 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.

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.

(f) Protection of minorities and shareholders' suits

The 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) Disposal of assets

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 must 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.

An exempted company must 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 of the Cayman Islands.

(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 24 February, 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 for 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 a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is 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 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.

(n) Register of members

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 must 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 of the Cayman Islands.

(o) Register of Directors and Officers

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 sixty (60) days of any change in such directors or officers.

(p) Register of Beneficial Ownership

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The register of beneficial ownership is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the Company is listed on the Stock Exchange, it is not required to maintain a register of beneficial ownership.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) 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 therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act 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.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how 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. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) 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.

(s) Take-overs

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.

(t) 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, 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 to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation**

Our Company was incorporated as an exempted company in the Cayman Islands under the Companies Law on 30 January 2014. Our Company has established its principal place of business in Hong Kong at Flat H, 7th Floor, King Palace Plaza, 55 King Yip Street, Kwun Tong, Kowloon, Hong Kong and has been registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance. Mr. Shiu has been appointed as the authorised representative of our Company for acceptance of service of process and notices on behalf of our Company in Hong Kong. The address for acceptance of service of process of Mr. Shiu is Flat H, 7th Floor, King Palace Plaza, 55 King Yip Street, Kwun Tong, Kowloon, Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the Cayman Islands law and its constitutive documents comprising the Memorandum and the Articles. A summary of certain parts of its constitution and relevant aspects of the Cayman Islands company law is set out in Appendix III to this prospectus.

2. Changes in share capital of our Company

The authorised share capital of our Company as at the date of its incorporation was HK\$380,000 divided into 38,000,000 Shares.

On 30 January 2014, one Share was allotted and issued fully paid to a third party subscriber as the initial subscriber, which was subsequently transferred to Mr. Shiu on the same day for cash at par. On 24 October 2017, Mr. Shiu transferred one Share to Real Charm for cash at par.

Pursuant to the written resolutions of the sole Shareholder passed on 24 October 2017:

- (a) the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares to HK\$100,000,000 divided into 10,000,000,000 Shares by the creation of an additional 9,962,000,000 Shares; and
- (b) our Directors were authorised to allot and issue 7,799 and 2,200 Shares, credited as fully paid, to Real Charm (at the direction of Mr. Shiu) and Multi Tech, respectively, in consideration of and in exchange for the transfer to our Company of 78 and 22 shares of US\$1 each in Harvest Mount, representing its entire issued share capital, by Mr. Shiu and Multi Tech, respectively.

Immediately after the Share Offer becoming unconditional and the issue of Shares as mentioned herein being made, but taking no account of pursuant to the exercise of any of the Adjustment Options (whichever is applicable) and any options that may be granted under the Share Option Scheme, the authorised share capital of our Company will remain HK\$100,000,000 divided into 10,000,000,000 Shares and the issued share capital will be HK\$5,000,000 divided into 500,000,000 Shares, all fully paid or credited as fully paid and 9,500,000,000 Shares will remain unissued. Other than pursuant to the exercise of any of the Adjustment Options (whichever is applicable) and any options that may be granted under the Share Option Scheme and the exercise

of the general mandate to issue Shares referred to in the paragraph headed “A. Further Information about Our Company — 3. Written resolutions of our sole Shareholder passed on 24 October 2017” in this Appendix, there is no present intention to issue any of the authorised but unissued share capital of our Company and no issue of Shares which would effectively alter the control of our Company will be made without the prior approval of members in a general meeting.

Save as aforesaid and as mentioned in the paragraph headed “A. Further Information about Our Company — 3. Written resolutions of our sole Shareholder passed on 24 October 2017” in this Appendix, there has been no alteration in the share capital of our Company since its incorporation.

3. Written resolutions of our sole Shareholder passed on 24 October 2017

Pursuant to the written resolutions of our sole Shareholder passed on 24 October 2017:

- (a) our Company approved and adopted the Memorandum as its memorandum of association to take effect upon passing of the said written resolutions and the Articles as its new articles of association to take effect on the Listing Date;
- (b) conditional on the same conditions as stated in the section headed “Structure and Conditions of the Share Offer — Conditions of the Share Offer” in this prospectus:
 - (i) the Share Offer and the Adjustment Options were approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer and such number of Shares as may be allotted and issued pursuant to the exercise of any of the Adjustment Options (whichever is applicable); and
 - (ii) the rules of the Share Option Scheme were approved and adopted and our Directors were authorised to implement the same, grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant thereto;
- (c) conditional on the share premium account of our Company being credited as a result of the issue of Offer Shares pursuant to the Share Offer, our Directors were authorised to capitalise the amount of HK\$2,999,900 from the amount standing to the credit of the share premium account of our Company to pay up in full at par 299,990,000 Shares for allotment and issue to persons whose names appear on the register of members of our Company at the close of business on 27 October 2017, pro rata to their then existing shareholdings in our Company;
- (d) a general unconditional mandate (the “**Issue Mandate**”) was given to our Directors to allot, issue and deal with, otherwise than pursuant to (i) a rights issue; (ii) any scrip dividend scheme or similar arrangement 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; (iii) the exercise of the subscription rights attaching to any warrants which may be issued by our Company from time to time; (iv) the exercise of any of the Adjustment Options (whichever is applicable) or any options which may be granted under the Share Option Scheme or similar arrangement; or (v) any specific authority granted by our Shareholders in general meeting, Shares with an aggregate number not exceeding 20%

of the aggregate number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (excluding any Shares which may be issued upon the exercise of the Over-allotment Option (if applicable) and any options which may be granted under the Share Option Scheme), 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 the Articles or any applicable law of the Cayman Islands to be held, or the revocation, variation or renewal by an ordinary resolution of our Shareholders in a general meeting, whichever is the earlier;

- (e) a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors authorizing them to exercise all powers of our Company to repurchase Shares on GEM or other stock exchange on which Shares may be listed and recognised by the SFC and the Stock Exchange for this purpose with an aggregate number not exceeding 10% of the aggregate number of our Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (excluding any Shares which may be issued upon the exercise of the Over-allotment Option (if applicable) and any options which may be granted under the Share Option Scheme), 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 the Articles or any applicable law of the Cayman Islands to be held, or the revocation, variation and renewal by an ordinary resolution of our Shareholders in a general meeting, whichever is the earlier; and
- (f) the extension of the Issue Mandate by the addition of the aggregate number of Shares which may be allotted and issued or agreed (conditionally or unconditionally) to be allotted and issued by our Directors pursuant to the Issue Mandate of an amount representing the aggregate number of Shares repurchased by our Company pursuant to the Repurchase Mandate.

4. Reorganisation

In preparation for the Share Offer, we undertake the Reorganisation to rationalise the business and structure of our Group, details of which are set out in the section headed “History, Reorganisation and Corporate Structure — The Reorganisation” in this prospectus.

5. Changes in share capital of subsidiaries

Our Company’s subsidiaries are referred to in the Accountants’ Report, the text of which is set out in Appendix I to this prospectus.

Save as disclosed in the section headed “History, Reorganisation and Corporate Structure — The Reorganisation” in this prospectus, there has been no other change to the share capital of any of the subsidiaries of our Company within the two years immediately prior to the date of this prospectus.

6. Repurchase by our Company of its own securities

As mentioned in the paragraph headed “A. Further Information about Our Company — 3. Written resolutions of our sole Shareholder passed on 24 October 2017” in this Appendix, the Repurchase Mandate was granted to our Directors to exercise all powers of our Company to repurchase Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed.

(a) *Provisions of the GEM Listing Rules*

The GEM Listing Rules permit a company with a primary listing on the Stock Exchange to repurchase its securities on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(i) *Shareholders' approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution by shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and the Articles, the GEM Listing Rules and the applicable 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 as amended from time to time. Subject to the foregoing, any repurchase by our Company may be made out of the share premium or profits of our Company or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase and, in the case of any premium payable on the purchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company. Subject to compliance with the solvency test prescribed in the Companies Law, a repurchase may also be paid out of capital.

(iii) *Trading restrictions*

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five

preceding trading days on which its shares were traded on the Stock Exchange. The GEM Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A listed company is required to procure that the broker appointed by it to effect a repurchase of securities shall disclose to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of repurchased securities

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed.

(v) Suspension of repurchases

A listed company may not make any repurchase of securities at any time after inside information has come to its knowledge until the information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the GEM Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the GEM Listing Rules, or quarterly or any other interim period (whether or not required under the GEM Listing Rules), and ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the GEM Listing Rules.

(vi) Reporting requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be submitted to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report and accounts are required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

(vii) Connected persons

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a core connected person and a core connected person is prohibited from knowingly selling his securities to the company.

(b) Reasons for repurchases

Our Directors believe that the ability to repurchase Shares is in the interests of our Company and our Shareholders. Repurchases may, depending on market conditions, funding arrangements and other circumstances, result in an increase in the net assets and/or earnings per Share. Our Directors sought the grant of the Repurchase Mandate to give our Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by our Directors at the relevant time having regard to the circumstances then pertaining. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Funding of repurchases

In repurchasing Shares, our Company may only apply funds lawfully available for such purpose in accordance with the Memorandum and the Articles, the GEM Listing Rules and the applicable laws of the Cayman Islands. There could be a material and adverse impact on the working capital and/or gearing position of our Company (as compared with the position disclosed in this prospectus) in the event that the Repurchase Mandate were to be carried out in full at any time during the share repurchase period. However, our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material and adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(d) General

The exercise in full of the Repurchase Mandate, on the basis of 500,000,000 Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be issued upon the exercise of any of the Adjustment Options (whichever is applicable) and any options which may be granted under the Share Option Scheme), could accordingly result in up to 50,000,000 Shares being repurchased by our Company during the period prior to:

- (i) the conclusion of our next annual general meeting; or
- (ii) the expiry of the period within which we are required by any applicable laws or the Articles to hold our next annual general meeting; or
- (iii) the date on which the repurchase mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates, has any present intention to sell any Shares to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules and the applicable laws in the Cayman Islands.

No core connected person of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

If, as a result of any repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as disclosed above, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Any repurchase of Shares that results in the number of Shares held by the public falling below 25% of the total number of Shares in issue, being the relevant minimum prescribed percentage as required by the Stock Exchange, could only be implemented if the Stock Exchange agreed to waive the requirement regarding the public float under Rule 11.23 of the GEM Listing Rules. However, our Directors have no present intention to exercise the Repurchase Mandate to such an extent that, under the circumstances, there would be insufficient public float as prescribed under the GEM Listing Rules.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years immediately preceding the date of this prospectus and are or may be material:

- (a) the sale and purchase agreement dated 24 October 2017 entered into among Mr. Shiu, Multi Tech, Ms. Giang, our Company and Real Charm, pursuant to which our Company agreed to purchase 78 shares and 22 shares in Harvest Mount from Mr. Shiu and Multi Tech, respectively, in consideration of our Company allotting and issuing 7,799 and 2,200 Shares, credited as fully paid, to Real Charm (at the direction of Mr. Shiu) and Multi Tech, respectively;
- (b) the Deed of Non-Competition;
- (c) the Deed of Indemnity;
- (d) the Public Offer Underwriting Agreement; and
- (e) the Deed of Indemnity and Undertaking.

2. Intellectual property rights

(a) Trademarks

As at the Latest Practicable Date, our Group was the registered owner of the following trademarks:

<u>Trademark</u>	<u>Registered Owner</u>	<u>Place of Registration</u>	<u>Registration Date</u>	<u>Class (Note)</u>	<u>Trade Mark Number</u>	<u>Period of Validity</u>
	Bortex International	Hong Kong	18 March 2014	11	302928682	17 March 2024
	Bortex Industry	PRC	21 January 2013	28	10123963	20 January 2023

Note:

<u>Class</u>	<u>Specification of goods/services</u>
11	Apparatus for lighting, heating, steam generating, cooking, refrigerating, drying, ventilating, water supply and sanitary purposes.
28	Games and playthings; gymnastic and sporting articles; decorations for Christmas trees.

(b) Patents

As at the Latest Practicable Date, our Group was the registered owner of the following patents:

<u>Description</u>	<u>Summary</u>	<u>Place of registration</u>	<u>Patent number</u>	<u>Type of patent</u>	<u>Date of application</u>	<u>Period of validity</u>
Detachable, waterproof luminary design	A method of assembling wire, light cover, and luminaires into one piece while retaining its detachable function and water-proof ability	PRC	ZL200810147150.X (Note)	invention	21 August 2008	20 August 2028
String light product design	A design that can connect multiple strings of lighting products into one socket	PRC	ZL200820183259.4	utility model	23 December 2008	22 December 2018

<u>Description</u>	<u>Summary</u>	<u>Place of registration</u>	<u>Patent number</u>	<u>Type of patent</u>	<u>Date of application</u>	<u>Period of validity</u>
LED street light design	A design that packs a heat sink and detachable LED base on the back of a power adaptor	PRC	ZL200920167036.3	utility model	24 July 2009	23 July 2019
Decorative Lamp	An utility model with a dissociable closed combination structure that is simple and convenient to assemble and is also waterproof	PRC	ZL201220233100.5	utility model	22 May 2012	21 May 2022
A double-sided cable-laying board for LED	A double-sided cable-laying board for LED which comprises LEDs and the cable-laying board. It is characterized by its simple structure, environmental friendliness and low costs	PRC	ZL201520334292.2	utility model	20 May 2015	19 May 2025
Lamp socket and string light	A lamp socket and string light which can accommodate both screw bulbs and bayonet bulbs	PRC	ZL201620435273.3	utility model	12 May 2016	11 May 2026
A multifunctional glass fluorescent tube	A fluorescent tube which support AC/DC dual power supply and can charge external electronic devices	PRC	ZL201620550738.X	utility model	8 June 2016	7 June 2026
A tempered glass fluorescent tube	A fluorescent tube with tempered glass	PRC	ZL201620550773.1	utility model	8 June 2016	7 June 2026
Waterproof decorative lamp	A waterproof decorative lamp that is conveniently assembled, including a lampshade, a luminophor and conductive wires connected to the luminophor	USA	8,746,953 (<i>Note</i>)	N/A	28 December 2012	28 December 2032
A decorative lamp without a lamp hood	A decorative lamp which, compared with prior art, is simpler in structure, saves costs, is convenient to assemble, and also is waterproof	PRC	ZL201320891753.7	utility model	31 December 2013	30 December 2023
A waterproof decorative lamp	A decorative lamp, comprising a lampshade, a luminophor and conductive wires connected with the luminophor	Canada	2800352 (<i>Note</i>)	N/A	28 December 2012	28 December 2032
Lamp socket and lighting fixture	A lamp socket and lighting fixture which has fewer ridges, saves time and improves efficiency during the installation of screw-based light bulbs	PRC	ZL201621083636.8	utility model	26 September 2016	25 September 2026

Note: This is our latest method of assembling LED lighting products.

(c) Domain name

As at the Latest Practicable Date, our Group had registered the following domain name(s):

<u>Domain Name</u>	<u>Registered Owner</u>	<u>Expiry Date</u>
bortex.com.cn	Bortex Industry	10 November 2018

Save as aforesaid, there are no other trademarks, patents or other intellectual or industrial property rights which are material in relation to our Group's business.

C. FURTHER INFORMATION ABOUT DIRECTORS, CHIEF EXECUTIVE AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of interests

(a) Interests and/or short positions of Directors in the Shares, underlying shares or debentures of our Company and its associated corporations

Immediately following completion of the Share Offer and the Capitalisation Issue (but without taking into account any Shares which may be issued upon the exercise of any of the Adjustment Options (whichever is applicable) and any options which may be granted under the Share Option Scheme), our Directors will have the following interests and/or short positions in the shares, underlying shares or debentures of our Company and its associated corporations (within the meaning of Part XV 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 (including interests and short positions which they are 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 pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by our Directors, will be required to be notified to our Company and the Stock Exchange once the Shares are listed:

(i) Interests in our Company

<u>Name of Director</u>	<u>Capacity</u>	<u>Number of Shares</u> <i>(Note 1)</i>	<u>Approximate percentage of shareholding</u>
Mr. Shiu <i>(Note 2)</i>	Interest of controlled corporation	234,000,000 (L)	46.8%
Mr. Yuen <i>(Note 3)</i>	Interest of spouse	66,000,000 (L)	13.2%

Notes:

- (1) The letter "L" denotes a long position in the Shareholders' interest in the share capital of our Company.
- (2) Mr. Shiu is deemed to be interested in the 234,000,000 Shares held by Real Charm, which is wholly and beneficially owned by Mr. Shiu, under the SFO.

- (3) Mr. Yuen is deemed to be interested in the 66,000,000 Shares held by his spouse, Ms. Giang through her interests in Multi Tech, under the SFO.

(ii) *Interests in associated corporations*

<u>Name of Director</u>	<u>Capacity</u>	<u>Percentage of shareholding of Real Charm</u>
Mr. Shiu	Beneficial owner	100%

(b) *Interests and/or short positions of substantial shareholders in our Shares which are discloseable under Divisions 2 and 3 of Part XV of the SFO*

So far as is known to our Directors, immediately following the completion of the Share Offer and the Capitalisation Issue (but without taking into account any Shares which may be issued upon the exercise of any of the Adjustment Options (whichever is applicable) and any options which may be granted under the Share Option Scheme), the following persons (not being a Director or chief executive of our Company) will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of our Group:

<u>Name</u>	<u>Capacity and nature of interests</u>	<u>Number of Shares held (Note 1)</u>	<u>Approximate percentage of shareholding</u>
Real Charm (Note 2)	Beneficial owner	234,000,000 (L)	46.8%
Ms. Chung Yu Chun (Note 3)	Interest of spouse	234,000,000 (L)	46.8%
Multi Tech (Note 4)	Beneficial owner	66,000,000 (L)	13.2%
Ms. Giang (Note 4)	Interest in controlled corporation	66,000,000 (L)	13.2%

Notes:

- (1) The letter "L" denotes a long position in the Shareholders' interests in the share capital of our Company.
- (2) Real Charm is wholly and beneficially owned by Mr. Shiu. As such, Mr. Shiu is deemed under the SFO to be interested in the 234,000,000 Shares held by Real Charm upon Listing.
- (3) Ms. Chung Yu Chun is the spouse of Mr. Shiu. As such, she is deemed to be interested in the 234,000,000 Shares in which Mr. Shiu is interested for the purpose of the SFO.
- (4) Multi Tech is wholly and beneficially owned by Ms. Giang. As such, Ms. Giang is deemed under the SFO to be interested in the 66,000,000 Shares held by Multi Tech upon Listing.

2. Particulars of service agreements and letters of appointment

Each of Mr. Shiu, Mr. X.H. Shao and Mr. Yuen has entered into a service agreement with our Company for an initial fixed term of two years commencing from the Listing Date with an annual salary of HK\$996,000, HK\$675,000 and HK\$675,000, respectively, which is subject to an annual adjustment at a rate to be determined at the discretion of our Board. In addition, each executive Director will be entitled to a bonus of such amount to be decided by our Board based on the results of our Group and his individual performance. Each of our executive Directors will also be reimbursed to all reasonable out-of-pocket expenses properly incurred by him in the performance of his duties as a Director.

Each of our independent non-executive Directors has entered into a letter of appointment with our Company for a term of two years commencing from the Listing Date with an annual director's fee of HK\$120,000.

3. Directors' remuneration

Remuneration and benefits in kind of approximately HK\$915,000, HK\$915,000 and HK\$915,000 in aggregate were paid and granted by our Group to our Directors for each of the three years ended 30 April 2017.

Under the arrangements currently in force, we estimate the aggregate remuneration, including contributions to retirement benefits scheme, allowances and benefits in kind but excluding discretionary bonuses, of our Directors for the financial year ending 30 April 2018 to be approximately HK\$1.8 million.

Our Company's policy concerning the remuneration of our Directors is that the amount of remuneration is determined by reference to the relevant Director's experience, workload and the time devoted to our Group.

4. Related party transactions

Details of the related party transactions are set out under Note 33 to the Accountants' Report of our Company set out in Appendix I to this prospectus.

5. Disclaimers

Save as disclosed in this prospectus,

- (a) none of our Directors or chief executive of our Company has any interest and/or short position in the shares, underlying shares, listed or unlisted derivatives of or debentures of our Company or any of its associated corporations (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 (including interests and short positions in which they are 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 pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by our Directors, will be required to be notified to our Company and the Stock Exchange once the Shares are listed;

- (b) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between our Directors and any member of our Group;
- (c) none of our Directors or the experts named in the paragraph headed “E. Other Information — 7. Qualifications of experts” in this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, 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;
- (d) none of our Directors or the experts named in the paragraph headed “E. Other Information — 7. Qualifications of experts” in this Appendix is materially interested in any contract or arrangement subsisting as at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (e) taking no account of any Shares which may be issued upon the exercise of any of the Adjustment Options (whichever is applicable) and any options which may be granted under the Share Option Scheme and any Shares which may be taken up under the Share Offer, our Directors are not aware of any person who immediately following the completion of the Share Offer and the Capitalisation Issue will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group; and
- (f) none of the experts named in the paragraph headed “E. Other Information — 7. Qualifications 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 or is an officer or servant or in employment of an officer or servant of our Group.

D. SHARE OPTION SCHEME**Summary of terms**

The following is a summary of the principal terms of the Share Option Scheme adopted pursuant to the written resolutions of our sole Shareholder passed on 24 October 2017:

1. Purpose of the Share Option Scheme

- (a) The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions that Eligible Persons (as defined below) had made or may make to our Group.
- (b) The Share Option Scheme will provide the Eligible Persons with an opportunity to have a personal stake in our Company with the view to achieving the following objectives:
 - (i) motivate the Eligible Persons to optimise their performance and efficiency for the benefit of our Group; and
 - (ii) attract and retain or otherwise maintain ongoing business relationship with the Eligible Persons whose contributions are or will be beneficial to the long term growth of our Group.
- (c) For the purpose of the Share Option Scheme, “**Eligible Person**” means any person who satisfies the eligibility criteria in paragraph 2 below.

2. Who may join and basis for determining eligibility

- (a) Our Board may at its discretion grant options to: (i) any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to our Group or a company in which our Group holds an interest or a subsidiary of such company (“**Affiliate**”); or (ii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to our Group or an Affiliate; or (iii) a company beneficially owned by any director, employee, consultant, professional, customer, supplier, agent, partner, adviser of or contractor to our Group or an Affiliate.
- (b) In order for a person to satisfy our Board that he/she/it is qualified to be (or, where applicable, continues to qualify to be) an Eligible Person, such person shall provide all such information as our Board may request for the purpose of assessing his/her/its eligibility (or continuing eligibility).
- (c) Each grant of options to a Director, chief executive or substantial shareholder of our Company or any of their respective associates must be approved in accordance with the requirements of the GEM Listing Rules.

- (d) Should our Board resolve that a grantee fails/has failed or otherwise is/has been unable to meet the continuing eligibility criteria under the Share Option Scheme, our Company would be entitled to deem any outstanding option or part thereof, granted to such grantee and to the extent not already exercised, as lapsed.

3. *Grant of options*

- (a) On and subject to the terms of the Share Option Scheme, our Board shall be entitled at any time on a Business Day within 10 years commencing on the effective date of the Share Option Scheme to offer the grant of an option to any Eligible Person as our Board may in its absolute discretion select in accordance with the eligibility criteria set out in the Share Option Scheme. An offer shall be deemed accepted when our Company receives the letter containing the offer of the grant of an option duly signed by the grantee together with a non-refundable payment of HK\$1 (or such other sum in any currency as our Board may determine).
- (b) Subject to the provisions of the Share Option Scheme, the GEM Listing Rules and other applicable rules and regulations, our Board may, on a case by case basis and at its discretion when offering the grant of an option, impose any conditions, restrictions or limitations in relation thereto additional to those expressly set forth in the Share Option Scheme as it may think fit (which shall be stated in the letter containing the offer of the grant of the option) including (without prejudice to the generality of the foregoing):
 - (i) the continuing eligibility of the grantee under the Share Option Scheme, and in particular, where our Board resolves that the grantee fails/has failed or otherwise is or has been unable to meet the continuing eligibility criteria, any outstanding option (to the extent not already exercised) shall lapse;
 - (ii) the continuing compliance of any such terms and conditions that may be attached to the grant of the option, failing which the option (to the extent not already exercised) will lapse unless otherwise resolved to the contrary by our Board;
 - (iii) in the event that the Eligible Person is a corporation, that any material change of the management and/or shareholding of the Eligible Person shall constitute a failure to meet the continuing eligibility criteria under the Share Option Scheme;
 - (iv) in the event that the Eligible Person is a trust, that any material change of the beneficiary of the Eligible Person shall constitute a failure to meet the continuing eligibility criteria under the Share Option Scheme;
 - (v) in the event that the Eligible Person is a discretionary trust, that any material change of the discretionary objects of the Eligible Person shall constitute a failure to meet the continuing eligibility criteria under the Share Option Scheme;

- (vi) conditions, restrictions or limitations relating to the achievement of operating or financial targets;
 - (vii) if applicable, the satisfactory performance of certain obligations by the grantee.
- (c) Our Board shall not offer the grant of an option to any Eligible Person:
- (i) after inside information (as defined under the GEM Listing Rules) has come to its knowledge until it has been announced pursuant to the relevant requirements of the GEM Listing Rules; or
 - (ii) during the period commencing one month immediately before the earlier of:
 - (1) the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for approving of our Company's results for any year, half-year, quarter-year period or any other interim period (whether or not required under the GEM Listing Rules); and
 - (2) the deadline for our Company to announce its results for any year, half-year or quarter-year period under the GEM Listing Rules or any other interim period (whether or not required under the GEM Listing Rules) and ending on the date of the results announcement. No option may be granted during any period of delay in publishing a results announcement.
- (d) Any grant of options to a Director, chief executive or substantial shareholder of our Company, or any of their respective associates, must be approved by the independent non-executive Directors (but excluding, for all purposes, any independent non-executive Director who is a proposed grantee). Where any grant of options to a substantial shareholder of our Company or an independent non-executive Director or any of their respective associates would result in the total number of the Shares issued and to be issued upon exercise of the options granted and to be granted (including options exercised, cancelled and outstanding) to such person in any 12-month period up to and including the date of the grant:
- (i) representing in aggregate over 0.1% of the Shares in issue; and
 - (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million,

such further grant of options must be approved by the Shareholders. Our Company must send a circular to its shareholders. The proposed grantee, his associates and all core connected persons of our Company must abstain from voting in favour at such general meeting.

4. *Exercise price of Shares*

The exercise price for any Share under the Share Option Scheme will be a price determined by our Board and notified to each grantee and will be not less than the highest of (i) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the date of grant of the relevant option, which must be a Business Day, (ii) an amount equivalent to the average closing price of a Share as stated in the Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the date of grant of the relevant option and (iii) the nominal value of a Share. The exercise price shall also be subject to any adjustments made in a situation contemplated under paragraph 10.

5. *Maximum number of Shares*

- (a) 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 schemes must not, in aggregate, exceed 30% of the Shares in issue from time to time. No options may be granted under any scheme of our Company (including the Share Option Scheme) if this will result in the said 30% limit being exceeded.
- (b) The total number of Shares available for issue under options which may be granted under the Share Option Scheme and any other share option schemes must not, in aggregate, exceed 10% of the issued share capital of our Company as at the Listing Date, (the "**Scheme Mandate Limit**") unless shareholders' approval has been obtained pursuant to sub- paragraph (d) below.
- (c) The Scheme Mandate Limit may be refreshed by shareholders of our Company in general meeting from time to time provided that the Scheme Mandate Limit so refreshed must not exceed 10% of the issued share capital of our Company at the date of the approval of the refreshment by the shareholders of our Company. Upon any such refreshment, all options granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or any other share option scheme of our Company and exercised options) prior to the approval of such refreshment shall not be counted for the purpose of calculating whether the refreshed Scheme Mandate Limit has been exceeded. A circular must also be sent to the shareholders of our Company containing such information from time to time required by the Stock Exchange.
- (d) Our Board may seek separate shareholders' approval in general meeting to grant options beyond the Scheme Mandate Limit provided that the options in excess of the Scheme Mandate Limit are granted only to the Eligible Persons specified by our Company before such approval is sought and our Company must issue a circular to the shareholders of our Company containing such information from time to time required by the Stock Exchange in relation to any such proposed grant to such Eligible Persons.

- (e) No option may be granted to any Eligible Person which, if exercised in full, would result in the total number of Shares issued and to be issued upon exercise of the share options already granted or to be granted to such Eligible Person under the Share Option Scheme (including exercised, cancelled and outstanding share options) in the 12-month period up to and including the date of such new grant exceeding 1% of the issued share capital of our Company as at the date of such new grant. Any grant of further share options above this limit shall be subject to the requirements provided under the GEM Listing Rules.
- (f) The maximum number of Shares referred to in sub-paragraph (a) shall be adjusted, in such manner as the auditors of our Company or the independent financial adviser of our Company shall confirm in writing that the adjustments satisfy the requirements set forth in paragraph 10.

6. *Time of exercise of option*

- (a) Subject to certain restrictions contained in the Share Option Scheme, an option may be exercised in accordance with the terms of the Share Option Scheme and the terms of grant thereof at any time during the applicable option period, which is not more than 10 years from the date of grant of option.
- (b) There is no general requirement on the minimum period for which an option must be held or the performance targets which must be achieved before an option can be exercised under the terms of the Share Option Scheme. However, at the time of granting any option, our Board may, on a case by case basis, make such grant subject to such conditions, restrictions or limitations including (without limitation) those in relation to the minimum period of the options to be held and/or the performance targets to be achieved as our Board may determine in its absolute discretion.

7. *Rights are personal to grantee*

An option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any option, failing which the option (to the extent it has not already been exercised) shall lapse.

8. *Rights on ceasing to be an Eligible Person*

Where an option was granted subject to certain continuing conditions, restrictions or limitations on the grantee's eligibility and our Board resolves that the grantee has failed or otherwise is or has been unable to meet such continuing eligibility criteria, the option (to the extent it has not already been exercised) shall lapse.

9. *Rights on death/ceasing employment*

- (a) If the grantee (being an individual) dies before exercising the option in full, his or her legal personal representative(s) may exercise the option up to the grantee's entitlement (to the extent exercisable as at the date of his/her death and not exercised) within a period of 12 months following his/her death or such longer period as our Board may determine.
- (b) Subject to sub-paragraph (iii), if the grantee who is an employee ceases to be an employee for any reason other than his/her death or the termination of his/her employment on one or more of the following grounds that:
 - (i) he/she has been guilty of serious misconduct; or
 - (ii) he/she becomes insolvent or is unable or has no reasonable prospects of being able to pay his/her debts within the meaning of the Bankruptcy Ordinance (Chapter 6 of the Laws of Hong Kong) or has made any arrangements or composition with his/her creditors generally; or
 - (iii) he/she has been convicted of any criminal offence involving his/her integrity or honesty, the grantee may exercise the option (to the extent exercisable as at the date of the relevant event and not exercised) within 30 days following the date of such cessation.
- (c) If the grantee is an employee, director, consultant, professional, agent, partner, advisor of or contractor to our Group or its Affiliate at the time of the grant of the relevant option(s) and his/her employment or service to our Company is terminated on the ground of disability, the grantee may exercise the option (to the extent exercisable as at the date on which such grantee ceases to be an employee, director, consultant, professional, agent, partner, advisor of or contractor to our Group or its Affiliate and not exercised) within 6 months following such cessation or such longer period as our Board may determine.
- (d) If the grantee is an employee at the time of the grant of the relevant option(s), in the event that such grantee shall cease to be an employee but becomes, or continues to be, a consultant, professional, customer, supplier, agent, partner or adviser of or contractor to our Group or an Affiliate, then the option (to the extent exercisable as at the date on which such grantee ceases to be an employee and not exercised) shall be exercised within 3 months following the date of such cessation or such longer period as our Board may determine.
- (e) If the grantee is an employee at the time of the grant of the relevant option(s), in the event that such grantee shall cease to be an employee but becomes, or continues to be, a director of our Group or an Affiliate, then the option(s) (to the extent exercisable as at the date on which such grantee ceases to be an employee and not exercised) granted prior to the date of his/her becoming a director of our

Group or its Affiliate shall remain exercisable until its expiry in accordance with the provisions of the Share Option Scheme and the terms and conditions upon which such option(s) is granted unless our Board shall determine to the contrary.

- (f) If the grantee, who is a director, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to our Group or an Affiliate but not an employee, ceasing to be a director, consultant, customer, supplier, agent, partner or adviser of or contractor to our Group or an Affiliate (as the case may be) for any reason other than his/her death (in the case of a grantee being an individual) or disability (in the case of a grantee being a director or consultant of our Group or its Affiliate), the option (to the extent exercisable as at the date of such cessation and not exercised) shall be exercised within 30 days following the date of such cessation or such longer period as our Board may determine.

10. Effects of alterations to capital

In the event of any alteration in the capital structure of our Company while an option remains exercisable, and such event arises from a capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of our Company, such corresponding alterations (if any) shall be made to the number or nominal amount of Shares which are the subject of unexercised options, the exercise price and/or the maximum number of Shares subject to the Share Option Scheme. Any adjustments required under this paragraph must give a grantee the same proportion of the equity capital as that to which that grantee was previously entitled and shall be made on the basis that the aggregate exercise price payable by a grantee on the full exercise of any option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event, but no such adjustments may be made to the extent that Shares would be issued at less than nominal value and, unless with the prior approval of our Company's shareholders in general meeting, no such adjustments may be made to the advantage of the grantee. For the avoidance of doubt, the issue of securities as consideration in a transaction may not be regarded as a circumstance requiring adjustment. In respect of any such adjustments, other than any made on a capitalization issue, the independent financial adviser of our Company or the auditors of our Company must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provisions of the GEM Listing Rules and the supplementary guidance set out in the letter issued by the Stock Exchange dated 5 September 2005 and any further guidance/interpretation of the GEM Listing Rules issued by the Stock Exchange from time to time.

11. Rights on a takeover

If a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) and such offer becomes or is declared unconditional (within the meaning of the Takeovers Code), the grantee shall be entitled to exercise the option (to the extent exercisable as at the date on which the general offer becomes or is declared unconditional and not exercised) in full or in part at any time within one month after the date on which the offer becomes or is declared unconditional (within the meaning of the Takeovers Code).

12. Rights on a scheme of arrangement

In the event of a compromise or arrangement between our Company and its members or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of our Company (other than any relocation schemes as contemplated in Rule 10.18(3) of the GEM Listing Rules), our Company shall give notice thereof to all grantees on the same date as it gives notice of the meeting to its members or creditors to consider such a scheme of arrangement, and thereupon the grantee may, by notice in writing to our Company accompanied by the remittance for the total exercise price payable in respect of the exercise of the relevant option (such notice to be received by our Company not later than two Business Days (excluding any period(s) of closure of our Company's share registers) prior to the proposed meeting) exercise the option (to the extent exercisable as at the date of the notice to the grantee and not exercised) either in full or in part and our Company shall, as soon as possible and in any event no later than the Business Day (excluding any period(s) of closure of our Company's share registers) 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 credited as fully paid and registered the grantee as holder thereof.

13. Rights on a voluntary winding up

In the event notice is given by our Company to its shareholders to convene a shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind up our Company, our Company shall forthwith give notice thereof to the grantee and the grantee may, by notice in writing to our Company accompanied by the remittance for the total exercise price payable in respect of the exercise of the relevant option (such notice to be received by our Company not later than two Business Days (excluding any period(s) of closure of our Company's share registers) prior to the proposed meeting) exercise the option (to the extent exercisable as at the date of the notice to the grantee and not exercised) either in full or in part and our Company shall, as soon as possible and in any event no later than the Business Day (excluding any period(s) of closure of our Company's share registers) immediately prior to the date of the proposed shareholders' meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise.

14. Rights attaching to Shares upon exercise of an option

Shares issued and allotted upon the valid exercise of an option will rank *pari passu* in all respects with the other Shares of the same class in issue at the date of allotment.

15. Lapse of options

An option (to the extent such option has not already been exercised) shall lapse and not be exercisable on the earliest of:

- (a) the expiry of the option period;
- (b) the expiry of the periods referred to in paragraph 9;

- (c) the date of commencement of the winding-up of our Company;
- (d) the date on which the proposed compromise or arrangement becomes effective in respect of the situation contemplated in paragraph 12;
- (e) the date of which the grantee who is an employee ceases to be an employee by reason of the termination of his/her employment on the grounds that he/she has been guilty of serious misconduct, or has become insolvent or is unable or has no reasonable prospects of being able to pay his/her debts within the meaning of the Bankruptcy Ordinance (Chapter 6 of the Laws of Hong Kong) or has made any arrangements or composition with his/her creditors generally, or has been convicted of any criminal offence involving his/her integrity or honesty;
- (f) the happening of any of the following events, unless otherwise waived by our Board:
 - (i) any liquidator, provisional liquidator, receiver or any person carrying out any similar function has been appointed anywhere in the world in respect of the whole or any part of the asset or undertaking of the grantee (being a corporation);
 - (ii) the grantee (being a corporation) has ceased or suspended payment of its debts, becomes unable to pay its debts (within a meaning of section 178 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or any similar provisions under the Companies Law) or otherwise become insolvent;
 - (iii) there is unsatisfied judgment, order or award outstanding against the grantee or our Company has reason to believe that the grantee is unable to pay or to have no reasonable prospect of being able to pay his/her/its debts;
 - (iv) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in sub-paragraphs (i), (ii) and (iii) above;
 - (v) a bankruptcy order has been made against the grantee or any Director of the grantee (being a corporation) in any jurisdiction; or
 - (vi) a petition for bankruptcy has been presented against the grantee or any Director of the grantee (being a corporation) in any jurisdiction;
- (g) the date on which a situation as contemplated under paragraph 7 arises;
- (h) the date on which the grantee commits a breach of any terms or conditions attached to the grant of the option, unless otherwise resolved to the contrary by our Board; or

- (i) the date on which our Board resolves that the grantee has failed or otherwise is or has been unable to meet the continuing eligibility criteria as may be prescribed pursuant to paragraph 8.

16. Cancellation of options granted

Our Board shall have the absolute discretion to cancel any options granted at any time at the request of the grantee provided where an option is cancelled and a new option can only be proposed to be granted to the same grantee if there are available Shares in the authorised but unissued share capital of our Company comprising in ungranted options (excluding all the cancelled options) within the limits referred to in paragraph 5.

17. Period of the Share Option Scheme

Options may be granted to Eligible Persons under the Share Option Scheme during the period of 10 years commencing on the effective date of the Share Option Scheme.

18. Alteration to Share Option Scheme and termination

- (a) The Share Option Scheme may be altered in any respect by a resolution of our Board except that the provisions of the Share Option Scheme relating to matters contained in Rule 23.03 of the GEM Listing Rules shall not be altered to the advantage of grantees or prospective grantees except with the prior approval of the shareholders of our Company in general meeting.
- (b) Any alteration to the terms and conditions of the Share Option Scheme which is of a material nature, must be approved by the shareholders of our Company in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (c) Our Company by ordinary resolution in general meeting or our Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but the provisions of the Share Option Scheme shall remain in force in all other respects.

19. Conditions of the Share Option Scheme

The Share Option Scheme is conditional upon (a) shareholders' approval; and (b) the GEM Listing Committee granting approval of the listing of and permission to deal in any Shares which may be issued and allotted pursuant to the exercise of options in accordance with the terms and conditions of the Share Option Scheme.

20. Administration of the Share Option Scheme

The Share Option Scheme shall be administered by our Board whose decision (save otherwise provided in the Share Option Scheme) shall be final and binding on all parties.

As at the Latest Practicable Date, no options have been granted by our Company under the Share Option Scheme.

Application has been made to the Listing Division for the listing of, and permission to deal in the Shares which may fall to be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme.

E. OTHER INFORMATION

1. Indemnity

Mr. Shiu and Real Charm (collectively the “**Indemnifiers**”) have entered into the Deed of Indemnity with and in favour of our Company (for itself and as trustee for each of our subsidiaries) whereby they have given joint and several indemnities in connection with, among other matters:

- (a) the amount of any and all taxation falling on any member of our Group resulting from or by reference to any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into or occurring on or up to the date of the Deed of Indemnity, whether alone or in conjunction with any other circumstances whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm or company, including any and all taxation resulting from the receipt by any member of our Group of any amounts paid by the Indemnifiers;
- (b) all costs (including all legal costs), expenses, interests, penalties or other liabilities which any member of our Group may reasonably and properly incur in connection with:
 - (i) the investigation, assessment or the contesting of any claim;
 - (ii) the settlement of any claim;
 - (iii) any legal proceedings in which any member of our Group claims under or in respect of the Deed of Indemnity and in which judgment is given in favour of any member of our Group; or
 - (iv) the enforcement of any such settlement or judgment;
- (c) In the event of loss, reduction, modification, cancellation or deprivation of any relief or of a right to repayment of any form of taxation, the amount of such relief or repayment or (if smaller) the amount by which the liability to any such taxation of the member of our Group would have been reduced by relief if there had been no loss, reduction, modification, cancellation or deprivation as aforesaid (but only to the extent that the relief would otherwise have been capable of full utilisation by any of the member of our Group), applying the relevant rates of taxation in force in the period or periods in respect of which relief would have applied or (where the rate has at the relevant time not been fixed) the last known rate and assuming that relief was capable of full utilisation by any of the member of our Group;
- (d) any costs, expenses, losses and damages which any member of our Group may suffer from Bortex Industry not having fully complied with the relevant rules and regulations in the PRC in relation to the registration and/or contribution of housing provident fund

for conducting the businesses of Bortex Industry, including outstanding housing provident fund, claims, potential penalties and fines and/or all costs, expenses, losses and damages which might be payable by Bortex Industry and/or any member of our Group as a result of or in connection the failure of Bortex Industry to register and/or to contribute towards housing provident fund, on or before the Listing Date; and

- (e) any losses, liabilities or damages suffered by or falling on any member of our Group in respect of and to the extent arising from or relating to operations before the Listing Date including losses, liabilities or damages suffered by such member of our Group in respect of and to the extent of arising from or relating to the non-compliance of any legal and/or regulatory requirements of any jurisdiction, including but not limited to, failure to maintain proper corporate books and records or attending to filing or updating of corporate documents with relevant authorities.

The Indemnifiers will, however, not be liable under the Deed of Indemnity where, among others,

- (i) to the extent that provision has been made for such taxation or claim in the audited accounts of any of the members of our Group;
- (ii) to the extent that such taxation or liability would not have arisen but for any act or omission by any of the members of our Group voluntarily effected without the prior written consent or agreement of the Indemnifiers (such consent or agreement not to be unreasonably withheld or delayed), otherwise than in the ordinary course of business after the date of the Deed of Indemnity;
- (iii) for which any of the members of our Group is primarily liable as a result of transactions entered into in the ordinary course of business after the Listing Date;
- (iv) to the extent that such taxation or claim arises or is incurred as a result of the imposition of taxation or claims as a consequence of any retrospective change in the law or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or any other relevant authority (including the Cayman Islands and the BVI) coming into force after the date of the Deed of Indemnity or to the extent such taxation or claim arises or is increased by an increase in rates of taxation or claim after the date of the Deed of Indemnity with retrospective effect; and
- (v) to the extent of any provision or reserve made for taxation in the audited accounts of any of the members of our Group which is finally established to be an over-provision or an excessive reserve in which case the Indemnifiers' liability (if any) in respect of taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied pursuant to the foregoing to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

Our Directors have been advised that no material liability for estate duty is likely to fall on any member of our Group in the Cayman Islands, the BVI and Hong Kong.

2. Litigation

As at the Latest Practicable Date, no member of our Group was engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance is known to our Directors to be pending or threatened against any member of our Group.

3. Sponsor

The Sponsor has made an application on behalf of our Company to the Listing Division for the listing of and permission to deal in the Shares in issue and to be issued as mentioned herein, including any options which may be granted under the Share Option Scheme. The Sponsor has confirmed to the Stock Exchange that they are independent from our Company and satisfy Rule 6A.07 of the GEM Listing Rules. The Sponsor is entitled to a fee in the amount of HK\$4.75 million as the Sponsor to our Company for the Listing (the “**Sponsor Fee**”). The Sponsor Fee relates solely to services provided by the Sponsor in the capacity of a sponsor, and not other services which it may provide, such as (without limitation) bookbuilding, pricing and underwriting.

4. Compliance adviser

In accordance with the requirements of the GEM Listing Rules, our Company has appointed Ample Capital Limited as its compliance adviser to provide advisory services to our Company to ensure compliance with the GEM Listing Rules for a period commencing on the date of listing of our Company and ending on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date.

5. Preliminary expenses

The estimated preliminary expenses of our Company are approximately HK\$43,000 and are payable by our Company.

6. Promoter

Our Company has no promoter for the purpose of the GEM Listing Rules.

7. Qualifications of experts

The qualifications of the experts (as defined under the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the GEM Listing Rules) who have given their opinions or advice in this prospectus are as follows:

Name	Qualification
Ample Capital Limited	A corporation licensed to carry on business in types 4, 6 and 9 regulated activities (advising on securities, advising on corporate finance and asset management) under the SFO
HLB Hodgson Impey Cheng Limited	Certified public accountants
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
GFE Law Office	Legal advisers on the PRC law
HLB Hodgson Impey Cheng Risk Advisory Services Limited	Internal control consultant
Ipsos Limited	Industry consultant
RSM Tax Advisory (Hong Kong) Limited	An independent tax adviser to advise on the Hong Kong transfer pricing arrangement between Bortex International and Bortex Industry in light of the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations, the provisions in the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) relevant to transfer pricing, and Hong Kong Inland Revenue Department's published guidelines on transfer pricing
Shenzhen Jiaxinrui Taxation Agency Company Limited	An independent tax adviser to advise on the transfer pricing arrangement of our Company under the PRC laws

8. Consents of experts

The Sponsor, HLB Hodgson Impey Cheng Limited, Conyers Dill & Pearman, GFE Law Office, HLB Hodgson Impey Cheng Risk Advisory Services Limited, Ipsos Limited, RSM Tax Advisory (Hong Kong) Limited and Shenzhen Jiaxinrui Taxation Agency Company Limited have given and have not withdrawn their respective written consents to the issue of this prospectus with

copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

9. Share register

The register of members of our Company will be maintained in the Cayman Islands and a branch register of members will be maintained in Hong Kong by Tricor Investor Services Limited (the “**Hong Kong Branch Share Registrar**”). Unless our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, the Hong Kong Branch Share Registrar and may not be lodged in the Cayman Islands.

10. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

11. Miscellaneous

Save as disclosed in this prospectus:

- (a) within the two years immediately preceding the date of this prospectus, no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
- (b) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (c) within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any shares or loan capital of our Company or any of its subsidiaries;
- (d) within the two years immediately preceding the date of this prospectus, no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares in or debentures of our Company;
- (e) since 30 April 2017, being the date to which the latest audited combined financial statements of our Group were made up, and up to the date of this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Company;
- (f) no founder, management or deferred shares of any member of our Group have been issued or agreed to be issued;

- (g) all necessary arrangements have been made enabling the Shares to be admitted into CCASS;
- (h) our Company has no outstanding convertible debt securities;
- (i) our Directors confirm that none of them shall be required to hold any shares by way of qualification and none of them has any interest in the promotion of our Company;
- (j) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 24 months immediately preceding the date of this prospectus;
- (k) none of the equity or debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought from any other stock exchange; and
- (l) The English text of this prospectus shall prevail over the Chinese text.

12. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption in section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

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 copies of the White and Yellow Application Forms, the written consents referred to in the section headed “Statutory and General Information — E. Other Information — 8. Consents of experts” set out in Appendix IV to this prospectus, and copies of the material contracts referred to in the section headed “Statutory and General Information — B. Further Information about Our Business — 1. Summary of material contracts” set out in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Vincent T.K. Cheung, Yap & Co. at 11th Floor, Central Building, 1-3 Pedder 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 Memorandum and the Articles;
- (b) the accountants’ report on our Group prepared by HLB Hodgson Impey Cheng Limited, the text of which is set out in Appendix I to this prospectus;
- (c) the audited financial statements of the companies now comprising our Group (other than Harvest Mount) for each of the three financial years ended 30 April 2017 (or for the period since their respective dates of incorporation/establishment where it is a shorter period);
- (d) the letter on unaudited pro forma financial information issued by HLB Hodgson Impey Cheng Limited, the text of which is set out in Appendix II to this prospectus;
- (e) the letter prepared by Conyers Dill & Pearman summarizing certain aspects of Cayman Islands company law referred to in Appendix III to this prospectus;
- (f) the Companies Law;
- (g) the service agreements and letters of appointment referred to in the section headed “Statutory and General Information — C. Further Information about Directors, Chief Executive and Substantial Shareholders — 2. Particulars of service agreements and letters of appointment” in Appendix IV to this prospectus;
- (h) the rules of the Share Option Scheme referred to in the section headed “Statutory and General Information — D. Share Option Scheme” in Appendix IV to this prospectus;
- (i) the material contracts referred to in the section headed “Statutory and General Information — B. Further Information about Our Business — 1. Summary of material contracts” in Appendix IV to this prospectus;
- (j) the written consents referred to in the section headed “Statutory and General Information — E. Other Information — 8. Consents of experts” in Appendix IV to this prospectus;

- (k) the legal opinion issued by GFE Law Office, our legal advisers as to PRC law, in relation to certain aspects of our Group;
- (l) the report on internal control review issued by HLB Hodgson Impey Cheng Risk Advisory Services Limited, our internal control consultant;
- (m) the Ipsos Report;
- (n) the report on our Group's transfer pricing arrangement from the Hong Kong tax law perspective, prepared by RSM Tax Advisory (Hong Kong) Limited, our Hong Kong Tax Advisers; and
- (o) the report on our Group's transfer pricing arrangement from the PRC tax law perspective, prepared by Shenzhen Jiaxinrui Taxation Agency Company Limited, our PRC Tax Advisers.

Bortex Global Limited
濠亮環球有限公司*